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INDIRECT PROCUREMENT CASE STUDY OF AZERSUN IN AZERBAIJAN

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Abstract

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This thesis was done as a Bachelor thesis for the University of Economics, with an objective is to describe the indirect procurement procedure in the scope of Azersun Holding. Thesis mainly explains indirect procurement techniques at Azersun Holding and answers following questions: What does procurement in general mean? How does a typical indirect procurement procedure help entrepreneurs today? What are the requirements and responsibilities to be utilized for the procurement of goods and services within Azersun Holding? And which processes have been set out to support and detail the implementation of indirect procurement at Azersun Holding?

The literature review contains published materials and web resources. This review clarifies readers general meaning of procurement and reports ordinary indirect procurement in entrepreneurs today. The data was collected by using

observation interviews to see purchasing goods and delivery processes. Face-to-face interviews gave chance to figure out how Indirect procurement procedure was depicted.

The research result shows every step of indirect procurement process of Azersun Holding, from vendor selection process to the final capitalized item process. The research result additionally demonstrated the obligations of all capacities to be utilized for the procurement of merchandise and enterprises inside Azersun Holding to guarantee that the targets set out at procurement department are accomplished.

Definitions and Abbreviations

SAP: (System, Applications, and Products in Data Processing) SAP is the largest business application and Enterprise Resource Planning (ERP) solution vendor and one of the biggest software providers in terms of revenues in the world

(<http://en.wikipedia.org/wiki/SAP>)

Stakeholders: stakeholders are an integral part of a project. They are the end-users or clients, the people from whom requirements will be drawn. In case of Azersun Holding, stakeholder is the relevant budget holder

(<http://www.mariosalexandrou.com/definition/stakeholder.asp>)

Capital expenditure (CAPEX): are expenditures utilized by a company to obtain or upgrade physical assets such as equipment, property, industrial buildings. In accounting, a capital expenditure is added to an asset account (i.e. capitalized), thus increasing the asset's basic

(https://en.wikipedia.org/wiki/Capital_expenditure)

Procure to pay: Procure to Pay is the process of obtaining and managing all raw materials needed for manufacturing. This cycle starts with the source selection, auditing followed by procurement of goods and services.

(<http://www50.sap.com/businessmaps/3E2D2915149F48889859F93E3E46C7A8.htm>)

Purchase Order (P.O): information sent to a vendor to request product or service; typical includes item, quantity, price, discounts, vendor information, and ship-to information

(<http://www.theaccountspayablenetwork.com/html/modules.php>)

CORA: Corporate and Regulatory Affairs

AUC (Asset under Construction): An Asset under Construction is an asset that is in the process of being constructed. It is a temporary asset and will not be depreciated. It will be distributed and settled when the construction has been completed. Upon settlement, it will be capitalized and begin depreciation

(http://help.sap.com/saphelp_erp2005/helpdata/en/index_srmaddon.htm)

WIP (Work in Process): The WIP calculation function values the unfinished products

(http://help.sap.com/saphelp_470/helpdata/en/90/ba6609446711d189420000e829f/content.htm)

YSP (Yeni satınalma programı): This special procurement hardware program is prepared for Azersun Holding only.

Contents	pages
Acknowledgements	i
Abstract	ii
Definitions and Abbreviations	iii
1. Introduction.....	1
1.1 Structure of the thesis	1
1.2 About Azersun Holding	1
1.3 Background Research	2
1.4 Problem Discussion	3
1.5 Research Questions.....	4
1.6 Limitations	5
2. Research methodology.....	5
2.1 Qualitative Research Methodology	6
2.2 Hypothetico -Deductive Model	6
2.3 Data Collection	6
2.4 Data Analyses	7
2.5 Research Design	8
3.Literature review	9
3.1 Procurement	9
3.2 Advantages of procurement	10
3.3 Types of Procurement.....	11
3.4 Indirect procurement.....	13
3.5 Traditional Procurement Process.....	16
4. Research Result	18
4.1 Azersun Holding Indirect procurement vision and mission	19
4.2 Azersun Holding Indirect procurement objectives.....	19
4.3 Azersun Holding Indirect procurement Scope	20
4.4 Azersun Holding Indirect procurement department and its responsibilities	20
4.5 Stakeholder responsibilities	21

4.6 Supplier management	22
4.7 Purchases.....	24
4.8 Purchase order (PO) or Contracts	29
4.9 Receipt of goods and/or services and Payment	31
5. Indirect procurement: ongoing improvements	32
5.1 Purchasing.....	32
5.2 Supplier quality.....	33
5.3 Customer/supplier relationships	34
6. Recommendation	35
7. Conclusion and summary	36
List of tables and figures.....	38
References.....	44

1. Introduction

1.1 Structure of the thesis

The thesis contains the following sections:

1. Introduction: layout the thesis' organization, illustrates the study all in all
2. Research methodology: clarifies how the thesis was led, describes data accumulation and analysis
3. Literature Review: gives foundation data about procurement, what types of procurement, and describes the typical procurement process inside business visionaries today.
4. Research result: illustrates the outcomes in relation to the research questions.
5. Ongoing improvements discussion: discussing fine points which procurement department should go to achieve the vision
6. Recommendation: presents recommendations on the issues of the indirect procurement procedure
7. Conclusion and summary: interpretation the findings on the research questions and on the analysis the data.
8. Appendices
9. References

1.2 About Azersun Holding

Azersun Holding has been operating in Azerbaijan since 1991. It is a leading company in the field of food production, retail and agriculture. As a part of Azerbaijan's role as a producer and exporter in the food sector, Azersun Holding has a large export network along with its production capacities. The company believes that it has principles such as governance principles, customer

satisfaction, quality assurance, social responsibility projects and environmental protection.

The company operates on 14 product groups. Tea, canned products, oil, paper products, salt, sugar, hazelnuts and other food products are currently exported to Russia, Ukraine, Belarus, Georgia, Kazakhstan, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan, UAE, Poland, Iraq, Germany, USA, Turkey, Israel, and China.

1.3 Background Research

For the current decades, the business world has been seeing the expansion in the quantity of the rapidly developing organizations. Substantial enterprises and industrial giants that have turnovers more than billions of dollars embrace diverse systems to increment and control their revenues. However, at the same time, they comprehend that it is essential to give careful consideration to consumptions and expenses of the organization; particularly the piece of them which is identified with procurement or purchase of the goods, items, office hardware, and etc. to help and keep up the daily activities of the organization.

Organizations have distinctive ways to deal with that, some have extraordinary purchasing departments to manage these sorts of purchases, others just a couple of purchasing specialists, third trust that workers should be in charge of the buying procedure without anyone else. The basic thing for every one of these organizations is that they are on the whole striving towards lessening and limiting the aggregate uses and expenses, the extent that this is a standout amongst the best approaches to build the revenues.

The sense of the indirect procurement department is one of the means that ought to be executed by the organizations to accomplish this. As indicated by measurements "every one of the organizations – in the case of manufacturing, distribution, retail, financial, or professional services – buy many non-production, indirect products, usually spending an eye-opening average of 40%

to 60% of the total revenue of the organization. Furthermore, indirect procurement means 60% to 80% of all buying contracts" (E-Procurement, From Strategy to Implementation, Dale Neef, p25). One can figure the substance of the centralized purchasing departments for the revenues of the organizations, if think about the subsequent; figure a billion dollars organization that might lose around 10 million of dollars every year by the "maverick" purchasing, direct purchasing at a retail price just not using the opportunity to purchase at marked down price.

The above are simply straightforward cases of numbers in indirect procurement, yet they give a reader a comprehension of the significance of indirect procurement techniques for the revenues sparing.

1.4 Problem Discussion

As one of the greatest organizations in Azerbaijan, Azersun Holding is also changing its arrangements of real consumptions and spending on indirect goods through the organization towards cost-cutting procedures, (for example setting up and accepting the rules and approaches to dispose of numerous, pointless heedless expenses).

The following are the troublesome issues at Azersun Holding identified with indirect procurement that a reader needs to consider getting a perspective of the fundamental aim of the thesis;

Absence of the indirect procurement department however nearness of the obtaining supervisors who were going about as a help party just, primarily giving the guidance on where, from who and at what conceivable prices to purchase indirect products, while an employee who required the item to be purchased needed to experience the entire buying process by himself.

It is the absence of the centralized buying influence that would solidify all the indirect products buys, saving the time and cash on transportation and

conveyance implies, and in addition, utilizing the organization's favorable position of corporate rebates and so forth.

Time factor, for this situation, winds up urgent too; the entire procurement methodology to gain an item will not just intrude on an employee from his obligations yet influence him to experience every one of the means of procurement; which is time-consuming.

Waiting for endorsements and marks for purchasing from upper-management takes a while, particularly in those situations when supervisors do not give that much need to the purchasing and delay "looking through" procurement papers and "putting marks" to some later - free time.

Autonomous or alleged "Rogue" purchasing happen all through the entire organization to evade all the routine, depicted previously. It is then notified that for any employee it would be considerably less demanding to cross the street to achieve any retail outlet and purchase the required thing or item there, and afterward simply convey the bill to fund office, instead of experiencing all the procurement processes. Furthermore, that issue in itself includes two regions:

- a. Poor time management – an employee might have accomplished more critical work being at his table, and not spending his time to cross the street
- b. "Maverick" purchasing – independent buying where Azersun Holding employee makes a purchase without taking an advantage of the corporate discounts for a company. For a single purchase the difference in prize can be unrecognizable, but if consider the entire occurring maverick buying through the organization numbers can be shockingly large.

1.5 Research Questions

The primary research question of the thesis is: What is indirect procurement procedure in for Azersun Holding? To be able to answer the fundamental question, a couple of sub-questions were made:

- What does indirect procurement in general mean?
- What is a classic indirect procurement procedure for entrepreneurs today?
- What are the necessities and duties to be utilized for the procurement of goods and services within Azersun Holding?
- What processes have been embarked to support and detail the implementation of indirect procurement at Azersun Holding?

1.6 Limitations

The thesis is a descriptive nature only, with suggestions to Azersun Holding. It can be legitimate and connected to the indirect procurement of Azersun Holding only. Nonetheless, to apply the thesis concept for different companies, additionally, studies on indirect procurement should be carried out.

2. Research methodology

The point of this part is to give an unmistakeable comprehension of the system and/or the tools that have been applied by scientists. First of all, it should be specified that examination's approach is qualitative and the technique is more empirical rather than hypothetical.

As result of an intense and prolonged contact with a field situation, this research has been conceivable to do. To gain a holistic overview of the context under the study, such as its logic, its bargain and as well as its implicit and explicit rules, has been the researchers' goal. Their adequate amount of efforts has been made to apprehend data on the perceptions of local actors from within and through a procedure of profound mindfulness.

One important factor should be stressed here that me as a researcher used to intern at the company and continue my education at University of Economics. Therefore, researcher has had a prior company knowledge and acquaintance with the managers of the case company which those factors have increased the practicality of the methodology. Additionally, those factors helped the researcher to arrange appointments with right managers of the company on right

time and to implement the qualitative research methods successfully in conducted research.

2.1 Qualitative Research Methodology

The qualitative research methodology has been connected in this research. As indicated by Patton, 2001, "qualitative research uses a naturalistic approach that seeks to understand phenomena in context-specific settings, such as real-world setting where the researcher does not attempt to manipulate the phenomenon of interest."(<http://www.nova.edu/ssss/QR/QR8-4/golafshani.pdf>, Patton, 2001, p.21,) Reasons for utilizing this methodology were the research field, the research limitations and as well as an advantage of getting depth-in and detailed understanding of the research problems.

2.2 Hypothetico -Deductive Model

Hypothetico-Deductive Model has been applied as main reasoning model in this research. "An algorithmic statement of the hypothetico-deductive method could be stated as:

1. Gather data (observations about something that is obscure, unexplained, or new)
2. Hypothesize a clarification for those observations.
3. Deduce a result of that explanation. (A prediction) Formulate an experiment to see if the anticipated consequence is observed.
4. Wait for corroboration. If there is corroboration, go to step 3. If not, the hypothesis is falsified. Go to step 2". (http://en.wikipedia.org/wiki/Hypothetico-deductive_method)

2.3 Data Collection

After setting up the research methodology and research plan, the sum total of what considerations have been drawn to gather necessary data to direct the research.

The presence of factors with various interrelationship has constantly raised the issues of applied research from the complexity of the issues. In this case, the data collection methods of the research have mainly consisted of interviews, observation, and desk research /literature review. Those methods could reasonably be expressed with details as:

1. Literature review, desk research
 - a. Written material, books and articles as source of information
 - b. Internet sources
 - c. Unpublished sources
2. Face-to-face interviews and the interviews on the telephone in a free format
3. Participant observations, company and factory visits

The desk research method contains the information from the access to inner unpublished reports to a literature review.

The face-to-face meetings and discussion have been utilized as one of the major resources of this research. Generally, semi-structured interviews have been connected in the meetings. The correspondents have mainly been requested to reply to open-ended questions. Notes were made by hand with papers and pens. In Azerbaijan it is not common to use other media, for example, small laptop computers, talking quietly into a cassette tape recorder, or using the audio track of a video camera.

2.4 Data Analyses

Methodological preferences and educational background strongly impacted on choosing analyse strategies of gathered data. After taken each meetings interview summary has been produced and there have been regularly refining and reorganizing of the emergent results in each level of analyses. Picking up

right type of analyses that would suit the best for the research was an essential decision after producing interview summary. This research contains 4 types of quantitative analyse. those types are content, discourse, comparative and thematic analysis. (Practical Research Methods, Dr. Catherine Dawson, 2002, p.110- p.129). The thematic analysis which is "highly inductive" was used to analyse data by theme. In the comparative analyse type the researcher continues repeatedly to compare and oppose the interview until the "researcher is fulfilled no new issues emerging". The content analyse has been applied in order to "systematically work through each transcript assigning codes, which may be numbers or words, to specify characteristic within the text." It ought to be focused on that the content analyses have been quite useful during the quantifying the answers from the open-ended questions. The discourse analyse has been applied in order "to look at the pattern of speech" of interviewees. Specific this kind of analysis was used to analyse the speech of interviewees and their turning points and metaphors and so on specific subjects.

2.5 Research Design

Research design contains both primary and secondary research strategies. "Primary research involves the study of a subject through first hand observation and investigation" (Practical Research Methods, Dr. Catherine Dawson, 2002, p. 40)

Face-to-face interviews and interviews on telephone in a free format were the main source of primary research. The departments, names, and positions of interviewees could be frequently stated as:

1. Aynura Tashoglu – Procurement Manager – Procurement Department
2. Gulmira Fatullayeva – International Senior Procurement and Supply chain specialist – Procurement Department

The researcher had a defined knowledge about the organization and in this situation about the potential interviewees and about the Azersun's case. The observation has been directed out during the company visit. The participant observation has been completed during mid-May and early June 2018 in Azerbaijan.

“Secondary research involves the collection of information from studies that other researchers have made of a subject.”(Practical Research Methods, Dr. Catherine Dawson, 2002, p. 41)

The point of the secondary research was to produce the theoretical background for this experimental research and as well as to acquire a reasonable perspective of the indirect procurement by utilizing internal unpublished resources. From this perspective, written documents; books and articles, yet in addition, some web-sources and many unpublished sources, such as internal/inner documents were used.

3.Literature review

3.1 Procurement

“Procurement refers to the process of managing activities associated with a company’s need to procure the goods and services required to either manufacture a product or to operate the organization”

(<http://www.icgcommerce.com>). Being a leading function of every organization it is the process of purchasing products and/or services at the best possible price, of proper quality and right quantity, at the exact time and the ideal place, generally via agreements. While simple procurement act is an ordinary act of purchasing, the complex procurement is the assessment and comparison of all the opportunities for a direct purchase, with the evaluation of quality, quantity, time, budget limits, alternative purchases through barter and trade-offs. For identifying the best goods or services, choosing the correct supplier, negotiating the best possible price, and making contracts, ensuring the

right amount of the goods or service is received at the right time, procurement departments, purchasing managers, and agents study the current condition, define the situation with domestic and foreign suppliers and keep informed about the changes affecting either supply or demand of the goods and products.

3.2 Advantages of procurement

Usually, the way that procurement is arranged in an organization depends on the size of the company. In small companies, a single buyer might be in charge of all the buying, policy and administration. A medium-sized company might have a department with purchasing agents, expeditors, warehouse keepers, and clerks. Large companies may have many individuals planning and preparing thousands of purchases.

However, large organizations these days, understand that to set the procurement in the best way and get a maximum advantage of it, the single departments with the centralized purchasing should be created. These advantages are as follows:

- coordination and accumulation of all requests for the same, and similar products and/or services to get quantity discounts
- coordination of associated activities to lessen transport, stockholding, and administrative expenses
- dispose of double efforts and aimless, chaotic practices
- continuous advancement of particular abilities and improvement of procurement tasks
- allowing employees to focus on their own work without being involved in purchasing operations
- allocation of responsibility for procurement makes the management's control easier.

3.3 Types of Procurement

Depending on utilization purposes procurement spread into 2 categories. The production-related type which includes the goods, commodities, and services that are directly used in manufacturing process calls direct procurement.

Considering a non-production related procurement, indirect procurement involves the procurement of goods and services that are not directly used in manufacturing process.

Direct procurement occurs for manufacturing purposes only. It involves in itself all the products and commodities that are parts of completed goods, for example, raw materials, spare parts, components that are usually bought at large volumes. Also, to a large extent are expected in names, types and according to planning and inventorying capabilities in volume too. For instance, a MacDonald' purchasing officers know how much of meat and what type of meat to buy, likewise they are aware that they should rise purchasing frequency or volumes during the holidays, as of increase of customers during those days. Direct procurement comes out to be the concern of manufacturing, distributing or retailing companies, to those that create, set up, compound, and distribute large amounts of finished goods. "Because of their predictability and high volume, procurement of direct materials accounts for far fewer purchasing transactions (between 20% and 40% in manufacturing companies) , but can account for up to 60% of a manufacturing firm's total procurement expenditure" (E-procurement- From Strategy to Implementation, Dale Neef, p 26). Being in the scope of supply chain management, direct procurement is directly affecting the manufacturing process of the firms.

In its turn, indirect procurement is more, the focus of "operating recourses" that firm purchases for continuing its operations. It includes an extensive variety of products and services, from small, perhaps least important office equipments like a pen, paper, coffee to huge and/or complex and expensive heavy

machinery and consulting services. In general, indirect procurement contains lots of day-to-day necessities, office equipment and stuff, furniture as well as travel services. All those things which seem to be not costly, however, they are normally purchased in high volumes. "All companies—whether manufacturing, distribution, retail, financial, or professional services—purchase large amounts of non-production, indirect goods, usually spending an eye-opening average of 40% to 60% of the total revenue of the company. And indirect procurement counts for 60% to 80% of all purchasing transactions" (E-procurement, From Strategy to Implementation Dale Neef, p 25). The types of procurement are summarized in the table below:

Direct procurement and indirect procurement				
		TYPES		
		Direct Procurement	Indirect procurement	
		Raw Material and Production Goods	Maintenance, Repair and Operating (MRO) Supplies	Operating Recourse Management(ORM), Capital Good and Services
FEATURES	Quantity	Large	Low	Low
	Frequency	High	Relatively high	Low
	Value	Industry specific	Low	High
	Nature	Operational	Clerical	Strategic
	Examples	Crude oil in petroleum industry	Lubricants, spare parts	Machinery, computers

Table 1: Procurement types

Source: <http://en.wikipedia.org/wiki/Procurement>

3.4 Indirect procurement

Unlike direct procurement indirect purchase is more complex in indirect procurement case:

1. Exact spending and amount of indirect purchases are difficult to define because they are not always repeated. A single worker may conclude that he needs an air conditioner for his work area, because he is working in hot weather, and cannot work; so gets it. On the other hand, warehouse manager may decide that they need new air conditioner in the warehouse, and thus changes all the air conditioners
2. Many of the categories are not large in terms of spend value because of its irregular nature however calculating accumulation of all spending of this kind of purchases throughout an organization may give out surprisingly large numbers.
3. There is no central controlling unit that controls the whole number of purchases in indirect procurement. As the indirect purchase is normally decentralized, the number of items bought, that sets the price limits.

According to Gurjeet S Tuteja's article; "How Indirect procurement should be focused upon", the solution for indirect procurement has to point out the three most important and critical aspects:

Process Automation: the computerization of procurement process helps to substitute the paper intensive manual process and diminish the time to procure.

Volume Consolidation: though the indirect buy is a one-off purchase, the volume commitment can change the perspective view of supplier. for example, there might be one-off pen buy by head-facilities, but if it is total of pen required by company over a period of 1 year is added, the final consolidated figure will be quite attractive to Pen producing company.

Price Negotiation: the consolidated volume commitment and electronic buying help company to get deserved discounts on their purchases. Managing electronic catalogs with thousands of products, providing employee with right mix of product and adequate information about them, making it easier to search for items can also be tricky. Keeping track of negotiated price, adding new products into the catalog some time requires additional sophisticated tools.

“The indirect procurement is a slow, technology intensive process requiring change management across the organization boundaries” (How Indirect procurement should be focused upon, Gurjeet Tuteja, 2003.)

Putting into work the indirect procurement applications with the existing instantly business frameworks, such as accounting or HR applications could be much more complex than it was thought of and expected. However, it is crucial to install and enable automated approval and payments. (Indirect Procurement Case: British American Tobacco Vietnam, Turan Suleymanov, Umud Alaev, Tran Hung, 2007/08)

To get rid of routine manual methods and authoritative overhead of purchasing process, buyers must be able to send and receive purchase orders, invoices electronically to and from suppliers. Suppliers provide electronic catalogs showing all the custom and discounted pricing, products assortment, special contract agreements, the information which is consistently refreshed and updated would be of a great use.

There are two major cost areas in indirect procurement. Firstly, it's a labour-intensive process lacking the straightforwardness of the process itself. Usually, for most large companies the centralized procurement units have a customary obligation for a good stake of all the indirect, non-production purchases of goods and commodities – whether blue-collar MROs or white collar ORM – with almost more than half of the workload of the typical purchasing

department devoted to low cost, low value insignificant orders. Average level of effectiveness in this area is shocking and it is one of the most labour-intensive areas in the modern business.

A part of the issue is that indirect buys are seldom standardized in large companies, differing among departments, affiliates and corporate offices. Permission policies that continue with the procurement process are usually burdensome, requiring multiple levels of sign-off, which create delays and internal discomfort when employees wait for the significant items and management staff postpones the approval and routine paperwork. The worst thing is that as permission levels are raised therefore more important and critical parts are left under more strict and extended approval process.

There is a second area of expenses for indirect procurement; for most organizations that onerous process is supplemented with the independent or so called "maverick" buying which made by any employee through-out the organization; they buy different things – paper, scissors, light-bulbs, etc. – whenever they need them. This "maverick" buying – which is the inclination for some individuals, or the whole departments, that make off-contract purchases without taking an advantage of a negotiated for the company corporate discounts – are usually unchecked, especially among large companies and usually can reach astonishing average numbers of approximately 30% to 45% from all agreements. “The smaller the company, the less formal the process, as a rule, and for those non-manufacturing companies that do not see purchasing as a core competency, a frightening 84% of indirect materials are purchased simply by employees visiting their local retail outlet”.

"This "rogue buying" can be a substantial cost to companies, and even a modest reduction in maverick purchasing can significantly cut procurement costs." (E-Procurement, From Strategy to Implementation, Dale Neef, 2001, pp 29)

3.5 Traditional Procurement Process

The table below is an outline of procurement steps in a procurement cycle.

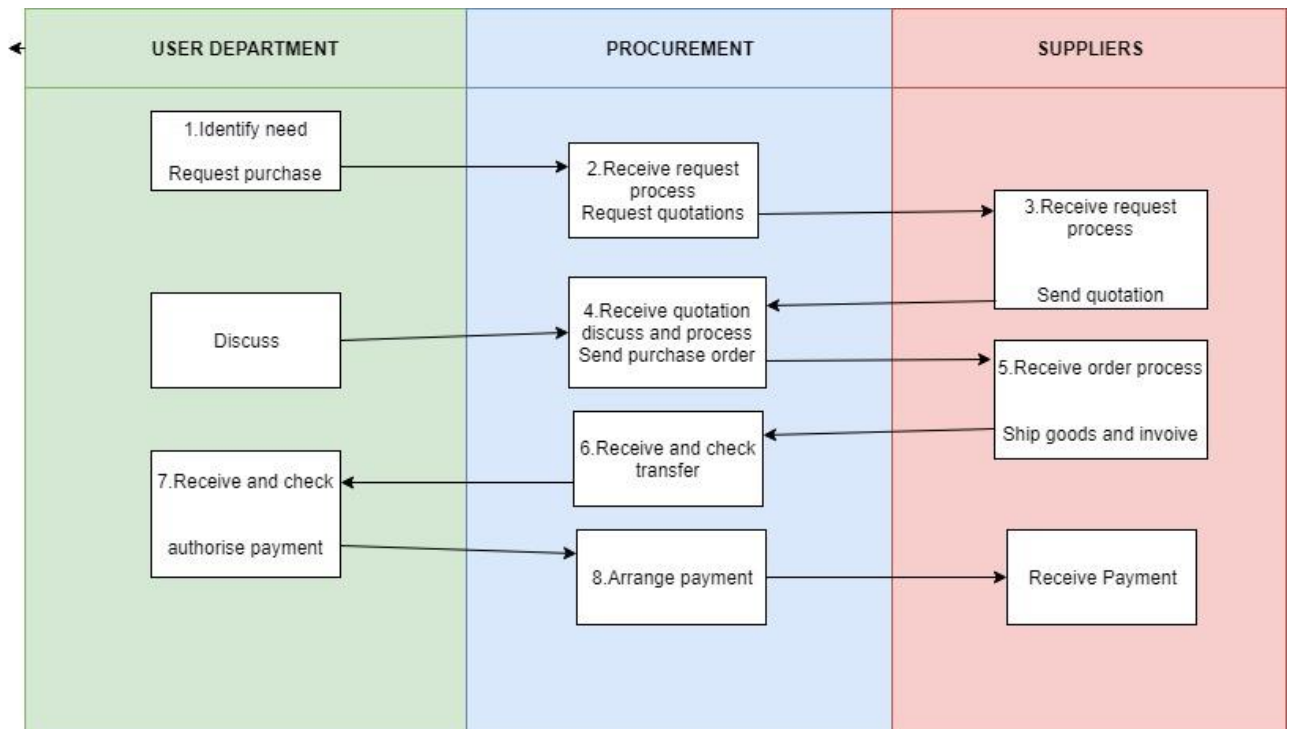


Table 2: Procurement steps in procurement cycle

1. A stakeholder defines a need for materials to be purchased; in this way the stakeholder commences with analysing materials available and prepares specifications of those to be ordered. It is important to check departmental budgets and getting clearance to purchase before they prepare and send a purchase requisition to procurement department.
2. Then procurement department in its turn receives, confirms and inspects the purchase request. Materials requested and existent stocks of those materials are examined, alternative products and production selections are looked at, and so on – and after a discussion with stakeholder, the decision is approved to purchase. This is usually

entails making a shortlist of feasible suppliers, from regular suppliers, lists of preferred suppliers, or those known to meet requirements, and request is sent to this shortlist.

3. Each supplier inspects the request for quotations, checks the customer's position, credit, and so on, trying to examine how it could best satisfy the order, summarizing this, a quotation is sent back to the organization, delivering details of products, prices and conditions.
4. Then the procurement department examines the quotations and commercial assessments. Discussing technical aspects together with the stakeholder, the procurement department checks budget details, clearance to purchase and details supplied. This helps to choose the best supplier who is contacted afterward to negotiate, finalize terms and conditions. The purchase order for the materials is issued.
5. When the supplier got, affirmation and handled the purchase order, the supplier organizes all operations needed to supply the materials and ships materials together with a delivery counsel. Purchase invoice is sent together with materials.
6. When goods are gotten, they are examined and accepted, it prompts to an important follow-up and expediting. Acknowledging the receipt procurement department reports the stakeholder about materials received.
7. After receiving and checking the materials, it is their commitment to approve exchanges from spending plan, refresh inventory records and basically utilize the materials as required.
8. Finally, procurement department arranges the payment of the supplier's receipt and therefore completes the procedure of procurement.

The initial three steps deal with the materials and supplier, and after that comes the significant point with the issue of a buy order in step 4. At this point, the company consents to buy specified materials from a supplier, and the purchase order triggers the supply (along with essential production planning, transport arrangements, finance, and so on). The purchase order is part of a legal contract between the organization and its supplier. The remaining steps finalize the elements of delivery.

This procedure appears complicated and includes numerous steps and documents. If a stakeholder buying something costly, this effort is certainly advantageous – and a stakeholder may actually follow a much more confused procedure to settle product details, select the supplier and arrange terms. But if stakeholder making small purchases, if there are existing relationships with suppliers, or there is just one qualified supplier, it is obviously not worth going through this procedure. Then a stakeholder will look for more standard strategies.

4. Research Result

In this chapter, the outcomes from the interview are presented. The polls in the interview and discussion are planned to describe the procedures of indirect procurement at Azersun Holding, encompassing the vendor choice process together with the duties of all functions involved to guarantee that the objectives set out at procurement department are reached. The procurement managers were asked to outline the requirements and responsibilities to be used for the procurement of goods and services within Azersun Holding (except for direct materials, wrapping materials, and salaries) and which processes have been set out to support and detail the execution of indirect procurement at Azersun Holding.

4.1 Azersun Holding Indirect procurement vision and mission

Azersun Holding runs as a coherent business, driven by procurement, to open the value of indirect spend across all levels of Azersun Holding. The indirect spend covers all goods and services excluding wrapping materials, raw materials and salaries. The vision will be reached through appropriate leading edge. Procurement capability executing efficient, effective general processes and tools that drive speed, simplicity, repeatability and sustainable performance.

The mission of Azersun Holding Indirect procurement is to transform the Indirect Spend Management through the deployment of leading edge procurement people, process and policy in order to deliver maximum shareholder value on a sustainable basis.

The vision and mission of Azersun Holding Indirect procurement is set out to ensure that company purchasing is implemented in a structured well-organized manner so that unnecessary/non-value adding steps or procedures are minimized. Furthermore, the progress of all purchases can be easily checked and monitored right from purchase demand to delivery of the goods or services into store or end users.

4.2 Azersun Holding Indirect procurement objectives

The objectives of setting up the indirect procurement at Azersun Holding are intended:

- To gain the best overall value and quality for each expenditure
- To ensure delivery of goods and/or services to meet the Company's business requirements on time
- To develop mutually beneficial long-term relationships with vendors
- To ensure in all business dealings have high ethical standards

4.3 Azersun Holding Indirect procurement Scope

Indirect procurement is the acquisition of all goods and services by the company including brand related activities conducted through agents duly appointed by the company.

The following expenditures are not included the scope of indirect procurement:

- Direct materials
- Salaries and wages of permanent staffs
- Tax
- Depreciation
- Donation/sponsorships

4.4 Azersun Holding Indirect procurement department and its responsibilities

Indirect procurement department is not independent department and it is included procurement department. Procurement department consists 2 parts: 1) internal procurement, 2) external procurement. Both two procurement processes are excused by procurement department.

The first responsibility of the Indirect procurement Department is to involve in all indirect procurement transactions within Azersun Holding and to provide value added advisory services whenever necessary. Secondly, the indirect procurement department has to ensure compliance with the sourcing and procure-to-pay processed for all influential indirect expenditure. Thirdly, together with stakeholder, the indirect procurement department maintains up-to-date information on preferred vendors and agreed terms and conditions and negotiates with them for the optimum values to ensure the smooth running of the procure-to-pay process. Lastly, it provides recommendation of alternative vendors where appropriate.

4.5 Stakeholder responsibilities

Though there are various of stakeholders and their different demands. however, their responsibilities are divided into 4 level:(1) vendors selection, (2) purchasing, (3) contracting, and (4) payment.

As a stakeholder in term of vendor selection in the procure-to-pay process, the stakeholder is responsible: (1) to carry out vendors' evaluation or selection exercise, where application, (2) to provide details active vendors to the indirect procurement department when requested. However, while purchasing some goods (for example, part of equipment) vendor selection is not needed because vendors are the same company which provide full equipment.

In level of purchasing, the stakeholder is responsible: (1) to call for Request for Quotation (RFQ) or Request for Proposal (RFP) for purchases of goods/services, (2) to prepare the detailed specifications and descriptions of the goods and services to be procured, (3) to approve purchase of goods and services in accordance with the Company Authority Limits, (4) to provide necessary business/technical expertise to work with Indirect procurement in any procurement-related activities.

In the level of contracting, the stakeholder is responsible: (1) to adopt the agreed prices/rates and terms in the contract for goods and services, (2) to ensure Indirect procurement Department is involved, with adequate notice, in the procurement of indirect goods and services, especially with regards to specification, demand management, supplier proposals, vendor selection and ongoing management.

In the last payment level, the stakeholder responsibility is to consider implications of all sales tax/import duty/service tax of the product and services

being procured in consultation with the indirect procurement department or finance department if required.

4.6 Supplier management

The supplier management is set out for any vendor registration or vendor evaluation within Azersun Holding. These suppliers must be capable to provide goods or services in terms of legality, financial capability, etc. Supplier management documents will be amended time to time to meet the company operations.

There are two kinds of the registered vendors in Azersun Holding: Active vendor and passive vendor. Active vendor is always ready for contracting and providing goods or services. Turning to the passive vendor are vendors who have been collaborated but are now uncooperated for some reasons (for instance, unsatisfied, or distinguishing them when there are two same names)

Vendor selection and registration

All new vendors must first be vetted and registered with Azersun Holding by the Finance Department before engaging in any business transactions. A stakeholder is required to provide background information of the new vendor to Finance Department. A “*Vendor Selection and Registration Form*” as stated in Appendix 1 must be filled in and approved by authorized person and maintain in YSP system for any further transactions.

In order to selected and registered to Azersun Holding, suppliers are requested to provide documents for justification. The justification documents including:

- Business operation license
- Financial capacity

- Staffs capacity
- Organization system
- Necessary equipments for producing goods and supplying services
- Management process to ensure quality
- Experiences to implement the similar products
- Want to have close relationship with Azersun Holding

In necessary cases, the Evaluation Team will check machinery and equipment of suppliers to ensure that the suppliers have capacity to do business with Azersun Holding.

Vendor evaluation

At least one per year, vendor evaluation should be conducted by the stakeholders, the Procurement Department, and stock code centre who manage the vendor relationship. Vendor Evaluation must be documented showing consideration for price, delivery lead time, services, quality, financial stability, environment, health and safety (EHS), legality and minimal risk to the company.

Besides, when an active vendor is recommended, a site visit must be carried out and well documented based on criteria mentioned in Appendix 3. Basically, vendors are divided into two groups for evaluation: active vendors and passive vendors.

In the case of active vendors, annual evaluation will be conducted by stakeholders, Indirect procurement Department, and Agency who manage the vendor relationship to decide whether Azersun Holding should remain or take out these Vendors from the preferred list due to their substandard performance.

There are valid ratings assigned to the system, which are based on certain criteria (for example, time management, technical satisfaction or technical competence, rivals pricing strategy, market share, etc.) The product goes through certain stages until it is purchased from the date it was purchased. The data for each stage is included in the system by each participant (system administrators, technical users, and inventory code center). Thus, the system itself evaluates the vendor as a report by pressing a button according to the assigned rating points. The responsibility of stakeholder in the vendor evaluation process is to utilize the “Vendor Evaluation Form” and “Vendor Evaluation Criteria” as set out in Appendix 2 and 3, respectively. All completed evaluation forms must be properly signed and documented.

Lastly, the vendor cleansing is conducted by the Finance Department on a yearly basis. If a Supplier performance is substandard or not performing in a satisfactory manner, they will also be blocked immediately and posted in the black suppliers list for reference.

4.7 Purchases

Purchases which are undertaken by stakeholders are divided into two types: purchases with active Vendors and purchases with passive vendors

In case purchases (whereby the goods or services) are under contracts with active vendors and prices have been agreed and fixed for the duration of the contract period, stakeholders can process the procurement with agreed process and terms immediately without going through the vendor selection procedures or seeking additional quotations.

CAPEX ITEMS

The flow chart below shows the detail process of how a department or stakeholder gets approval to buy capex and non-capex item.

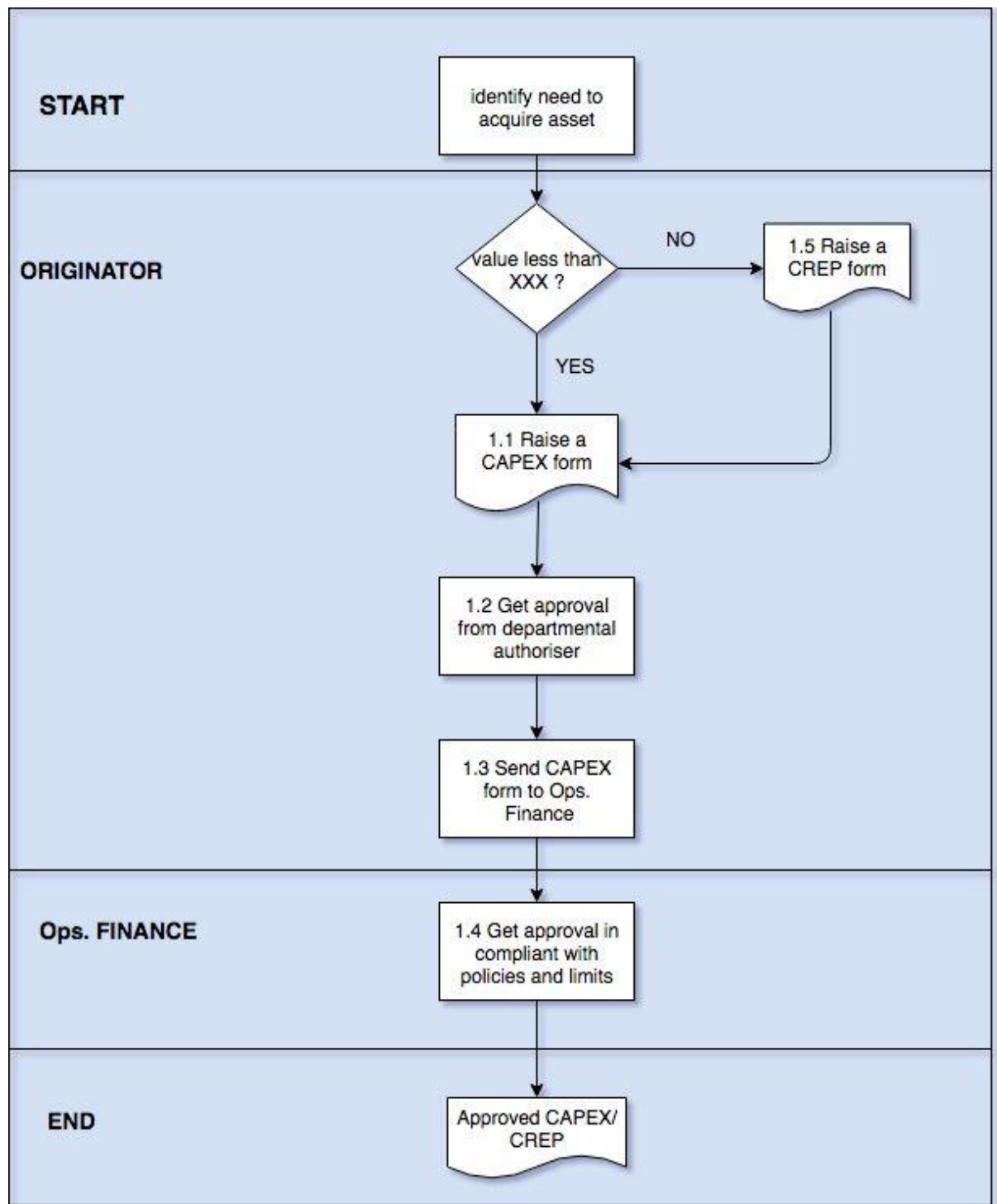


Figure 1: The process of how a department or stakeholder gets approval to buy a CAPEX item Source: by the authors

At the Start stage, the original department or stakeholder identify the need to acquire the new fixed asset.

(1.1) Original department or stakeholder raises CAPEX Form or CREP Form if the value of items greater than XXX AZN and obtains CAPEX budget reference number, utilization and balance from Operations Finance.

(1.2) after that, the originator has to get approval signatory from budget holder or department authorizer in compliant with author limit.

(1.3) in the next step, the originator will send the CAPEX Form (CERP Form) to Operations Finance.

(1.4) When the Operation Finance received CAPEX Form (or CERP Form) with approval from authorizers, they have to ensure that financial information of these forms is fully, correctly recorded and compliance with company policy to get financial proposition. Upon the picture of financial proposition, the CAPEX form (or CREP form) will be numbered and the budget will be updated. At the same time, the “*Work in Process*”/”*Asset under Construction*” (WIP/AUC) item is created in YSP system. The original CAPEX form (or CREP form) will be kept by Operations Finance and a copy of its will be sent back to the originator to proceed purchasing.

When the CAPEX form (or CREP form) is approved for continual purchasing, the originator will follow the purchasing procedure as shown at process flow below

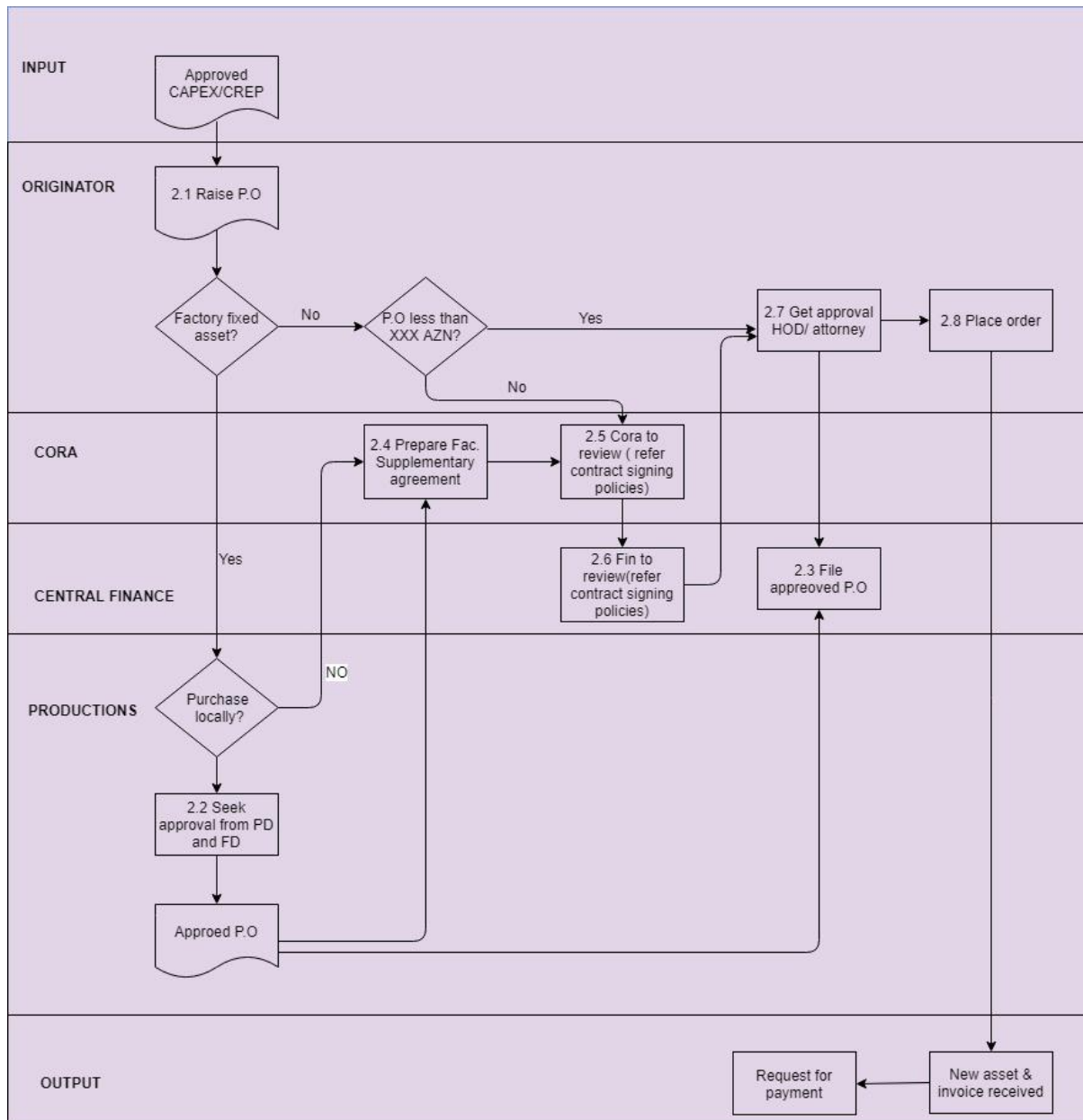


Figure 2: Purchasing process at Azersun Holding

Source: by the authors

(2.1) Upon CAPEX form (or CREP form) approval, originator raises Purchase Order (PO). If the purchasing item is factory Plant and Machinery (P&M) and NOT purchased locally, the originator will go to step 2.3

(2.2) In the case if the purchasing item is factory Plant and Machinery (P&M) and purchases locally, the originator has to seek approval for the Purchase Order (PO) from Productions Director and Finance Director.

(2.3) Upon P.O approval, one copy of the P.O will be sent to Central Finance for tracking purpose.

(2.4) at the same time, the originator coordinates with CORA to prepare Factory Supplementary Agreement.

(2.5) (2.6) If the contract/P.O is more than XXX AZN, CORA and Central Finance have the responsibility to review the contract/P.O according to contract signing policy.

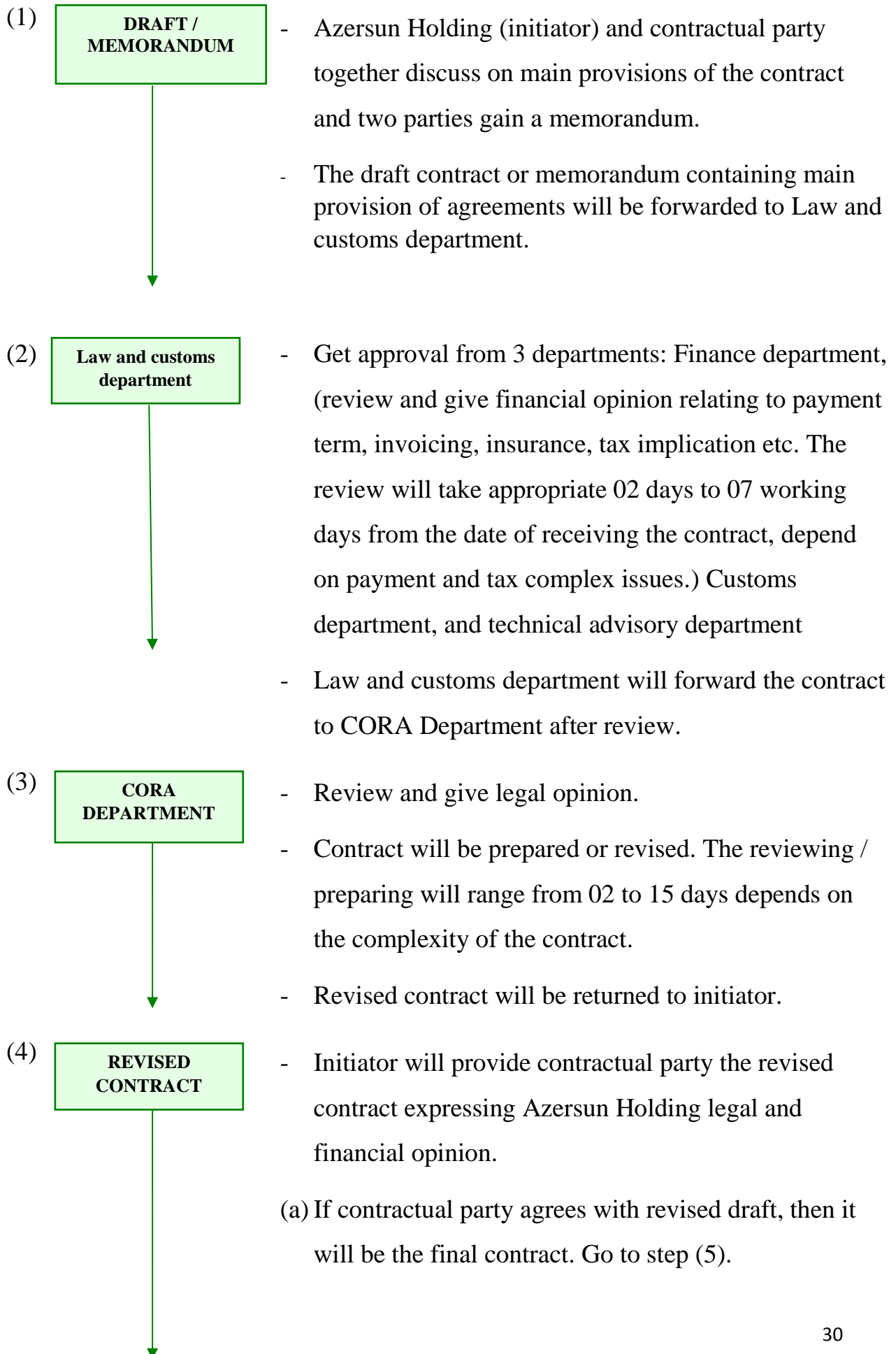
(2.7) after contract/P.O is reviewed by CORA and Central Finance, the originator has to get approval from department authorizer and must adhere to Attorney policy.

(2.8) finally, the originator places order and receives invoice for new asset and request for payment of purchasing item.

4.8 Purchase order (PO) or Contracts

For all purchase transactions, Purchase Orders are required to be created as outline under the Company Authority Limits. The purpose of the Purchase Orders is a commitment between goods or services purchased with suppliers. Suppliers are instructed to quote the P.O number on all invoices and delivery documentations.

Regarding to contracts at Azersun Holding, all contracts under the name of Azersun Holding are followed the signing contract procedure as summarized in the flow below:



(b) If there is comment from contractual party, initiator will contact CORA Department or Finance Department for assistance. Go back to step (2) & (3).

(5)

**FINAL
CONTRACT**

- The final contract will be made into copies.
- CORA Department and Finance Department sign initiate on each copy.
- Two parties officially sign the contract.
- Heads of departments/regional managers/managers sign the contracts.

Table 4: Signing contract procedure at Azersun Holding

Source: by the authors

4.9 Receipt of goods and/or services and Payment

Continuously the purchasing procedure, once goods have been physically received or services have been rendered; a Goods Receipt and/or Delivery Note must be approved by the warehouse keeper.

Upon receipt of goods or services, Goods Receipt and/or Delivery Note will be forwarded and verified by Finance Department for final payment process. The payment method is only bank transfer. Payment is made in two ways: When the product is ordered and the product is purchased. If the first order is paid, a portion of the payment will be paid and the remnant of the payment will be paid after the purchase.

If the bank transfer to proprietor's bank account is used, a request to made bank transfer with two approvals from Board of Management have to be obtained. The request for payment to external parties and payment to Azersun Holding staff via bank transfer must reach Finance Department in 5 working

days in advance, while the request for payment to Azersun Holding staff in cash must reach Finance Department in 3 working days in advance. Request for urgent payment can only be accepted if it is really critical for business and it must obtain Finance Director's approval. Additional, all supporting invoices must be within 45 days from the date of invoice for processing and payment

5. Indirect procurement: ongoing improvements

With the description of the procedure of indirect procurement of Azersun Holding in part 4, the indirect procurement is now in place. Although the processes provide the operational basis for indirect procurement, continued growth will be necessary for life. In this chapter, the focus discussion drives to improving the sensitive points. These views include working on improving purchasing, supplier quality, and the relationship between Azersun Holding (client) and its suppliers to further form a competitive advantage over the competitions and reach the vision as stated of the indirect procurement department.

5.1 Purchasing

As the purchasing operations move beyond the indirect procurement execution phase to constant continuing progress, the indirect procurement activity is established to enter into long-term agreements with its supply base. The description of indirect procurement strategies and the implementation of indirect procurement strategies describe the rules of business in such an understandable manner that the venture related with many multiyear agreements is properly reduced. These multiyear agreements provide for supplier sourcing continuity which is a benefit for both the supplier's business planning and the operation's stabilization efforts, and for ongoing purchase cost or price improvement initiatives; they also demonstrate the honesty of supply partnerships.

Extending from the multiyear contracts is the ability to select pre-sourced suppliers for new purchasing programs. Pre-sourcing simply is the equivalent of capacity planning. This ability exists through the clear definition of active suppliers clarity of stakeholders' expectations, quality and price expectations, and suppliers' growth plans. By working with suppliers as well as stakeholders, efficient use of supplier labor, financial, and other internal resources can be achieved for the benefit of all parties.

5.2 Supplier quality

Again, recognizing that supplier quality is often a part of indirect procurement, there are ongoing improvement activities that can occur in this area that will affect the operations of indirect procurement at Azersun Holding. The first of these is the refinements and implementation of specific supplier performance improvement and measurement metrics. The indirect procurement team must focus on three fundamental areas: performance stratification of the supply base, development of specific corrective actions, and the use of process specialists to attack systemic quality issues. The ability to objectively measure past and current supplier performance can proactively address potential shortfalls and lead to the continued improvement in each area.

One of these improved indirect procurement activities is the use of metrics to stratify the commodity supply base. According to Jeffrey P. Wincel, the stratification of the supply base can be based on the following criteria:

- Preferred partner: these suppliers meet the highest performance measures. They achieve all commercial and quality supplier requirements as well as all program development milestones and launch requirements. These suppliers can generally be considered self-sufficient, requiring little or no specific development efforts. (Indirect Procurement Case: British American Tobacco Vietnam, Turan Suleymanov, Umud Alaev, Tran Hung, 2007/08)

- Associate partner: these suppliers have generally consistent quality practices and exhibit predictable product, delivery, and support performance. Occasional quality problems result in lowered stratification scores, requiring a greater level of development support. It is generally this classification toward which the majority of development efforts are geared.
- Probationary partner: this stratification level indicates a supplier with obvious deficit performance, but that has been identified as necessary for the supply bases. Suppliers under this classification retain existing business but are ineligible to be considered for additional business. Supplier quality activities are present in this level over development efforts. The focus on containment and specific problem resolution occupies the improvement efforts.
- Transition supplier: transition suppliers are those with deficit performance, with no development plans in place. These suppliers will be faced out either through active re-sourcing or attrition of existing parts

(Lean Supply Chain Management, A Handbook for strategic Procurement, Jeffrey P. Wincel, 2004, p 149)

Such stratification provides a direct reward to those suppliers who perform to the highest levels. Moreover, the stratification highlights those suppliers who can potentially cause system performance problems, thus enabling proactive corrective measures to be taken.

5.3 Customer/supplier relationships

According to Jeffrey P. Wincel, among the most difficult issues to resolve in supplier quality and development is the definition of the relationship between Azersun Holding (the customer) and its supplier. Because of the size and complexity of the customer, direction and communication to the suppliers can

often provide mixed messages concerning the expected performance and nature of the relationship. There are a number of simple relationship steps that can be taken to facilitate improved communication and relationship between supplier and the customer. Among those are:

- Identify a supplier quality assurance commodity specialist to facilitate single point quality contact (i.e., to be a liaison between the customer and supplier).
- Improve the consistency of direction to the supplier.
- Use published industry quality standards as the basis for supplier quality standards.
- Develop and implement a supplier recognition program for key measurable

(Lean Supply Chain Management, A Handbook for strategic Procurement, Jeffrey P. Wincel, 2004, p 159)

Each of these steps creates a mean to improve communication and relationship between Azersun Holding (the customer) and its suppliers.

6. Recommendation

In fact, the implementation of an indirect procurement as a sufficient internal control system in Azersun Holding is complex and long-term process. Hereby, the authors have some recommendation to the procurement managers in order to ensure that the procurement procedures to be carried out in a sufficient way within Azersun Holding.

A part of the indirect procurement procedure is to ensure that employees who involved in the purchasing process are knowledgeable about how to carry out different purchasing activities. In order to increase this knowledge, the procurement department should organize training session to the employee and

implement detailed guidelines of the indirect procurement procedure. The procurement department should also arrange for random internal checks of performed purchases to ensure that all procedures are carried out in an intended way. An internal audit function should be used for this purpose.

The authors also recommend the procurement manager to pay attention to the documentation of the purchases and to take prompt actions to improve its quality. A proper documentation of the performed purchases will prevent Azersun Holding from the misuse of funds and the risks of fraudulent behaviour. It also makes it possible for the procurement department to check that the procedures are carried out properly. The procurement department should also pay attention to if documents are missing in the files, this can indicate that the process has not been carried out in a proper way.

7. Conclusion and summary

The thesis was designed to answer the question: what is the indirect procurement procedure in Azersun Holding? The question is very broad since it covered the whole process of indirect procurement in Azersun Holding; therefore, some research objectives or sub-questions were formulated.

The first question was: what does procurement in general mean? By answering this question, mostly by literary review, the readers will understand that the procurement in general is the purchase of goods/services at the appropriate quality and quantity, in right place, exact time and for the best price. There are two types of procurement; direct procurement which is the acquisition of goods/services directly use for manufacturing purposes. And indirect procurement – the topic widely discussed in the thesis – which is the purchase of goods/services not use directly in manufacturing, but for the maintenance of daily routine operations of offices, production lines and etc.

The second question was: what is a typical indirect procurement procedure in entrepreneurs today? The process of indirect procurement begins with the

need identification, which usually identified by the questions like, what is needed? When is it needed? And how much of it is needed? Then the request is being passed to a indirect procurement department, where people responsible for purchases define which supplier to refer to. After the supplier has been contacted, it processes the request received and sends quotations to the indirect procurement department. During the next step, evaluated and decision of an order is made which is then sent to the supplier. The supplier received the order, process it and then ship the goods according to the order and an invoice. Finally, before arranging the payment procurement department receives and checks the goods and then transfers them to the department which identified the need of a product, which then authorizes the payment. And the process is considered to have a logical end as soon as suppliers receive the payment.

The third question was: what are the requirements and responsibilities used for the procurement of goods and service in Azersun Holding? The indirect procurement requirements use for all goods and services by Azersun Holding excluding some expenditures such as direct materials, salaries and wages of permanent staffs, tax, depreciation, and donation or sponsorships. The indirect procurement department will involve in all indirect procurement transactions within Azersun Holding and provide advisory services to stakeholders when necessary. They also have to ensure that the procure-to-pay processed is fulfilled for all influential indirect expenditure and information on preferred vendors are up-to-date. Moreover, in order to ensure the procure-to-pay process run smoothly, the indirect procurement department need to participate in negotiations with suppliers for the optimum values and provides recommendation of alternative vendors to stakeholders where appropriate.

The fourth question was: which processes have been set out to support and detail the implementation of indirect procurement at Azersun Holding? The first process is supplier management where all purchases within Azersun Holding



must be made via preferred and approved vendors. If a stakeholder makes purchasing with a new vendor, the “Vendor Selection and Registration Form” must be filled in and approved by authorized person. The purchasing process which is undertaken by stakeholder is divided into two types: purchases with active vendors and purchases with passive vendors. However, both of the purchases types must be fulfilled the procure-to-pay process at Azersun Holding. Continuously the purchasing procedure, once goods have been received or services have been rendered, the financial department will go to final payment process and the goods will be capitalized. All contracts in the indirect procurement process are followed the signing contract procedure.

List of tables and figures

Appendix 1 Vendor Selection and Registration Form

The screenshot shows a web-based form titled "TEDARIKCI BİLGİLERİ TANIMLAMA EKRANI". The form is divided into two main columns for data entry. The left column includes fields for "Tedarikçi Adı", "Adres Bilgisi 1", "İlçe", "Ülke" (with a dropdown menu), "Telefon No", "Mobil No", "e-mail Adresi", "Performans İzleme" (with a checkbox for "Performans İzlesin"), "Performans Formulu", "Sektör" (with a dropdown menu), "Sektör Açıklama", and "Üreticimi?" (with radio buttons for "Evet" and "Hayır"). The right column includes fields for "Ted No", "Adres Bilgisi 2", "Şehir", "Sorumlu", "Fax No", "Posta Kodu", "Web Adresi", "Statu" (with a checkbox for "Aktif"), "Cari Kod", "SAP kodu", "Tedarikçi Tipi" (with a dropdown menu), and "Sözleşme Durumu" (with a dropdown menu). At the top of the form, there is a navigation bar with links to various modules: "+TANIMLAMA İŞLEMLERİ", "+STOK KART İŞLEMLERİ", "+SATIN ALMA ve TALEP İŞLEMLERİ", "+MAL KABUL İŞLEMLERİ", "+ONAYLAMA İŞLEMLERİ", "+YÖNETİM KOKPİTİ", "+RAPORLAMALAR", and "+ŞİFRE DEĞİŞTİRME". In the top right corner, there is a user profile section for "Gulmira FETULLAYEVA" with a notification that "3 yeni bilgi mesajınız var." and a Turkish flag icon. At the bottom of the form, there is a link labeled "Faydalı Linkler".

Appendix 2 Vendor Evaluation Form

TEDARİKÇİ DEĞERLENDİRME RAPORU	
Tedarikçi	Lutfen bir tedarikçi seçiniz.  
Talep Tarihi	<input type="text"/> - <input type="text"/>
Talep No'lar	<div> <input type="text"/> <input type="text"/> </div> <div> <input type="text"/> Minimum puan </div>
Değerlendirme Tarihi	<input type="text"/> - <input type="text"/>
Puan aralığı	<input type="text"/> - <input type="text"/>
Satınalma Ekiperi	
<div>Göster</div> <div>Excel</div>	

Supplier:

Evaluation period:

Type of Service:

Date Prepared:

Address:

		Possible	Earned
1	Competency of Operation	20	
2	Conformance	05	
3	Complaints	05	
4	Rejects	05	
Sub-total		35	

Price

1	Competitiveness	10
2	Payment terms	05

3 Stability 04

4 Recognition 01

Sub-total	20	
------------------	-----------	--

Service

1 Delivery Lead-time 10

2 Promise credibility 05

3 Responsiveness 05

4 Attitude of Supervisor 05

Sub-total	25	
------------------	-----------	--

Environment, Health, and Safety

1 Safe work practices See table

2 Equipment conditions See table

3 Environmental impact See table

Sub-total	20	
------------------	-----------	--

Total	100	
--------------	------------	--

Evaluation shall be based on the impact of the goods and services provided on EHS. Please select the appropriate EHS risk level and use the appropriate column in the Table below for your evaluation

EHS risk level **Low** **Medium** **High**

Please tick EHS risk level

1 Safe work practices 10 9 8

2	Equipment conditions	7	6	4
3	Environmental impact	3	5	8

Prepared by: _____

Approved by HOD: _____

Acknowledged by _____

Indirect procurement Mgr.:

Rating:

Distinguished 91-100

Commendable 81-91

Competent 75-80

Adequate 61-74

Marginal <61

Appendix 3 Vendor Evaluation Criteria

Quality

1. Competency of Operators 20 Preferred 18 -20 pts, Adequate 10 -17 pts and Unsatisfactory 0 – 9 pts
 2. Conformance 05 Satisfactory 4 -5 pts, Adequate 1 -3 pts and Unsatisfactory 0 pts
 3. Complaints 05 Minus 2 pts for every complaints.
 4. Rejects 05 Minus 2 pts for every rejection.
- Sub-total 35**

Price

1. Competitiveness	10	Best price 10 pts, 2nd-best 7 pts and 3rd-best 4 pts.
2. Payment terms	05	1 pt. for every 10 days above 30 days.
3. Stability	04	2 pts without price increase for 1 yr and 4 pts for more than 2 yrs.
4. Recognition	01	Passing on cost saving.
Sub-total	20	

Service

1. Delivery lead time	10	Satisfactory 8 -10 pts, Adequate 3 -7 pts and Unsatisfactory 1 -2 pts.
2. Promise credibility	10	Satisfactory 8 -10 pts, Adequate 3 -7 pts and Unsatisfactory 1 -2 pts.
3. Responsiveness	10	Satisfactory 8 -10 pts, Adequate 3 -7 pts and Unsatisfactory 1 -2 pts.
4. Attitude of Supervisor	05	Satisfactory 4 -5 pts, Adequate 1 -3 pts and Unsatisfactory 0 pts
Sub-total	35	

Environment, Health and Safety

1. Safe work practices	See Table below
2. Equipment conditions	See Table below
3. Environmental impact	See Table below
Sub -total	10

Total 100

Evaluation shall be based on the impact of the goods and services provided on EHS. Please select the appropriate EHS risk level and use the appropriate column in the Table below for your evaluation:

	EHS risk level	Low	Medium	High
	Please tick EHS risk level			
1	Safe work practices	6	5	4
2	Equipment conditions	3	2	1
3	Environment impact	1	3	5

How to use CAPEX Form (C1 Form)

(A)	Provided by Operations Finance CER YY XXXX (CER + YearYear + Serial No.) E.g. CER 040001
(B)	Generated by SAP system
(C), (D), (E) & (F)	Obtained from Operation Finance. If not budgeted, indicate “NO BUDGET”
(G)	Describe briefly the particularity of the fixed asset
(H)	Indicate the selected quoted price
(I)	Give date required the asset to be ready for use, normally the final payment date
(J)	The proposed location or division where the fixed asset is placed or belongs to
(K)	State the name of Person in Charge or to be assigned to
(L)	Self-explanatory
(M), (N) & (O)	Select the three best quotations from three different suppliers
(P)	Indicate selected supplier’s name among the three quotations
(Q)	Self-explanatory
(R)	Signed-off by originator
(S)	First approval signatory from originating department
(T)	Endorsement signatory from Finance

(U)	Self-explanatory
-----	------------------

How to use CREP Form

(A)	Name of project and who is requesting approval.
(B)	A brief commentary of the financial analysis. Besides headings enter respective figures
(C)	What is the current environment? How and why must the business respond strategically? What are the key opportunities?
(D)	What is being proposed (outline proposal, scope, key objectives)?
(E)	How does the proposal support the Business Strategy? Please keep commentary brief.
(F) & (G)	What benefits are being sought? What costs are being saved? What is the impact on business?
(H)	What evidence exists to support the benefits that will materialize in the time frame forecast? E.g. Benefits from previous projects etc.
(I)	What alternatives were considered and what were the reasons for rejection?
(J)	What is this proposal dependent upon?
(K)	What are the major risks, their impacts and how can they mitigated?
(L)	Is the investment and benefits included in your last business plan? If so, please highlight any material differences.
(M)	What are the key project milestones and phases? What levels of internal resources are required and do we have the necessary skills?
(N)	What procedures will be in place to monitor the project?
(O)	Who has reviewed and supports this proposal?

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