ASSESSMENT OF PERFORMANCE OF PURCHASING FUNCTION IN TANZANIAN PRIVATE FIRMS IN PRODUCTION SECTOR: THE CASE STUDY OF BAKHRESA FOOD PRODUCTS LIMITED; FRUIT JUICE PROCESSING DIVISION
ASSESSMENT OF PERFORMANCE OF PURCHASING FUNCTION IN TANZANIAN PRIVATE FIRMS IN PRODUCTION SECTOR: THE CASE STUDY OF BAKHRESA FOOD PRODUCTS LIMITED.

By
Adolf A. Mng’anya

A Dissertation Submitted in Partial Fulfilment of the Requirements for the Award of the Degree of Master of Business Administration in Corporate Management (MBA-CM) of Mzumbe University.
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled “Assessment of Performance of Purchasing Function in Tanzanian Private Sector” A Case Study of Bakhresa Food Products Limited; in partial fulfillment of the requirements for award of the degree of Master of Business Administration of Mzumbe University.

Major Supervisor

Internal Examiner

Accepted for the Board of ........................................

DEAN, DIRECTOR FACULTY/DIRECTORATE BOARD
DECLARATION

I, Adolf A. Mng’anya, declare that this thesis is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

Signature ___________________________

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ACKNOWLEDGEMENT

The ultimate and successful completion of this work is result of the support I received from many people to whom I would like to express my heartfelt gratitude. I would like first and foremost to thank the Almighty God my creator who gave me an opportunity to pursue my studies to the degree of Master of Business Administration of Mzumbe University.

I wish to express my special thanks to my supervisor, Mr. Mzee Zaburi who from the beginning of this work provided me with solid intellectual guidance, constructive criticism and offered me a very useful advice in preparation of this work. To him I am greatly indebted.

I also owe special debt of gratitude to the management of Bakhresa Food Products Limited; fruit juice processing division for allowing me to conduct my study in their company, special thanks goes to all staff of Bakhresa Food Products Limited; fruit juice processing division particularly those under procurement and supplies department who participated in this study, for information and assistance they gave me during my field research.

Last but not least, I wish to express my special thanks to my close friends, just mention few of them; Mr. Mwampashe, Mr. Omary Suleiman Kuwe, Mr. Gabriel Masambua, Mr. Kassanga, Mr. Lyimo and my secretary
DEDICATION

This work is dedicated to my family, my lovely wife Sigifrida Adolf and my children Goodluck, Brian, Careen and Maurine for their love, care, encouragement, prayers and support during my studies. This success is equally yours.
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<tr>
<td>BFPL</td>
<td>Bakhresa Food Products Limited</td>
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<tr>
<td>CEO</td>
<td>Chief Operations Officer</td>
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<td>CPO</td>
<td>Chief Procurement Officer</td>
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<tr>
<td>GA</td>
<td>Genetic Algorithms</td>
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<tr>
<td>ISM</td>
<td>Institute for Supply Management</td>
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<tr>
<td>JIT</td>
<td>Just In Time</td>
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<tr>
<td>MRO</td>
<td>Materials Request Order</td>
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<td>NAPM</td>
<td>National Association of Purchasing Management</td>
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<tr>
<td>ROCE</td>
<td>Return on Capital Employed</td>
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<tr>
<td>ROI</td>
<td>Return on Investment</td>
</tr>
<tr>
<td>T&amp;L</td>
<td>Traffic and Logistics</td>
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<tr>
<td>TCO</td>
<td>Total Cost of Ownership</td>
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<td>United States</td>
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ABSTRACT

Today’s companies are striving to improve the performance of their purchasing functions, where cost of materials, savings through reduced materials rejected and quality of materials purchased as well as smooth inventory flow to facilitate continuous production are the main factors that determine performances of purchasing function. The objective was to assess the performance of purchasing function aimed to bring knowledge about performance of purchasing function in private firm in production sector. The study used interpretive philosophy where the design for this study was a case study. Quantitatively data collected were summarized to ensure that they are in the form suitable for addressing both research questions and the method of analysis used.

The study realized that measuring purchasing performance is important as the purchasing department plays an ever increasingly important role in the supply chain in an economic downturn. A reduction in the cost of raw material and services allows companies to competitively market the price of their finished goods in order to win business. It was realized that the performance of the purchasing function at Bakhresa Food Products Limited is measured using a variety of measurements. It was revealed that these measurements are relevant to the performance of its purchasing department. The study concludes that cost saving, vendor quality, delivery metrics, price effectiveness, transportation cost and inventory flow employees are the main factors used in evaluating the performance of its purchasing function.

It was recommended that the company should improve its effort on obtaining the right information and right sizing their vendor list and vendor costs, Leverage their volume with their vendors and that purchasing and finance should form a team to identify current spending and where the greatest opportunities for improvement exist.
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CHAPER ONE

OVERVIEW OF THE STUDY

1.1 Introduction
This chapter gives the background information of the study to assess the factors for effectiveness and performance of purchasing function in private sector. It entails the historical background, stating the problem, the study objectives, significances and the research questions to guide this study.

Purchasing is a key consideration for the any business entity. The purchasing function directly supports the operating activities of the business lines and contributes to their efficacy. Purchasing plays an important part in the Group’s efficiency programme. This being the case, a Purchasing Efficiency Plan has been compiled, comprising a set of initiatives for improvements by purchase category, together with synergy objectives between group entities (Harrington, 1997). Organizations need to achieve continuous process improvement in order to produce their products or services more effectively. There are many ways a firm can organize the purchasing function in its quest to achieve this objective. Purchasing role in the organization depends on management's perspective of the function. Organizational planning and delegation are important segments of the integration of strategic goals and organizational designs. However, successfully making the transition from an operational, trouble-avoidance function to an integrated supply chain organization requires the acknowledgment and recognition by others in the organization that the purchasing function does play a strategic role in the organization (Hadeler & Bernhard, 1994).

1.2 Background Information to the Problem
Prior to 1900, there were few separate and distinct purchasing departments in U.S. business. Most pre-twentieth-century purchasing departments existed in the railroad industry. The first book specifically addressing institutionalized purchasing within
this industry was The Handling of Railway Supplies Their Purchase and Disposition (Kirkman, 1887).

Early in the twentieth century, several books on purchasing were published, while discussion of purchasing practices and concerns were tailored to specific industries in technical trade publications. The year 1915 saw the founding of The National Association of Purchasing Agents. This organization eventually became known as the National Association of Purchasing Management (NAPM) and is still active today under the name The Institute for Supply Management (ISM) (Burt, et al, 2003) Early buyers were responsible for ensuring a reasonable purchase price and maintaining operations (avoiding shutdowns due to stockouts). Both World Wars brought more attention to the profession due to the shortage of materials and the alterations in the market. Still, up until the 1960s, purchasing agents were basically order-placing clerical personnel serving in a staff-support position (Burt, et al, 2003) In the late 1960s and early 1970s, purchasing personnel became more integrated with a materials system. As materials became a part of strategic planning, the importance of the purchasing department increased. In the 1970s the oil embargo and the shortage of almost all basic raw materials brought much of business world's focus to the purchasing arena. The advent of just-in-time purchasing techniques in the 1980s, with its emphasis on inventory control and supplier quality, quantity, timing, and dependability, made purchasing a cornerstone of competitive strategy (Caridi et al, 2004).

By the 1990s the term "supply chain management" had replaced the terms "purchasing," "transportation," and "operations," and purchasing had assumed a position in organizational development and management. In other words, purchasing had become responsible for acquiring the right materials, services, and technology from the right source, at the right time, in the right quantity. Only in small firms is purchasing still viewed as a clerical position. When one notes that, on average, purchasing accounts for over half of most organizations' total monetary expenditures; it is no wonder that purchasing is marked as an increasingly pivotal position (Chen et al, 2004).
Professional purchasers work to enhance overall performance in supply-related areas in particular and the organization in general. Many organizations in their quest to improve performance are deftly focusing on both efficiency and effectiveness. While both are critically important, sometimes purchasers must choose the proportion of resources allocated to either efficiency or effectiveness. The effort allocation decision by purchasers is a key success ingredient. The paper focuses on variables influencing the decision and various representative examples (Mehra et al, 2004) 

A collage of integrative efforts is required for sustained performance in purchasing. There is no one best route to long-term purchasing success. There is an ever-present struggle to balance efforts to enhance both purchasing efficiency and effectiveness. In the short-run, many purchasers mistake efficiency measures for effectiveness and thus lose sight of strategic initiatives required for prolonged success. The proportionality of the two chosen by management is a function of values, acumen, environment, and situation. Given the variety and enormity of variables to juggle to attain and sustain purchasing success, answers are not easily forthcoming (Caridi et al 2004)

Purchasing performance measurement is a daunting task. Yet, it is one of the most important and significant contributions a supply management professional can make. Assessing purchasing performance occupies wide spans on the formal-informal spectrum. Some organizations have structured, sophisticated approaches to determining performance in supply management, while others have a more casual, non-structured approach. Both have some merits and both are plagued by the same critical questions - What to measure? Why it should be measured? Will the results from measurement really impact functional and/or organizational behavior? Quite often assessment of purchasing performance has an inward focus and fails to target adequately the external variables that also impact performance (Chang et al, 2004)
1.3 Research Problem

Dixon et al (2010) argues that, In addition to purchasing the products needed in the production process, the purchasing department is also responsible for developing and maintaining a network of vendors, and sharing information with other departments about new products, processes, materials and services. In other words, the purchasing department must ensure that the right equipment, materials, and supplies and services are procured in the right quantity, from the right source, at the right time, and at a competitive price.

A number of studies have been carried out on purchasing performance and the results have noted that there is no one method that will cover every purchasing department. However, there are a number of key measures that are found to be common in evaluating performance, namely; cost saving, vendor quality, delivery metrics, price effectiveness and inventory flow (Sekaran & Bougie, 2010). Although these key measures are common, the weight placed on these measures is by no means uniform and will vary between industry to industry and business to business. In addition the importance of these measures to the overall performance of a purchasing department will change over time and therefore need to be assessed and modified on a periodic basis, (Parikh & Joshi, 2009)

Today’s companies are striving to improve the performance of their purchasing functions, where cost of materials, savings through reduced materials rejected and quality of materials purchased as well as smooth inventory flow to facilitate continuous production are the main factors that determine performances of purchasing function (Sekaran & Bougie, 2010). The performance of purchasing function in private firms in production sector is still not clear especially on how the firm achieve cost reduction, savings, reduction of transportation and shipment costs and achievement in savings and material flows. Hence this study aimed to bring knowledge about the performance of purchasing function in private firms Tanzanian private sector particularly in food and beverage processing industries.
1.4 Research Objectives

1.4.1 General Objectives
The general objective of this study was to assess the performance of purchasing function in Bakhresa Food Products Limited.

1.4.2 Specific Objectives
(i). To establish the factors influencing performance of the purchasing function
(ii). To establish the performance measures of the purchasing function
(iii). To measure the performance of the purchasing function in Bakhresa Food Products Limited.

1.5 Research Questions

1.5.1 General Question
The general question of this study was “What are the factors for performance of the purchasing function in Bakhresa Food Products Limited?

1.5.2 Specific Question
(i). What are the factors influencing performance of the purchasing function?
(ii). What are the performance measures of the purchasing function?
(iii). What is the performance of the purchasing function in Bakhresa Food Products Limited?

1.6 Significance of the Study
Academically, the completion of this study will make other researchers make references on literature, on the findings and on the observation made by this study. Also provides basis for further researchers as well as provision of literatures to other scholars.
Also the study suggests measures and best way for improving performances of supplies management system used to enables the organization to adhere for necessary improvement of its purchases management system for better performances. The study exposes the effectiveness of purchases performance management in local food and beverage processing companies in Tanzania, and determines their impacts on warehouse administrative cost.

Apart from that it examines their reliability and for effective purchases performances and this provides an opportunity to other private companies adopting and applying such factors for improvement of their products and services in the market.

1.7 Scope of the Study
The study focus on assessing the performance of purchasing function in Tanzanian private firm in production sector, it aims to bring the knowledge on performance of purchasing function in private form in production sector. Where it establishes the factors that influence performance of the purchasing function, also establishes the performance measures of the purchasing function and measure the performance of the purchasing function in the organization under study.

The study covers the private manufacturing companies, particularly of food processing industries. Taking Bakhresa Food Products Limited, Fruit Juice Processing Division as case study to represent other private firms. The study covers only one factory, Fruit Juice Processing Division located at Vingunguti area, along Nyerere road in Dar’s Salaam region.

1.8 Limitations of the Study
The study faced the following limitations;
Privacy: some of the respondents were reluctant to give information due to confidentiality of the information i.e. some information is not made for public use. The researcher made effort on giving explanation and assurance of anonymity and confidentiality of the information collected to participants. This was done in order to avoid irrelevant information to be collected. The researcher also adhered to ethical
issues such as secrecy and confidentiality. No name of the respondent was mentioned in the study.

**Time Constraints:** it was difficult to get genuine answers especially from top management due to the time constraints. Also the researcher being an employee faced time limitation; time limited the study, however to overcome such situation the researcher took an annual leave so as to have more time for accomplishing this study.

**Financial Const:** the study was faced by financial constrain due to lack of sponsorship and it forced the researcher to use the little money he had and looked for financial assistance from his family and relative to finance the research project.

**1.9 Delimitation of the Study**

Basing on the fact that Bakhresa Food Products Limited promotes corporate social responsibility (CSR) through public relations activities this influence cooperation and ease flow of information to the public through management respondents as well as employees to provide various information to the public relating to various products and services provided by the company, and contributions of the company in community development, this made easier for the researcher in obtaining valid and relevant information required by the study.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introductions
This chapter presents a review of literature and gives definitions of various concepts used as basis to argue upon the factors for effectiveness and performance of purchasing function in private sector. In this chapter, relevant theories and definitions were used in explaining relationship between variables followed by the conceptual framework that provided the roadmap of the study.

2.2 Conceptual Definitions

2.2.1 Purchasing
Purchasing is the act of buying the goods and services that a company needs to operate and/or manufacture products. In other words, Purchasing refers to a business or organization attempting for acquiring goods or services to accomplish the goals of the enterprise. Though there are several organizations that attempt to set standards in the purchasing process, processes can vary greatly between organizations (Caridi et al., 2004).

Typically the word “purchasing” is not used interchangeably with the word “procurement”, since procurement typically includes Expediting, Supplier Quality, and Traffic and Logistics (T&L) in addition to Purchasing. Given that the purchasing department of an average company spends an estimated 50 to 70 percent of every revenue dollar on items ranging from raw materials to services, there has been greater focus on purchasing in recent years as firms look at ways to lower their operating costs. Purchasing is now seen as more of a strategic function that can be used to control bottom-line costs. Companies are also seeking to improve purchasing processes as a means of improving customer satisfaction (Williams, 2000).
2.2.2 Purchasing Process
The Purchasing Process is a framework that describes the actual process for goods and services procurement including purchase order creation, vendor selection and relations, and merchandise receiving techniques (Hadeler & Bernhard, 1994).

2.2.3 Purchasing Responsibilities
Purchasing Responsibilities details purchasing function organization and staffing and includes information on areas such as staff development and interfacing with the users (Kulkarni, 1997).

2.2.4 Competitive Procurement Options
Competitive Procurement Options addresses competitive procurement options including legal requirements for procurement and award of contracts (Hadeler C., & Bernhard J. 1994).

2.2.5 True Cost
This is an economic model that seeks to include the cost of negative externalities into the pricing of goods and services. Supporters of this type of economic system feel products and activities that directly or indirectly cause harmful consequences to living beings and/or the environment should be accordingly taxed to reflect the somewhat hidden costs (Williams, 2000).

2.2.6 Transportation Improvements
This refers to the situation when a purchasing department negotiates with a carrier or number of carriers to reduce the cost of transporting items from the vendor to the production facilities, the unit cost of the item will be reduced. This cost saving can be used as a measurement of effectiveness (Burt, et al, 2003).

2.2.7 Savings
This refers to the situation when the purchasing department procure an item at a lower price than they did previously, then it is a cost saving. This can occur when a new supplier is found, a less costly substitute item is used, a new contract has been signed
with the vendor, a cheaper transportation method has been found or the purchasing department has negotiated a lower price with the existing supplier (Burt, et al, 2003).

2.2.8 Purchasing Functionality
The primary function of the department is to provide the correct item at the required time at the lowest possible cost. Purchasing performance can be measured against the functional requirements of the purchasing function. The performance measurement can take into account these elements, but it does not take into account factors that may relate to the supplier stability, material quality issues and supplier discounts (Chen et al, 2004).

2.3 Theoretical Basis of the Study

2.3.1 Introduction to Effective purchasing
Purchasing and supply focuses on sourcing, pricing and buying the right things, at the right price and at the right time in order to deliver a service or product. Effective purchasing help an organization to reduce costs, maintain quality and manage the levels of risk to its supply chain. The scale or importance of the item is relative to the level of risk to the business (Burt, et al, 2003).

Those involved in purchasing and supply are in a position to consider every stage of a business’ processes, from raw materials to waste management. This ‘helicopter view’ can help a procurement manager to spot ways of making efficiencies or opportunities to improve the quality of products or services bought. They can see not just internal impacts, but also what is happening in the external environment and the marketplace. This can help to generate new ideas to add value to the business, identify how it can increase competitive advantage or improve sustainability (Caridi et al, 2004)
2.3.2 Factors for Purchasing

The importance of purchasing in any firm is largely determined by the four factors: availability of materials, absolute dollar volume of purchases, percent of product cost represented by materials, and the types of materials purchased. Purchasing must concern itself with whether or not the materials used by the firm are readily available in a competitive market or whether some are bought in volatile markets that are subject to shortages and price instability. If the latter condition prevails, creative analysis by top-level purchasing professionals is required (Chen et al, 2004).

If a firm spends a large percentage of its available capital on materials, the sheer magnitude of expense means that efficient purchasing can produce a significant savings. Even small unit savings add up quickly when purchased in large volumes. When a firm's materials costs are 40 percent or more of its product cost (or its total operating budget), small reductions in material costs can increase profit margins through savings resulted from affordable transportation or freight cost, and reasonable prices of items. In this situation, efficient purchasing and purchasing management again can make or break a business (Burt, et al, 2003).

Perhaps the most important of the four factors is the amount of control purchasing and supply personnel actually have over materials availability, quality, costs, and services. Large companies tend to use a wide range of materials, yielding a greater chance that price and service arrangements can be influenced significantly by creative purchasing performance. Some firms, on the other hand, use a fairly small number of standard production and supply materials, from which even the most seasoned purchasing personnel produce little profit, despite creative management, pricing, and supplier selection activities (Caridi et al, 2004).

2.3.3 The Role of Purchasing

There are two basic types of purchasing: purchasing for resale and purchasing for consumption or transformation. The former is generally associated with retailers and wholesalers. The latter is defined as industrial purchasing (Harrington, 1997).
Purchasing can also be seen as either strategic or transactional. Also, the words "direct" and "indirect" have been used to distinguish the two types. Strategic (direct) buying involves the establishment of mutually beneficial long-term relationships between buyers and suppliers. Usually strategic buying involves purchase of materials that are crucial to the support of the firm's distinctive competence. This could include raw material and components normally used in the production process. Transactional (indirect) buying involves repetitive purchases, from the same vendor, probably through a blanket purchase order. These orders could include products and services not listed on the bill of materials, such as MRO goods, but are used indirectly in producing the item (Burt, et al, 2003).

Some experts relate that the purchasing function is responsible for determining the organization's requirements, selecting an optimal source of supply, ensuring a fair and reasonable price (for both the purchasing organization and the supplier), and establishing and maintaining mutually beneficial relationships with the most desirable suppliers. In other words, purchasing departments determine what to buy, where to buy it, how much to pay, and ensure its availability by managing the contract and maintaining strong relationships with suppliers (Caridi et al, 2004).

In more specific terms, today's purchasing departments are responsible for: coordinating purchase needs with user departments; identifying potential suppliers; conducting market studies for material purchases; proposal analysis; supplier selection; issuing purchase orders; meeting with sales representatives; negotiating; contract administration; resolving purchasing-related problems; maintenance of purchasing records. These functions obviously entail no insignificant amount of responsibility (Caridi et al, 2004).

As the role of purchasing grows in importance, purchasing departments are being charged with even more responsibilities. Newer responsibilities for purchasing personnel, in addition to all purchasing functions, include participation in the development of material and service requirements and related specifications, conducting material and value-analysis studies, inbound transportation, and even
management of recovery activities such as surplus and scrap salvage, as well as its implications for environmental management (Chen et al, 2004).

In the 1970s and 1980s purchasing fell under the rubric of "materials management." Many corporations and individual facilities employed executives who held the title "materials manager," responsible for purchasing and supply management, inventory management, receiving, stores, warehousing, materials handling, production planning, scheduling and control, and traffic/transportation. Today, the term materials management has expanded to include all activities from raw material procurement to final delivery to the customer, to management of returns; hence, the newer title supply chain management (Chang et al, 2004).

As purchasing personnel became even more central to the firm's operations they became known as "supply managers." As supply managers, they are active in the strategic-planning process, including such activities as securing partnering arrangements and strategic alliances with suppliers; identification of threats and opportunities in the supply environment; strategic, long-term acquisition plans; and monitoring continuous improvement in the supply chain (Harrington, 1997).

A study by found that strategic purchasing enables firms to foster close working relationships with a limited number of suppliers, promotes open communication among supply chain partners, and develops a long-term strategic relationship orientation for achievement of mutual goals. This implies that strategic purchasing plays a synergistic role in fostering value-enhancing relationships and knowledge exchange between the firm and its suppliers, thereby creating value. In addition, supply managers are heavily involved in cross-functional teams charged with determining supplier qualification and selection, as well ensuring early supplier involvement in product design and specification development (Williams, 2000).

A comprehensive list of objectives for purchasing and supply management personnel would include: to support the firm's operations with an uninterrupted flow of materials and services; to buy competitively and wisely (achieve the best
combination of price, quality and service); to minimize inventory investment and loss; to develop reliable and effective supply sources; to develop and maintain healthy relations with active suppliers and the supplier community; to achieve maximum integration with other departments, while achieving and maintaining effective working relationships with them; to take advantage of standardization and simplification; to keep up with market trends; to train, develop and motivate professionally competent personnel; to avoid duplication, waste, and obsolescence; to analyze and report on long-range availability and costs of major purchased items; to continually search for new and alternative ideas, products, and materials to improve efficiency and profitability; and to administer the purchasing and supply management function proactively, ethically, and efficiently (Williams, 2000).

2.3.4 Determining Requirements

In progressive firms, purchasing has a hand in new product development. As a part of a product development team, purchasing representatives have the opportunity to help determine the optimal materials to be used in a new product, propose alternative or substitute materials, and assist in making the final decision based on cost and flow of material as well as its availability. Purchasing representatives may also participate in a make-or-buy analysis at this point. The design stage is the point at which the vast majority of the cost of making an item can be reduced or controlled (Harrington, 1997).

Whether or not purchasing had an impact on a product's design, the purchasing agent's input may certainly be needed when defining the materials-purchase specifications. Specifications are detailed explanations of what the firm intends to buy in order to get its product to market (Burt et al, 2003).

Generally specified is the product itself, the material from which it is to be made, the process for making it, minimum levels of quality, tolerances (a range in which a specified characteristic is acceptable, example an outer diameter must be a certain size, ±25 millimeters), inspection and test standards, and a specific function the product must perform (Chen et al, 2004).
If the product requires a standardized component, the specifications are easily communicated by specifying a trade or brand name. However, a custom part can complicate the situation considerably; if incorrectly manufactured, such a product can severely damage a relationship, resulting in unnecessary costs and possible legal action. It is the buyer's responsibility to adequately communicate the specifications to the supplier so that there is no misunderstanding (Mehra et al, 2004).

2.3.5 Supply Sourcing

Part of the sourcing decision involves determining whether to purchase a part from an outside supplier or produce the part internally. This is typically known as a make-or-buy decision. If the buyer chooses to purchase the part externally, then he must find qualified suppliers who are willing to make and sell the product to his or her firm under the specified conditions (Chang et al, 2004).

Sources of supply include manufacturer directories and trade registers. The best known of these is Thomas' Register of American Manufacturers, frequently referred to simply as the Thomas Register. With 125,000 trade and brand names, 151,000 U.S. and Canadian company listings, and 6,000 catalogs, it is a valuable tool for buyers. Practically every purchasing department has access to this source, either through the 34-volume book series (Caridi et al, 2004).

Suppliers also may be found at trade exhibits, in supplier catalogs, or via recommendations from other knowledgeable sources, such as salesmen and engineers. Probably the most important and frequently used source will soon be the World Wide Web; countless firms maintain Web pages and are listed in online catalogs and directories (Burt, et al, 2003).

Many firms find themselves in a situation where a suitable supplier cannot be found. In this situation, the firm is forced to develop a supplier. Supplier development is sometimes referred to as "reverse marketing," which entails finding the supplier with the most potential for success and providing the resources necessary for the supplier to manufacture the needed product. This could include training in production
processes, quality, and management assistance, as well as providing temporary personnel, tooling, and even financing (Williams, 2000).

When the product being purchased is fairly standard and readily available, most firms choose to utilize the competitive bidding process of supplier selection. This involves little or no negotiation. A request for bids is sent to a limited number of qualified suppliers asking for a price quote for the product, given the terms and conditions of the contract. The contract generally goes to the lowest bidder. For government bid requests, the contract legally must go to the lowest bidder qualified to fulfill the contract (Hadeler & Bernhard, 1994).

2.3.6 Negotiation

When competitive bidding is not the appropriate mechanism for reaching the purchasing department's objectives, the buyer turns to the process of negotiation. This does not indicate a second-choice alternative, since the negotiation process is more likely to lead to a complete understanding of all issues involved between the supplier and the purchasing firm. This improved understanding can greatly reduce the number and impact of unseen problems that may arise later (Hadeler C., & Bernhard J. 1994).

A number of circumstances dictate the use of negotiation. When a thorough analysis is required to solve a difficult make-or-buy decision, or when the risks and costs involved cannot be accurately predetermined, negotiation should be used. Also, when a buyer is contracting for a portion of the seller's production capacity rather than a product, negotiation is typically appropriate (Harrington, 1997).

Other circumstances where negotiation is favored include: when early supplier involvement is employed, when tooling and setup costs represent a large percentage of the supplier's costs, when production is interrupted frequently for change orders, or when a long time is required to produce the purchased products Meier, Ronald L., Michael A. Humphreys, and Michael R. Williams (1998).
If successful negotiation is to occur, the buyer must have a reasonable knowledge of what is being purchased, the process involved, and any factors that may affect cost, quality, delivery, and service. A thorough cost and/or price analysis is essential. The negotiating buyer must also know the strengths and weaknesses of the negotiating supplier, as well as his own. Also, in light of today's global marketplace, strong cultural awareness is a must. Through proper preparation and some negotiating skill, the purchasing agent should be able to secure a contract that fulfills his/her company's needs and is adequately beneficial to the supplier as well. (Meier et al, 1998)

2.3.7 Supplier Management
After locating proper suppliers and securing contracts, it then falls to the purchasing function to monitor and control the suppliers' performance until the contracts are fulfilled—and beyond, if further business is to be conducted. All purchasing organizations need some vehicle for assessing supplier performance. Many firms have formal supplier-evaluation programs that effectively monitor supplier performance in a number of areas, including quality, quantity delivery, on-time delivery, early delivery and savings (just-in-time users do not like early deliveries), cost, and intangibles (Williams, 2000).

For some firms, consistent supplier performance results in certification. Supplier certification generally implies (or in some cases formally asserts) that the supplier has been a part of a formal education program, has demonstrated commitment to quality and delivery, and has proven consistency in his processes. Frequently, organizations are able to take delivery from certified suppliers and completely bypass the receiving inspection process (Harrington, 1997) the buyer is also responsible for maintaining a congenial relationship with the firm's suppliers. If the buyer is an unreasonable negotiator, and does not allow the supplier to make an adequate profit, future dealings may be endangered. The supplier may refuse to deal with the buyer in the future, or the supplier may greatly increase the price of a product the buyer could not obtain elsewhere.
Also, relations can become strained when the buyer consistently asks for favored treatment such as expediting or constantly changing a particular order's delivery schedule (Kulkarni, 1997).

2.3.8 E-Purchasing

The Internet and e-commerce is drastically changing the way purchasing is done. Internet use in buying has led to the terms "e-purchasing" or "e-procurement." Certainly, communication needed in competitive bidding, purchase order placement, order tracking, and follow-up are enhanced by the speed and ease afforded by establishing online systems. In addition, negotiation may be enhanced and reverse auctions facilitated. Reverse auctions allow buying firms to specify a requirement and receive bids from suppliers, with the lowest bid winning (Kulkarni, 1997).

E-purchasing is considered one of the characteristics of a world-class purchasing organization characterized by cost reduction, time savings and easy shipment or transportation. The use of E-purchasing technologies in some firms has resulted in reduced prices for goods and services ion, shortened order-processing and fulfillment cycles, reduced administrative burdens and costs, improved control over off-contract spending, and better inventory control. It allows firms to expand into trading networks and virtual corporations. Criteria for e-purchasing include: Supporting complete requirements of production (direct) and non-production (indirect) purchasing through a single, internet-based, self-service system; Delivering a flexible catalog strategy; Providing tools for extensive reporting and analysis; Supporting strategic sourcing; Enhancing supply-chain collaboration and coordination with partners (Harrington, 1997).

2.4 Empirical Studies

The study conducted by Mihir A. Parikh, Kailash Joshi in 2009, titled purchasing process transformation: restructuring for small purchases. The Purpose of their study was to understand why Reducing purchasing costs remains an ongoing concern for most organizations. Their studies analyze a successful purchasing process transformation conducted at a utility company for small purchases. Design of their
study used a case study methodology to examine the transformation in detail and understand related issues such as benefits realization, resistance to change, and risk management involved in such transformation projects.

The finding in their study compares original and transformed purchasing processes and identifies resultant benefits to the company, participating vendors, banks, and employees. The standard purchasing process that works well for large purchases, however, generates proportionately much higher overhead and administrative costs for small purchases leading to purchase delays, high error rate, and poor vendor participation. Their study suggests that there is a need to develop separate purchasing processes for small and large purchases and evaluate underlying factors that affect such process transformation. It was found that a company receives many operational, informational, and accounting benefits in addition to purchasing cost savings. Their study it provides guidelines for similar restructuring for small purchases in other organizations.

The value of their study is that it offers a generic business process model for small purchases and employs equity-implementation model to explain the factors leading to the success in this purchasing process transformation and possibly other similar organizational transformations.

Cindy Claycomb, Richard Germain, Cornelia Dröge in their study titled total system JIT outcomes: inventory, organization and financial effects as published in International Journal of Physical Distribution & Logistics Management in year 1999. Their study examines total system JIT’s empirical relationships with a variety of performance outcomes. They argue that despite anecdotal evidence of the performance implications of just-in-time (JIT) implementation, little empirical research has been conducted Total system JIT encompasses JIT purchasing, JIT production, and JIT selling. In a mail survey of 200 logistics executives, total system JIT was found to be: inversely related to weeks of inventory (inclusive of inbound, in-process, and outbound); inversely related to the number of layers in various
functional areas (marketing); and positively related to three different indicators of financial performance (ROI, profits, and ROS).

Maged Georgy, and Sameh Y. Basily, in year 2008 conducted a study titled "Using genetic algorithms in optimizing construction material delivery schedules" The purpose of their study was to develop a systematic procedure and a computerized tool for optimizing the delivery and inventory of materials, as part of a comprehensive material management system in construction projects. A newly devised approach that employs genetic algorithms (GAs) for the optimization of material delivery schedules and their associated inventory control was presented. The approach is based on the project material requirement plans, and employs an objective function that minimizes the total costs associated with material deliveries. Furthermore, the computer system developed was used to examine and validate the adopted approach.

The findings show that GA proved to be a satisfactory approach for optimizing material delivery schedules and its associated inventory levels. The selected case study particularly showed the system to produce material delivery plans that have reduced costs compared with their actual counterparts. Also, the computer processing time for developing the optimized plans was rather minimal, which promote its practical use.

Implications of their study are that it addresses one part of the comprehensive material management system; that is the optimization of the material delivery schedules and inventory control. Other future publications by the same authors will address the issues of probabilistic lead time calculations and development of material ordering schedules. The paper partially fulfills a long-sought research need for developing comprehensive material management systems specifically tailored to construction projects. The system takes into account several parameters that are not typically incorporated in the economic order quantity models for material management. Furthermore, practicality of the introduced system is augmented by the fact that it is interlinked with one of the most commonly used scheduling software.
2.5 Conceptual Framework

The following diagram shows the conceptual framework of the study, it entails the relationship existing between the dependent variable, that is the effectiveness and performance of the purchasing function depends much on the four independent variables, that is the cost, savings, inventory flow and transportation.

Figure 2.1: Conceptual Framework Showing Relationship between Variables

As the matter of fact, that this study was concerned about assessing the performance of the purchasing function in local firms dealing with food and beverage processing plants, performance of purchases department is a basic and crucial task for any management team. The purchase of raw materials and equipment is the lifeline of a business, and savings in the cost of raw materials and services can mean the difference between a business making a profit or not. However, any organization needs a systematic approach if they want to efficiently evaluate the purchasing performance of an operation. The measurement variables for this study will include the followings.

Relationship of Variables

The conceptual framework above indicates the relationship existing between independent variables and dependent variable, where the performance of purchasing function in this case is the dependent variable that it depends on true cost, savings, transportation and inventory flow termed as independent variables. Where the lower the true cost, the higher the savings, the lower the transportation cost and favorable inventory flow results to high performance of the purchasing function and its vice versa.

(i). True Cost
The study gathered information to assess the cost of the products acquired by a purchasing department so as to evaluation method available to procurement department of the local processing industries. This was due to the fact that buying cheaper products is not always a useful measure of performance. Especially when raw materials do not meet quality standards or services do not meet expectations, they are costly to a company whatever their original price. When the true cost of services and raw materials is calculated by assessing related costs, such as returns, higher transportation costs, complaints and liability claims, a more accurate view of the purchasing performance is obtained.

(ii). Savings
A simple yet effective method of evaluating a business purchasing performance is to assess the savings made by the department as the business grows. This study gathered information to assess how the economy of scale states a larger production should bring savings throughout the production process including the cost of raw materials and services.

(iii). Inventory Flow
The price paid for a product is not always a reflection of the performance of a purchasing department. Some raw materials, such as agricultural products like fruits, fluctuate due to market forces, seasonality climatic conditions and which are out of
the control of purchasing executives. The study collected information to evaluate their efficiency by measuring the turnover rate of the stock, also the information about the numbers of times when stock turns over during an evaluation period. This will help the researcher to determine how agile and effective the business is.

(iv). Transportation
Although a purchasing department may not always have control over the price of products, the cost and quality of transportation is something efficient purchasing departments can negotiate with providers. The information were gathered to facilitate assessment on the rate of progress in the quality and savings in transportation especially in large contracts with providers, also the study looked closer into the companies purchasing negotiation methods.

2.6 Gap of Knowledge
Basing on the empirical literature review presented, it was realized that most of the studies conducted on inventory purchases were focused on processes, methodologies, standards, procedures of purchases, qualities of effective purchases and their applicability in globalized market economy. The effectiveness and performances of purchasing function in private sector particularly in production firms is still not clear especially on how the firms achieve cost reduction, savings, reduction of transport and shipment costs and achievement in savings and material flows. Hence this study aimed to bring knowledge about the effectiveness and performance of purchasing function in private sector.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the research methodology on how the Research is designed and how it was carried out. Sampling procedures, area of the study, methods of data collection and data analysis are clearly explained in this chapter.

3.2 Research Paradigm and Philosophy
Research philosophy can be defined as the development of the research background, research knowledge and its nature (Saunders and Thornhill, 2007). Research philosophy is also defined with the help of research paradigm. In the words of Cohen, Manion and Morrison (2000), research paradigm can be defined as the broad framework, which comprises perception, beliefs and understanding of several theories and practices that are used to conduct a research. It can also be characterized as a precise procedure, which involves various steps through which a researcher creates a relationship between the research objectives and questions.

The study used interpretive philosophy, Interpretivism philosophy can be referred as the social constructionism in the field of management research. According to this philosophical approach the researcher give importance to his beliefs and value to give adequate justification for a research problem (Easterby-Smith et al. 2006). With the help of this philosophical approach, the researcher will focus to highlight the real facts and figures according to the research problem. This kind of philosophical approach understand specific business situation (Kasi 2009). In this approach, the researcher used small sample and evaluate them in detail to understand the views of large people.
3.3 Research Design
The design for this study is the case study. Case study research excels at bringing to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research (Kothari, 1999). Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Assessment of effectiveness and performances of purchases in local food and beverage processing companies was found much simple to be done in case study since it involved a huge number of players practically impossible to be studied all at one time in a time constrained research.

3.4 Type of Measurements
The study employed nominal scale of measurement; this is the lowest measurement level to be used in qualitative research like this, from a statistical point of view. A nominal scale, as the name implies, was applied by simply placing of data into categories, without any order or structure. In this research activity a YES/NO scale was used to determine and identify factors for performance, as a matter of facts this scale has no order and there is no distance between YES and NO. Also, a scale of High/Average/low, or Good/Average/Poor was used to determine the performance of purchasing function.

3.5 Data Collection Methods and Approach
In collecting relevant data, basically the following methods and instruments were employed. These are Questionnaire, interviewing, and Documentary analysis.

3.5.1 Questionnaire
Questionnaire is an instrument in which a person asked to respond to the same set of questions in predetermined order. Saunders, et al (2000). Keya (1989) defined questionnaire as “a formatted set of questions that is drawn up to meet the objective of the study”. Structured questionnaire were administered to all respondents to get information on the matters related to the factors for effective supply chain
performance in government agencies. This instrument helped to gather information from a large number of people with minimum of costs.

Questionnaires were used to seek information about effectiveness and performance of purchasing function in private sector. Open and Closed end questionnaires were used to collect the required data. Open questionnaires were giving more freedom to the respondents to properly present their views and opinions while closed questionnaires helped to save time for those found busy. (Refer Appendix 3)

3.5.2 Interview
Interviewing is defined as a two-way systematic conversation between an investigator and informants initiated for obtaining information relevant to a specific study (Krishnaswami, 1993). It involves not only conversation, but also learning from the respondents’ gestures, facial expression, pauses and his/her environment.

There are several forms of interviews that are possible: open-ended, focused, and structured or survey. The study used structured interview. The reason of selecting this form of interview was that, it is the suitable method to be used in a situation where the respondents are to be interviewed for a short period of time. The discussions held with the selected sample and their comments were recorded and then analyzed. This involved direct consultation with the ordinary members of staff from targeted department and other respondents from the management of Bakhresa. (Refer Appendix 4)

3.5.3 Observation
Direct observation occurs when a field visit is conducted during the case study (Adam, 2003). It could be as simple as casual data collection activities, or formal protocols to measure and record behaviors. This technique is useful for providing additional information about the topic being studied. The reliability is enhanced when more than one observer are involved in the task.
A researcher participated in the purchases routine and procedures in various activities, without asking from respondents. This enabled the researcher to collect data and get explanation about various procedures. Besides the Researcher was looking at a purchases procedure, being performed by the employees. It involved sight or visual data gathering. It also allowed the researcher to compare the respondent answers in questionnaires and interview with the actual observation with value judgments. (Refer Appendix 6)

3.5.4 Documentary Review
This entails the researcher’s use of written documents to get secondary data (Krishnaswami, 1993). Secondary data for the study will be collected from different sources which includes annual procurement and supply reports, supply chain booklets, published reports and official supply chain performance reports. Background information and literature review on the topic was reviewed from different documents and websites. Documents could be letters, memoranda, agendas, administrative documents, newspaper articles, or any document that is germane to the investigation (Adam, 2003). In the interest of triangulation of evidence, the documents serve to corroborate the evidence from other sources Archival documents can be supply chain records, organizational records, survey data, and other such records. (Refer Appendix 5)

The researcher was careful in evaluating the accuracy of the records before using them due to the fact that even if the records are quantitative, they might still not be accurate. Therefore, the researcher conducted documentary review of different sources of documents obtained from Bakhresa Food Products Limited library including books, other supporting documents that assisted to make up findings of the study. The data was used to measure factors for effective supply chain performance in order to obtain relevant information required for this study.

3.6 Types of Data
Both primary and secondary data were collected in order to support the findings of this study. Primary data are those data collected for the first time while secondary
data are those already been collected and analyzed, which was used in obtaining necessary information which assisted the researcher in preparation of the Report. In the research process, both primary and secondary data was collected by using different methods for each type of data to support the findings of the study.

3.6.1 Primary Data
These are those ones collected by the researcher himself from the field; they are first hand information (Adam, 2007). The variable that gave primary data was factors for effectiveness and performance private sector, data were collected by use of questionnaire, documentary review, observation and interviews.

3.6.2 Secondary Data
These are data which have already been collected by other people for some other purposes (Saunders et al, 2000). In this case study, secondary data were retrieved from various records of past three years starting from June 2010 to June 2013 such as, purchases reports or any documents that were found to be helpful to the study showing the performances of purchasing unit in the Tanzanian private firms in private sector. These data were obtained through various documents such as financial statements, procurement newsletters, internal memos, procurement manuals and procurement reports which contain the information from previous performances.

3.7 Population
According to Kumar (2005) population refers to all people elements in a study unit. The population of this study comprised of all private firms operating in Tanzania for food processing industries in the country, however the target population for this research defined to include Bakhresa Food Products Limited in Dare es Salaam city which has more than 2000 employees representing other factories in the country. This sample population was chosen due to time, reach ability and financial constrains for traveling to other regions.
3.8  Sampling design

3.8.1  Sampling unit
A sample is a subset of a particular population (Krishnaswami, 1993). The sampling unit of this study comprised of employees and management of Bakhresa Food Products Limited at the food and drink processing division.

3.8.2  Sample Size
Sample size refers to the numbers of items selected from the universe to constitute a sample. The study sample size comprised of 10 managerial staffs in purchases department, 10 supervisors and 30 employees (subordinate) in purchases departments. The research included a total sample size of 50 respondents.

Table 3.1:  Sample Distribution Structure

<table>
<thead>
<tr>
<th>Sample Distribution Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category of Respondents</td>
</tr>
<tr>
<td>-------------------------------</td>
</tr>
<tr>
<td>1 Managerial respondents</td>
</tr>
<tr>
<td>2 Supervisors</td>
</tr>
<tr>
<td>3 Employees</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source; Researcher, 2013

3.8.3  Sample techniques
Probability sampling technique is used in this research. Probability sampling method is any method of sampling that utilizes some form of random selection. Under which stratified random sampling method was employed. Stratified random sampling, involves dividing the whole population into homogeneous subgroups and then taking a simple random sample in each subgroup (Adam, 2003).

Stratified sampling was chosen over simple random sampling due to the following reasons: First, it assured the study to be able to represent not only the overall population, but also key subgroups of the population, especially small minority groups. Second, stratified random sampling generally had more statistical precision
than simple random sampling. The sampling procedure of the population involved dividing the population into a number of homogeneous strata i.e. organizational departments, sections and units. A number of samples were taken from each stratum. The reason for using stratified sampling was to increase accuracy of overall estimates by ensuring that subdivisions of the population are adequately represented.

3.9 Area of study
The study was conducted at Bakhresa Food Products Limited at fruit processing division located at vingunguti area, along nyerere road in Dar es salaam region. Bakhresa Food Products Limited (BFPL) is part of the Bakhresa Groups of Companies based in Dar Es Salaam, Tanzania.

3.9.1 Description of the Case
The Bakhresa Group is one of the leading industrial houses in East Africa and comprises of several companies spread over East and South East Africa. The Group’s brand names “AZAM” and “Uhai” are very popular in the countries of their operation. The group’s corporate objective is to offer goods and services of international standard affordable to the majority of people. BFPL produces high quality, delicious and nutritious Azam brand Ice Creams, Fruit Juices, Frozen Chapattis and Uhai (means “Life” in Kiswahili) brand Pure Drinking Water and controls more than 70% of the market share in Tanzania.

3.10 Reliability and Validity
Reliability and validity are tools of an essentially positivist epistemology. While they may have undoubtedly proved useful in providing checks and balances for quantitative methods, they sit uncomfortably in research of this kind, which is better concerned by questions about factor and performance, adequacy and efficiency.

3.10.1 Reliability
In statistics or measurement theory, a measurement or test is considered reliable if it produces consistent results over repeated testing. Refers to “how well we are measuring whatever it is that is being measured (regardless of whether or not it is the
right quantity to measure).” Unlike the common understanding, in these contexts “reliability” does not imply a value judgment. This was enhanced by adopting effective sampling techniques to obtain reliable sources of information as well as using different means of obtaining information including questionnaires, interviews, personal observation and documentary review.

3.10.2 Validity
This is concerned with the degree of certainty that can be observed effects in surveyed data are actually the result of the data treatment or condition (the cause), rather than intervening, extraneous or confounding variables. This was enhanced by increasing the control of measurements, scores, and instruments used.

3.11 Management and Analysis of Data
Qualitative data collected were summarized to ensure that they are in the form suitable for addressing both research questions and the method of analysis used. This was done while ensuring that original meanings of the statements made by respondents were maintained. The summarized data then was coded and used for subsequent statistical analysis.

3.11.1 Data Processing
Data processing implies editing, coding, classification and tabulation of the collected data so that they are amenable to analysis (Kothari 1990). This is an immediate stage between data collection and data analysis. This process was done to prepare the collected raw data and paving a way for smooth analysis. This was done through the followings stages

3.11.1.1 Data editing
This was done by examining the collected data (raw data) to be in a position to identify errors and omissions and finding a way to rectify the situation where possible this was done in order to secure the quality standard on the data. This process also involved carefully checking of the returned questionnaires (Filled questionnaires) in order to ensure that data are accurate and consistent with other
facts gathered, uniformly entered, complete as possible and had been well arranged to facilitate coding and tabulation.

### 3.11.1.2 Data Coding
Coding refers to the process of assigning numerals or other symbols to classes (Kothari, 1990). This was done by specifying the categories or classes into which the responses were to be placed. This was done in order to improve the efficiency of analysis.

### 3.11.1.3 Data Classification
This is a process of arranging data in groups or classes in the basis of common characteristics; data having similar traits were kept together and in this way the whole data was divided into a number of categories. This reduced the volume of raw data into homogeneous groups.

### 3.11.2 Specific Analytical Techniques used
In order to obtain the relationship that exists among data groups, mostly Microsoft Excel and Statistical Package for Social Science (SPSS) computer software was used to process and analyze data. Descriptive statistics was used to summarize the data in frequencies and percentages and present them in form of statistical tables, graphs, and chart.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND DISCUSSION

4.1 Introduction
Under this chapter, the findings from the field work are presented, analyzed and discussed. With the help of the use of the measures of central tendency, findings have been presented using tables, graphs and charts. Analysis was done qualitatively with the help of quantitative techniques presented data using the above mentioned measures.

4.2 Respondents Demographic Structure

4.2.1 Respondents Age Distribution Structure
The age distribution structure of respondents participated in this study was as follows. It was found that 15 respondents who are equal to 30% of the total respondents participated in this study having the age of between 20 to 30 years. Apart from that 20 respondents who are equal to 40% of the total respondents participated were having the age of between 30 to 40 years, and this was the largest age group in the sample. Moreover, 10 respondents who are equal to 20% of the total respondents participated were having the age of between 40 to 50 years, and the last group of age lying above 50 years was composed of 5 respondents who are equal to 10% of the total respondents participated. The figure below shows the distribution structure
4.2.2 Respondents Gender Distribution Structure

The sample size was composed of males and females in the ratio of 3:2. Where a total of 30 respondents that is equal to 60% of the total respondents participated in this study were males, while the other 20 respondents who are equal to 40% of the total respondents participated in this study were females. The data are presented in the following table below.
4.2.3 Respondents Education Distribution Structure

The Education distribution structure for the respondents participated in this study were as follows; 5 respondents who are equal to 10% of the total respondents participated in the study were holders of certificates and other professional courses found in procurement and supplies department. Apart from that, 10 respondents who are equal to 20% of the total respondents participated in the study were diploma holders and other 15 respondents who are equal to 30% of the total respondents participated in the study were advanced diploma holders. Moreover, 10 respondents who are equal to 20% of the participants were university graduates at first degree level, while the rest 10 respondents who are equal to 20% of the total respondents participated in the study were having Post graduate diploma or Masters Degree level of education. However, there was any respondents having PhD or above.
Factors for Performance of Purchasing Function

4.3.1 Effectiveness of purchasing process employed by Bakhresa Food Products Limited

Purchasing performance can be measured against the functional requirements of the purchasing function. The primary function of the department at Bakhresa Food Products Limited is to provide the correct item at the required time at the lowest possible cost. The performance measurement can take into account these elements, but it does not take into account factors that may relate to the supplier stability, material quality issues and supplier discounts. The study also required to know the effectiveness of the purchasing process used by Bakhresa Food Products Limited.

Source; Field Survey, June 2013
According to the results obtained through a survey conducted the researcher among employees and managers in purchasing department of Bakhresa Food Products Limited, it was found that a total of 60% of the respondents participated in this study said yes, Bakhresa Food Products Limited has employed an effective purchasing process that have several steps to make sure that the purchased items meets the needs of the company at possible minimum costs and wastage. However on the other hand it was found that a total of 16% of the respondents participated in this study said the purchasing process employed by Bakhresa Food Products Limited is not effective as it has been reviewed several times and still need some corrections to improve its performances. Besides that there was another 24% who didn’t understand the effectiveness of the purchasing process employed by the company.

**Figure 4.4: Effectiveness of purchasing process employed by Bakhresa Food Products Limited**

Source; Field Survey, June 2013
Basing on the above presented facts and the documentary review conducted in the company, it was revealed that the purchasing process for Bakhresa Food Products Limited breaks down into eight clear steps. In the first step the company identifies a need, for which the answer is the purchase of a product. The final step is the execution of a purchase contract. The steps in between build an organized, informed process that results in the company purchasing the right product for the need from a qualified supplier whose product is the most durable for the price.

It was realized that Bakhresa Food Products Limited identifies the need for the product to be purchased. Then later they select a specific product to meet the need. Then they put a team together to manage the purchase process, including finalizing the list of required technical specifications for the product and the bid solicitation and award process. The products requirements in respects of quality, performance standard, size, inspection and method of inspection are established and the selected companies are asked to submit cost estimates and specifications.

Moreover, it was revealed that the company arrives at a list of required technical specifications for the product to ensure it meets the company’s needs. Specification sheets are submitted by potential suppliers at their own expense and they are checked by the Purchasing Department and the departments that will be using the products, in order to determine whether the required standards are met by the products. All products must pass this examination. and then establish a budget for the purchase relying on the range of prices identified by the research done before. According to the company’s document, it was realized that the research on the various product types that fit the need along with their suppliers is done to identify the most durable model at the best price, research is conducted into which brand and manufacturer provides the most durable product for the price asked.

Finally the company solicits bids from the manufacturers and suppliers of the identified product that meets all the required technical specifications and selects a supplier from the bids submitted and awards the purchase contract.
4.3.2 True Cost of Purchases as Factor for Purchasing Efficiency

The study needed to understand if Bakhresa Food Products Limited calculates the True Cost of its purchases in order to determine performances of your purchasing functions. Hence it was realized that true cost is among factors for purchasing performances of Bakhresa Food Products Limited as presented below.

According to the results obtained during the field survey conducted by the researcher it was found that a total of 82% of the respondents participated in this study said yes, Bakhresa Food Products Limited always calculates the cost of its purchases in order to determine its purchasing efficiency in minimizing the cost of production especially on raw materials and capital equipment’s that are directly associated with the cost of goods produced.

However, a total of 4% said no, as they didn’t agree that Bakhresa Food Products Limited calculates the cost of its purchases in order to determine its purchasing efficiency. They argued that they had never seen such a thing and it was realized also that all of them were new in the organization. Apart from that, it was realized also that a total of 14% of the respondents participated to this study respond ended that they didn’t know if Bakhresa Food Products Limited calculates the cost of its purchases in order to determine its purchasing efficiency.

It was found that Bakhresa Food Products Limited calculates the True Cost of its purchases by first understanding the true quantity used. It is prohibited to assume a fixed material percentage across products. As a matter of facts, it was realized that the raw material input costs can range from 10% to more than 60%, depending on the component. The purchasing department assesses all purchased goods to understand their composition of significant raw materials and the price volatility of those materials and this information is stored in a raw materials database. This enables management of Bakhresa Food Products Limited calculates the True Cost of its purchases to understand the contracted weights and costs for all products, sub product and whole goods.
On the other hand the study realized that Bakhresa Food Products Limited calculates the True Cost of its purchases by understanding its suppliers’ raw-material costs and share risks appropriately. At this strategy all supplier contracts are including the gross weights, net weights, and cost basis for the raw materials used. The cost basis is in the form of a market-based, published price/index, or transparent negotiated tier 2 contracts (openly shared between OEM and tier 1 supplier). Contract terms articulate when pricing is subject to adjustments, with regularly scheduled reviews and pre-set adjustment triggers. The company also considers timing carefully.

Also it is done through identifying which commodities need dedicated strategies. Where raw materials purchased in large volume and subject to price volatility needs dedicated strategies. The Purchasing department and production department work together to ensure that the design function is aware of commodity-price trends and considers that information when creating future product designs.

Apart from that the company also implements risk-mitigation strategies. These strategies focus on three key areas: Financial hedges: where futures, swaps, options, and fixed price agreements are employed for a cost to help avoid significant unexpected price increases. It was also realized that this require a very specific skill set beyond that of typical purchasing professional. However operational hedges enable a buyer to change the nature of how raw materials are purchased. These include test changes, end-product pricing changes, and inventory management strategies. Apart from that the prices increase management teams is used where a dedicated team with strong analytical and negotiations skills employ rigorous, consistent, data based approach to defend against increases and also reduce costs as raw materials pricing decreases.

On top of that, it was revealed that the company also is used to differentiate savings goals. Where it was realized that the company differentiate between raw materials costs and value-add savings cost, and develop separate savings goals and strategies for achieving each. Raw-material savings targets are established relative to market prices and the value-add cost reduction targets are more consistent year over year.
This enables the company to tie performance to raw material market conditions especially for fruits that fluctuates according to different seasons of the year and helps to understand when price increases are necessary to maintain margins.

In addition to that, it was revealed that the company also is used to track commodity price movements. Where individual key raw materials are easily tracked, but a more useful approach used is to create and track index of raw materials made up of baskets of goods that represent the company’s key product lines. It was realized that this allows OEM to understand the aggregate effect of numerous fluctuating raw materials and provide valuable inputs not only to supplier cost management approaches, but also to pricing and discount management policy changes in the company.

**Figure 4.5: True Cost of Purchases as Factor for Purchasing Efficiency**

Source; Field Survey, June 2013
4.3.3 Consideration of Savings as Factor for Performances of Purchasing Functions

The study aimed to understand if Bakhresa Food Products Limited considers Savings on purchases as one of the factor for performances of its purchasing function. According to the results obtained during the field survey conducted by the researcher it was found that a total of 84% of the respondents participated in this study said yes, Bakhresa Food Products Limited always considers Savings on purchases as one of the factor for performances of its purchasing function in minimizing the cost of production especially on raw materials and capital equipment’s that are directly associated with the cost of goods produced.

However on the other hand it was realized that a total of 6% of the respondents participated in this study said No, Bakhresa Food Products Limited doesn’t always consider savings on purchases as one of the factor for performances of its purchasing functions. Apart from that a total of 10% of the respondents participated in this study said they don’t know whether Bakhresa Food Products Limited considers savings on purchases as one of the factor for performances or otherwise.

Basing on the information collected, was realized that purchases savings is made in a number of areas within a Purchasing Department at Bakhresa Food Products Limited. The respondents argued that the major aim of their purchases savings is to drive down purchases costs, improve supplier terms and decrease product prices. Ways in which Bakhresa Food Products Limited do this include: the following

It was realized that purchases savings is made through reviewing supplier’s terms and discounts. It was found that most of the time the company ensures that Master Agreement exists for all the suppliers. The respondents said that they always discuss with their suppliers as to when they may make purchases savings by altering their purchasing patterns. It shows that by purchasing slightly more products they automatically receive a higher discount.
Also, it was realized that purchases savings is made consolidating suppliers and deliveries apart from that it was also found that the company makes savings in delivery charges and the costs of accepting those deliveries. The responses from participants argued that by doing so, processing the purchasing documentation and payment processing charges always fall. It was also found that purchases savings are made by consolidating purchasing requests and intervals. The study realized that consolidating purchasing requests and intervals cuts down on delivery costs and purchasing documentation.

It was realized that purchases savings is achieved also by reviewing purchasing requirements according to the information retrieved through documentary review it was found that reviewing purchasing requirements ensures that only strictly necessary purchases are made. This always leads to cut down on excess costs and storage costs and is a good way to ensure that a company makes purchases savings.

Not only that but also though reviewing replacement strategies. According to the information retrieved through documentary review it was found that reviewing replacement strategies is done by reviewing items only when necessary and not as a routine replacement. It was realized the purchasing department always take care to factor in the cost of waiting for a replacement. And therefore it is necessary for them to replace an important machinery part on a regular basis but it is not necessary to replace most lights before they fail. Apart from that the company also achieve cost savings though ensuring that the correct management controls are in place. The purchasing department adheres to them for ad hoc purchases in particular. This cuts down on excess or incorrect purchasing.

Also it is made by training their staffs on cost effective purchasing and encouraging them to save money whenever possible as well as by computerizing the purchasing process in the company. Where it costs money to start with, but by speeding up and simplifying purchasing, savings are being made.
On top of that, it was learnt that purchases savings is made by linking the purchasing system to the inventory and accounting systems. According to the respondent’s arguments, this not only saves in staffing costs but also cuts down on mistakes as well as by using e technology to be quicker and cut down on communication costs. This also enables purchasers in the company to access supplier catalogues and enhances the choice of products that may lead to purchase savings.

According to the information obtained through a survey conducted at Bakhresa Food Products Limited, it was realized that the primary goal of its purchasing executives is to reduce total costs Supply managers in general are under an increasing amount of pressure to assure the accuracy and validity of their cost reduction measures. Their goals are often directly linked to promotions and bonuses as an incentive help their purchasing department reach its goals. As such, cost reduction measures must be able to withstand rigorous questioning from top management of the company.

It was realized that the company uses price over price strategy, where the new contract price is compared to the previous contract price, and any downward variances are recorded as cost savings. However it was also realized that to record an accurate savings, market adjustments must also be considered.

As one example cited by one of the respondents as quoted below

“In our purchasing department in order to record an accurate savings, market adjustments must also be considered. For instance, if the price of the appropriate Producer Price Index (PPI) decreased for the year by 2 percent and the new contract price decreased by only 1 percent, did the new contract save anything? It is true that the cost decreased by 1 percent, but no savings is recognized against the PPI. In fact, the price variance compared to the competition may be a 1-percent increase (Manager-Purchasing department: Bakhresa Food Products Limited-juice division, Vingunguti factory).
It was also realized that, when components or finished products are compared, it is difficult to make exact comparisons from one year to the next because of continual changes.

Apart from that the study also found that a Bakhresa Food Products Limited uses successful bid vs. average bid strategy where all of the bids received for a particular good or service are averaged to obtain the mean price. The successful bid after negotiation is then compared to the average bid to calculate the savings.

In summation of the above information as retrieved from Bakhresa Food Products Limited, it has been realized that good management of the purchasing department is crucial to the profitability of the company and purchases savings is only beneficial. As there are considerable number of ways to make purchases savings and the company makes sure that all staff and managers are aware of them and trained in good purchasing.

**Figure 4.6: Purchases Savings as Factor for Performance of Purchasing Functions**

Source; Field Survey, June 2013
4.3.4 Inventory Flow as Factor for Performances of Purchasing Functions

The study needed to understand how Bakhresa Food Products Limited considers inventory flow as factor for determining performance of its purchasing function. The study collected information on how they evaluate their efficiency by measuring the turnover rate of the stock, also the information about the numbers of times when stock turns over during an evaluation period.

This helps this study to determine how agile and effective the business is especially for product that are not always reflection of the performance of purchasing department as most of the raw materials, particularly those which are agricultural products including fruits such as oranges, pineapples, apples, grapes, mangoes and guava, fluctuate due to market forces, seasonality climatic conditions which are out of the control of purchasing executives.

It was found that a total of 78% of the respondents participated in this study said yes, Bakhresa Food Products Limited always considers the flow of inventories on purchases of raw materials as one of the factor for performances of its purchasing function.

However on the other hand a total of 10% of the respondents participated in this study said No, Bakhresa Food Products Limited doesn’t considers the flow of inventories on purchases of raw materials as one of the factor for performances of its purchasing function. Besides that a total 12% of the respondents participated in this study said they don’t know whether Bakhresa Food Products Limited always considers the flow of inventories on purchases of raw materials as one of the factor for performances of its purchasing function or otherwise.
Basing on the information collected and analyzed, the study came to realize that inventories at Bakhresa Food Products Limited-juice division, Vingunguti factory are materials and supplies that the factory carries to provide inputs or supplies to the production process. Inventories kept in the company were found to be a substantial part of total assets. It was realized that the company keeps inventories in the forms of raw materials. These are purchased items received which have not entered the production process, they include fresh fruits from farmers such as oranges, mangoes, pineapples, apples and guava, also includes ingredients such as sodium, carbonates, soda, coke and others. Apart from that the company also keeps inventories for work-in-process (wip). These are raw materials that have entered the manufacturing process and are being worked on or waiting to be worked on. According to the respondents the company keeps huge level of inventories due to fluctuation in
demand and supply of materials and other inputs. As most of them are seasonal products produced from agricultural activities therefore there availability vary depending on the season of the year.

“If supply of raw materials meets our demand exactly, there would be little need for us to keep inventories. Products could be made at the same rate as demand, and no inventory would build up. But its difficult for us as for this situation to exist, demand must be predictable, stable, and relatively constant over a long time period”. (Supervisor-Purchasing department: Bakhresa Food Products Limited-juice division, Vingunguti factory)

It was also realized that in Bakhresa Food Products Limited, Inventories are not only managed at the aggregate level but also at the item level. Management establishes decision rules about inventory items so the staffs responsible for inventory control do their job effectively. These rules were found to include the following: which individual inventory items are most important; how individual items are to be controlled; how much to order at one time and when to place an order.

It was also realized that anticipation inventories are built up in the company in anticipation of future demand. For example, it was realized that they are created ahead of a peak selling season, a promotion program, vacation shutdown, or possibly the threat of a strike. They are built up to help level production and to reduce the costs of changing production rates.

On the other hand it was realized that Fluctuation inventory is held in Bakhresa Food Products Limited-juice division, Vingunguti factory to cover random unpredictable fluctuations in supply and demand or lead time. Therefore when demand or lead time is greater than forecast, the stock out occurs. Hence safety stock is carried to protect against this possibility. It was also proved that its purpose is to prevent disruptions in manufacturing or deliveries to customers. In Bakhresa Food Products Limited-juice division, Vingunguti factory safety stock is also called reserve stock.
Most of the raw materials used in this factory such as minerals and commodities, for example, fruits or animal products such as milk, are traded on a country market. The price expect prices to rise, they always purchase hedge inventory when prices are low. It was also revealed that Inventories help to maximize customer service by protecting against uncertainty. When the company forecast exactly what customers want and when, they plan to meet demand with no uncertainty. However, demand and the lead time to get an item are often uncertain, possibly resulting in stock outs and customer dissatisfaction. For these reasons, it the company finds its necessary to carry extra inventory to protect against uncertainty.

Also it was revealed that Inventories flow help the company to make a manufacturing operation more productive as they allow operations with different rates of production to operate separately and more economically. For instance when two or more operations in a sequence have different rates of output and are to be operated efficiently, inventories must build up between them.

As it has been discussed above about production planning for seasonal products in which demand is non-uniform throughout the year. One strategy discussed is to level production and build anticipation inventory for sale in the peak periods. This result in lower overtime costs, lower hiring and firing costs, lower training costs, lower subcontracting costs, lower capacity required.

Also it has been revealed that Inventories allow the company to run longer production runs, which result in lower setup costs per item. As the cost to make a lot or batch depends upon the setup costs and the run costs. The setup costs are fixed, but the run costs vary with the number produced. Therefore when larger lots are run, the setup costs are absorbed over a larger number, and the average (unit) cost is lower.

On the other hand it was also revealed that inventories results in increase in production capacity due to production resources being used a greater portion of the time for processing as opposed to setup. Where time on work centers in the factory is
taken up by setup and by run time. Output occurs only when an item is being worked on and not when setup is taking place. Therefore when larger quantities are produced at one time, there are fewer setups required to produce a given annual output and thus more time is available for producing goods. It was proved that this is most important with bottleneck resources. As time lost on setup on these resources is lost throughput (total production) and lost capacity.

On top of that Inventories were found to allow the company to purchase in larger quantities, which results in lower ordering costs per unit and quantity discounts. Hence it was revealed that when inventory are carried, there has to be a benefit that exceeds the costs of carrying that inventory. One of the respondents said that;

“Only good reason for carrying inventory beyond current needs is if it costs less to carry it than not. This being so, we should turn our attention to the costs associated with inventory” (Officer-Purchasing department: Bakhresa Food Products Limited-juice division, Vingunguti factory).

4.3.5 Transportation Cost as Factor for Performances of Purchasing Functions

The study aimed to know if Bakhresa Food Products Limited considers affordability of transportation cost of its purchases as one among the factors for performance of its purchasing function.

According to the results obtained during the field survey conducted by the researcher it was found that a total of 74% of the respondents participated in this study said yes, Bakhresa Food Products Limited always considers affordability of transportation cost of its purchases as one among the factors for performance of its purchasing function in minimizing the cost of raw materials required in facilitating production that are directly associated with the cost of goods produced.

It was realized that the company uses carriers for their deliveries the rate that they pay is negotiated by trip based on weight, distance and other variables. One of the strategy used by transportation managers in Bakhresa Food Products Limited to
consolidate shipments so that fewer trips are made, and the company reaps the benefit of lower rates based on larger shipments. It was realized that consolidating shipments means that transportation managers are moving away from LTL (less than truckload) shipments to TL (truckload) shipments. It was realized that this is not always possible, but given that discounts for larger shipments are almost always available, the transportation manager in the company are always looking at this strategy to reduce costs.

“In Some materials our company believes that the best negotiated prices can be achieved when we use a single source for all our transportation. This is fairly common for our purchasing departments to use a single source for a range of products that a single vendor provides. The same is achieved for transportation by offering all transportation out to bid, via a RFQ (Request for Quotation), where we provide carriers with a detailed explanation of what they require, which may fall outside of what is normally provided by a common carrier. And when we want to use a single source, we always have to thoroughly evaluate the bidder’s ability to provide the service and whether the carrier has the stability not fall into bankruptcy within the timeline of the contract and when the winning bidder fulfills the needs of our company, and has been fully evaluated, we gain significant transportation savings using a single carrier” (Supervisor-Purchasing department: Bakhresa Food Products Limited-juice division, Vingunguti factory)

However, a total of 10% of the respondents participated in this study said No, Bakhresa Food Products Limited doesn’t always consider affordability of transportation cost of its purchases as for performance of its purchasing function. They said that most of the raw materials required for juice production are available in seasonal basis, they gave examples of mangoes, oranges, pineapples and guava from transported from Tanga, coast and Morogoro region. They argued that most of the time the company keeps huge stock during the high season to facilitate its production during the low season.
Apart from that, it was realized that other respondents accumulating a total of 16% of the respondents participated in this study said they didn’t know if Bakhresa Food Products Limited considers affordability of transportation cost of its purchases as one among the factors for performance of its purchasing function in minimizing the cost of raw materials required in facilitating production that are directly associated with the cost of goods produced.

The study revealed that Bakhresa Food Products Limited distinguishes its transportation expenses in three categories that include the terminal cost, line haul cost and capital cost. Where Terminal costs refers to the Costs that are related to the loading, transshipment and unloading. Where two major terminal costs are considered; loading and unloading at the origin and destination, which are unavoidable, and intermediate (transshipment) costs that can be avoided.

Apart from that the line haul costs refers to the costs that are a function of the distance over which a unit of freight is carried. It was realized also that weight is also a cost function when freight is involved. These costs include labor and fuel and commonly exclude transshipment costs. Also it was found that there is capital costs that is the costs applying to the physical assets of transportation mainly infrastructures, terminals and vehicles. Bakhresa Food Products Limited includes the purchase or major enhancement of fixed assets, which can often be a one-time event. Since physical assets tend to depreciate over time, capital investments are required on a regular basis for maintenance.

Bakhresa Food Products Limited makes a variety of decisions based on their cost structure, a function of all the above types of transport costs. It was also realized that in order to simplify transactions and clearly identify the respective responsibilities specific commercial transportation terms have been set by the company. While the transport price plays an important role in modal choice, Bakhresa Food Products Limited is not always motivated by notions of cost minimization. It often show "satisficing behavior" whereby the transport costs need to be below a certain
threshold combined with specific requirements regarding reliability, frequency and other service attributes. Here is the statement of one of the respondents.

“Transportation costs is significant part of our company’s overall logistics spend. With the increases in the price of fuel, the proportion allocated to transportation is upward of fifty percent. This cost is passed on to the customer and the price of goods continues to rise. Transportation costs is a major target for our company’s to reduce and there are a number of ways in which transportation costs is trimmed in our company. There are a number of transportation strategies are being used by management to help reduce costs” (Purchasing officer: Bakhresa Food Products Limited-juice division, Vingunguti factory)

Basing on the information obtained and presented above, it has been realized that transportation is such an important component of contemporary company, capable of producing significant benefits, appropriate policies need to be devised to maximize the benefits and minimize the inconveniences. At the same time the allocation, and design. It has been proved that the purchasing department negotiates with number of carriers to reduce the cost of transporting items from the vendor to the production facilities, the unit cost of the item are always reduced and hence this cost saving is used as a measurement of effectiveness at Bakhresa Food Products Limited.
Figure 4.8: Transportation Cost as Factor for Performances of Purchasing Functions

Source; Field Survey, June 2013
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction
This chapter starts with a summary of the study, the findings of the study and then the conclusion followed by the recommendations.

5.2 Summary
Purchasing is a key consideration for the any business entity. The purchasing function directly supports the operating activities of the business lines and contributes to their efficacy. Purchasing plays an important part in the Group’s efficiency programme. This being the case, a Purchasing Efficiency Plan has been compiled, comprising a set of initiatives for improvements by purchase category, together with synergy objectives between group entities.

In today’s economy modern business looks for new cost management levers to master its purchasing performance and stay ahead of the competitors. The Purchasing function has a pivotal role to play in developing and implementing corporate cost management. Most organizations cannot satisfy all their materials requirements internally because they do not have the capability to make the items themselves. In some cases, they purchase items from external sources simply because it is cheaper to purchase than to make them internally.

Today’s companies are striving to improve the performance of their purchasing functions, where cost of materials, savings through reduced materials rejected and quality of materials purchased as well as smooth inventory flow to facilitate continuous production are the main factors that determine performances of purchasing function. This study aimed to assess the effectiveness and performance of purchasing function in Tanzanian private sector particularly in food and beverage processing industries
The general objective of this study was to assess the effectiveness and performance of purchasing function in Bakhresa Food Products Limited and it was guided by three specific objectives that were: To establish the factors influencing performance of the purchasing function, To establish the performance measures of the purchasing function; and to measure the performance of the purchasing function. The study was looking for an answer of its general research question “What are the factors for effectiveness and performance of purchasing function in Bakhresa Food Products Limited?

Completion of this study provides basis for further researchers as well as provision of literatures to other scholars. It exposes the effectiveness of purchases performance management in local food and beverage processing companies in Tanzania, and determines their impacts on warehouse administrative cost. Apart from that it examines their reliability and for effective purchases performances and this provides an opportunity to other private companies adopting and applying such factors for improvement of their products and services in the market.

Basing on the empirical literature review presented, it was realized that most of the studies conducted on inventory purchases were focused on processes, methodologies, standards, procedures of purchases, qualities of effective purchases and their applicability in globalized market economy. The effectiveness and performances of purchasing function in private sector particularly in production firms is still not clear especially on how the firms achieve cost reduction, savings, reduction of transport and shipment costs and achievement in savings and material flows. Hence this study aimed to bring knowledge about the effectiveness and performance of purchasing function in private sector.

The study used interpretive philosophy In this approach, the researcher used small sample and evaluate them in detail to understand the views of large people where the design for this study was a case study. This was due to the fact that assessment of effectiveness and performances of purchases in local food and beverage processing companies was found much simple to be done in case study since it involved a huge
number of players practically impossible to be studied all at one time in a time constrained research. In collecting relevant data, basically questionnaire, interviewing, and documentary review were employed. Both primary and secondary data were collected in order to support the findings of this study. The population of this study comprised of employees and management of private food processing industries in the country, however Bakhresa Food Products Limited represented other factories in the country. The study sample size was comprised of 10 managerial staffs in purchases department, 10 supervisors and 30 employees (subordinate) in purchases departments. The research will include a total sample size of 50 respondents.

Qualitative data collected were summarized to ensure that they are in the form suitable for addressing both research questions and the method of analysis used. This was done while ensuring that original meanings of the statements made by respondents were maintained. The summarized data then was coded and used for subsequent statistical analysis.

The study realized that measuring purchasing performance is important as the purchasing department plays an ever increasingly important role in the supply chain in an economic downturn. A reduction in the cost of raw material and services allows companies to competitively market the price of their finished goods in order to win business. An obvious performance measure of the success of any purchasing department is the amount of money saved by the company. However there are a number of performance measurements that businesses can use when they measure purchasing performance.

During the study, it was realized that the performance of the purchasing function at Bakhresa Food Products Limited is measured using a variety of measurements. It was revealed that these measurements of effectiveness are relevant to the performance of its purchasing department. The measurements used at Bakhresa Food Products Limited were found to include,
Cost Savings
It was realized that when the purchasing department Bakhresa Food Products Limited procure an item at a lower price than they did previously, then it is treated as cost saving in the company. Also it was leant that this occurs when one or two of the following situations happen including when a new supplier is found, when a less costly substitute item is used, when a new contract has been signed with the vendor, when a cheaper transportation method has been found or the purchasing department has negotiated a lower price with the existing supplier.

Increased Quality
It was realized that in Bakhresa Food Products Limited when an item has improved quality either by using a different supplier or by negotiating with the existing supplier, the improvement are reflected in a reduction of waste or production resources and it is and this is improvement in performance of the purchasing function.

Purchasing Improvements
Also the study realized that performance of the purchasing function in Bakhresa Food Products Limited is determined through efficiencies in the method used in the purchasing department that may results in increased effectiveness. These was found to include the introduction of EDI, e-procurement systems, vendor managed inventory and pay on receipt processes in performance of the purchasing function.

Transportation cost reduction improvements
When a purchasing department negotiates with a carrier or number of carriers to reduce the cost of transporting items from the vendor to the production facilities, the unit cost of the item will be reduced. This cost saving is used in Bakhresa Food Products Limited as a measurement of effectiveness.

Apart from that, basing on literature review conducted it was revealed that a number of studies have been carried out on purchasing performance and the results have noted that there is no one method that will cover every purchasing department.
However, there are a number of key measures that were found to be common in evaluating performance, namely; cost saving, vendor quality, delivery metrics, price effectiveness, transportation cost and inventory flow. Although it was also realized that these key measures are common, the weight placed on these measures is by no means uniform and always vary between industry to industry and business to business. In addition the importance of these measures to the overall effectiveness of a purchasing department changes over time and therefore need to be assessed and modified on a periodic basis.

5.3 Conclusion

According to the analysis, and discussion held in the previous chapter, and a detailed summary given above, several issues have been revealed and proved, and the effectiveness and performance of purchasing function in Bakhresa Food Products Limited have been well determined and assessed. Hence the study concludes that cost saving, vendor quality, delivery metrics, price effectiveness, transportation cost and inventory flow employees are the main factors used by Bakhresa Food Products Limited in evaluating the effectiveness and performance of its purchasing function.

5.4 Recommendations

In view of findings discussed above and the conclusion given, the researcher made the following recommendations to the management of Bakhresa Food Products Limited, other and other food and beverage processing companies in the country as well as other stakeholders in Tanzania. The study recommends that the management of Bakhresa Food Products Limited to do the followings so as to improve

(i). It is recommended that the company should develop a scorecard for keeping track of vendors’ service, quality, and delivery and pricing, the company should improve its effort on track the quality, service and price performance of its vendors. Also it should communicate the results of its scorecard to the vendors and understand what is important to their vendors and make sure they understand what is important to the company as well as involving the vendor in the design of their product from the beginning.
(ii). It is recommended that the company should improve its effort on obtaining the right information and right sizing their vendor list and vendor costs, Leverage their volume with their vendors.

(iii). It is recommended that purchasing and finance should form a team to identify current spending and where the greatest opportunities for improvement exist. On top of that it is suggested that product engineering, sales and distribution should be included to brainstorm ideas for product improvements.

(iv). It is recommended that the company should create its purchasing staff with the analytical skills as great purchasing is based on the ability to get into the details of the items the company is looking to buy.

(v). Also it is recommended that the company should create its purchasing staff with great negotiation skills as it was realized that very few purchasing managers in the company and had the benefit of negotiation training.

(vi). Apart from that it is recommended that the company should create its purchasing staff with Business knowledge understanding the business goals and the focus of its suppliers business is critical to making sure the company reaches its goals while providing what is necessary to help its supplier reach their goals.

(vii). It is recommended that the company should make sure that its purchasing staff comply to policies such as creating purchase orders after the invoice has been generated is a waste of both your time and accounting’s time.

(viii). It is advised also that the company should create its purchasing staff with legal knowledge due to the fact that creating contracts that benefit the company, not solely the vendor, is not an easy process and requires training and understanding of the terms that must be met for a vendor to work with the company.
REFERENCES


Chang, Yoon, Harris Markatsoris, and Howard Richards.(2006); "Design and Implementation of an E-purchasing System." Production Planning & Control 15, no. 7 (2004): 634–646.


Hadeler, Bernhard J. (1994); "Supply Strategy: Capturing the Value." Industrial Management. July/August


Kirkman, C.J, (1887); "Procurement Head Reveals Keys to Achieve World-Class Status." Supplier Selection & Management Report 5, no. 2


Mehra, S and R. Anthony I. (2004); "Purchasing Management and Business Competitiveness in the Coming Decade." Production Planning and Control 15, no. 7 710–718.


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**APPENDICES**

**Appendix 1: Time Scale and Work Plan**

<table>
<thead>
<tr>
<th>Activity</th>
<th>APRIL</th>
<th>MAY</th>
<th>JUNE</th>
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<tbody>
<tr>
<td></td>
<td>1st</td>
<td>2nd</td>
<td>3rd</td>
</tr>
<tr>
<td>Literature Review</td>
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<tr>
<td>Finalizing of Objectives</td>
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<tr>
<td>Devise Research Approach</td>
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<tr>
<td>Development of research tools</td>
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<tr>
<td>Pilot test of the Instrument</td>
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<tr>
<td>Sampling</td>
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<tr>
<td>Data Collection</td>
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<tr>
<td>Data Processing and Analysis</td>
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</tr>
<tr>
<td>Draft Report Writing</td>
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<tr>
<td>Final Report Submission</td>
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</table>

The following ghant chart shows the time scale plan of activities conducted to accomplish this study. The activities were planned in weekly basis and the study take a total of 12 weeks in its lifetime.

**Thank You for Your Cooperation**

**Appendix 2: Research Budget**

The estimated budgets for the all costs which will be incurred by the researcher in accomplishing this project are being analyzed here below.
<table>
<thead>
<tr>
<th>S/N</th>
<th>Description</th>
<th>Unit</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Amount</th>
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<td></td>
<td>Sub Total</td>
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<td></td>
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</table>

**FIELD COSTS**

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<th>Quantity</th>
<th>Unit Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<tr>
<td>2</td>
<td>(Telephone Calls &amp; Traveling Costs)</td>
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<tr>
<td>3</td>
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<td>4</td>
<td>Report Typing and Printing</td>
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<td>5</td>
<td>Contingencies</td>
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<td></td>
<td>Sub Total</td>
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<td></td>
<td></td>
<td>1,900,000.00</td>
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<tr>
<td></td>
<td><strong>GRAND TOTAL:</strong></td>
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<td></td>
<td></td>
<td><strong>2,227,000.00</strong></td>
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</tbody>
</table>

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**Thank You for Your Cooperation**

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**Appendix 3:** Questionnaire for Purchases Supervisors

1. How long have you been working in purchasing unit in this company?

   1  2  3  4  5  6  7  8  9  10

2. What are your duties and responsibilities as purchasing supervisor in this company?

   1
3. What do you think are the main factors for effective purchases performance in your organization?

4. What is the purchasing process used in your organization? Please explain

5. Do you think that the purchasing process employed by your organization is effective?
   a. Yes
   b. No
   c. I don’t know

6. Please explain the effectiveness of the purchasing process employed in your organization?
7. Do you think that the purchasing process and procedure used in your organization is beneficial and useful?
   a. Yes
   b. No
   c. I don’t know

8. What are the benefits and usefulness of effective purchases performance in your organization?

9. How do you calculate the True Cost of your purchases in order to determine performances of your purchasing functions?

10. How do you consider Savings in order to determine performances of your purchasing functions?

11. How do you use Inventory Flow in order to evaluate the performances of your purchasing functions?
12. How is Transportation used in determining performances of your purchasing functions?

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Appendix 4: Interview Questions for Purchasing Managers

1. How long have you been serving as purchasing manager in this company?
   …………………………………………………………………………………
   …………………………………………………………………………………
   …………………………………………………………………………………

2. As a Purchasing Manager, What are the major roles and responsibilities in your organization?
   …………………………………………………………………………………
   …………………………………………………………………………………
   …………………………………………………………………………………

3. What is the purchasing process employed in your company?, please explain
   …………………………………………………………………………………
   …………………………………………………………………………………
   …………………………………………………………………………………

4. How does your company conduct Vendor Development in purchasing functions?
5. How do you conduct Selection of Suppliers in purchasing process?

6. Please explain how do you conduct contract Negotiation and Communication Interface in purchasing process?

7. How do you conduct Value Analysis in purchasing functions of your organization?

8. What are the major factors considered in Organizing Purchasing functions?

9. What do you think are the Importance of purchasing functions in your organization?
10. What do you think are the major Impact of Costs on Profits as conducted by purchasing functions?

11. What do you think should be the duties of buyers in your organization?

12. Please explain the Ethics of buying regulating your purchasing unit in your organization?
**Appendix 5: Guidance for Documentary Review**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>REMARKS</th>
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<tbody>
<tr>
<td>1</td>
<td>Processes and Conditions used in making purchases</td>
</tr>
<tr>
<td>2</td>
<td>Documents and methodologies employed in making purchases</td>
</tr>
<tr>
<td>3</td>
<td>Methodologies, processes and procedures for negotiating with suppliers</td>
</tr>
<tr>
<td>4</td>
<td>Usefulness of Processes and Conditions used in making purchases</td>
</tr>
<tr>
<td>5</td>
<td>Effectiveness of the Processes and</td>
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</tbody>
</table>

*Thank You for Your Cooperation*
<table>
<thead>
<tr>
<th>Topic Under Observation</th>
<th>Remark</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>Factors for purchases performance in the organization</td>
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<tr>
<td>Purchasing process used in the organization</td>
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<tr>
<td>Effectiveness of purchasing process in organization</td>
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<tr>
<td>Determination of True Cost of purchases for performances of purchasing functions</td>
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<tr>
<td>Consideration of Savings to determine performances of purchasing functions</td>
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<tr>
<td>Inventory Flow for evaluation of the performances of purchasing functions</td>
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<td></td>
</tr>
<tr>
<td>Transportation cost in determining performances of purchasing functions</td>
<td></td>
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</tr>
</tbody>
</table>

*Thank You for Your Cooperation*

Appendix 6: Observation Checklist

*Thank You for Your Cooperation*