DISSERTATION
On
"Procurement Process"
At

Apex Holdings Ltd

Submitted By:

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ID: MSCM 2001019005

Program : MSCM

Semester. Summer- 2021

Submitted To

Department of Business Administration

Sonargaon University

Supervised By

Amir Husen

Assistant Professor
Department of Business Administration
Sonargaon University

UGC & Govt. Approved
Sonargaon University (SU)

Letter of Transmittal

Date: 28 September, 2021

To

Amir Husen

Assistant Professor

Department of Business Administration

Sonargaon University

Subject: Submission of dissertation report on "Procurement Process".

Dear Sir,

Here is the report entitled **"**Procurement Process" that you asked me to prepare this report.

This report discusses Procurement Process. Mainly secondary data were used to conduct this study. The findings and recommendations of the study are presented through descriptive analysis for enhancing organizational performance and areas of future research works.

Finally, I would like to thank you for giving me this opportunity to familiarize myself with this concept of training & development and to develop my research skills that would be valuable in my future endeavors.

I hope you find this report adequate in meeting the requirements of an MSCM Program report.

Sincerely yours,

Md. Atikur Rahaman
ID: MSCM 2001019005
Program: MSCM
Department of Business Administration
Sonargaon University

Student Declaration

I hereby solemnly declare that the work presented in this dissertation entitle **"Procurement Process"** has been carried out by me under supervision of **Amir Husen,** Assistant Professor, Department of Business Administration, Sonargaon University.

I also declare that it has not been previously submitted as a whole for any other degrees at Sonargaon University or at any other institution.

.....

Md. Atikur Rahaman
ID: MSCM 2001019005
Program: MSCM
Department of Business Administration
Sonargaon University (SU)

Sonargaon University (SU)

Certificate of Supervisor

This is to certify that the dissertation report titled **"Procurement Process"** for the partial fulfillment of MSCM Program from Sonargaon University (SU) has been carried out by **Md. Atikur Rahaman,** ID: MSCM2001019005, under my supervision and guidance.

This report has been prepared under my guidance & close supervision and is a record of the bona fide work carried out successfully.

Supervisor

Amir Husen
Assistant Professor
Department of Business Administration
Sonargaon University

Executive Summary

The core objective of the dissertation is to fulfill the requirement of the MSCM program as prescribed by the SU. I have been working as a procurement professional atnn Apex Holdings Limited since six years. The main objective of the dissertation is to get the hands-on experience of the real-world organization. The dissertation was completed with the objective of getting practical knowledge in the procurement department of AHL.

Procurement or purchasing process is one of the major parts of my work responsibilities. I have to follow the process with sincerely. I realized that I was successful to gather a lot of significant learning experiences which would be helpful in my future career. The procurement department of AHL offered me ample space and opportunities, not only to learn but also to exhibit my skills as a part of procurement department. I could use my theoretical knowledge of risk management in real practice while participating in many discussions. I was actively involved in the department meetings where I shared my knowledge and views regarding risk management of AHL.

I also attempted to gather more information on basic job functions of other departments to have better understanding of the relation between them and the Supply chain department. It was commendable to see how wholeheartedly they welcomed, acknowledged and appreciated new ideas and knowledge. I have provided few recommendations based upon my understanding and knowledge.

I successfully completed all the assigned duties and handed them over to the senior supervisor at the end of the dissertation. I thoroughly enjoyed the challenges that came along every single day. I could also bring some minor improvisations during my professional life which were able to leave their marks. These lessons that I have learned will be a valuable one for my future endeavor as well.

ACKNOWLEDGEMENTS

First of all, I want to thank Almighty Allah, the merciful, who made my efforts successful. I want to show my gratitude to all of those persons who have helped me and co-operated with me at the time of making this report. Without their supports, I would not be able complete this paper with such amount of information and insights.

I would like to extend my heartiest gratitude to my honorable supervisor **Amir Husen,** Assistant Professor, Department of Business Administration, Sonargaon University, Dhaka. His constant assistance and direction helped me to carry out the report. He gave me his valuable times and important information to complete the report. As without his proper guidance it was quite impossible for me to complete the report.

My special thanks go to **Mr. Abdul Momen** Head of Department (Procurement) at Apex Holdings Ltd. I am thankful to **Mr. Masudul Alam** (Manager of Procurement Dept.). My thanks go to the all the stuffs, workers and management of Apex Group.

'Thanks' is a small word to my parents, teachers and all of my family members specially my Sons and wife for their encouragement and love that served as a source of inspiration, strength at each and every front of my life to transport my dreams into reality.

I would like thank to all of my friends and well-wishers for their moral support and encouragement during my study.

Finally my sincere gratitude goes to Sonargaon University Authority for arranging this MSCM Course for students. It really makes student capable of doing official tasks before entering the corporate world.

LIST OF ACRONYMS

SU : Sonargoan University

MRR: Material Receiving Report

PR: Purchase Requisition

PO: Purchase Order

CS : Comparative Statement

CSR : Corporate Social Responsibility

RFQ: Request For Quotation

FMEA : Failure Mode and Effects Analysis .

CSR : Corporate Social Responsibility

AHL : Apex Holdings Limited

ILO : International Labor Organization

IFC : International Finance

ZDHC : Zero Discharge of Hazardous Chemicals

B-2-B Process: business-to-business

JIT : Just In Time

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CHAPTER-1
INTRODUCTION

1.1 Introduction Of Procurement

Procurement is the act of obtaining goods or services, typically for business purposes. Procurement is most commonly associated with businesses because companies need to solicit services or purchase goods, usually on a relatively large scale.

Procurement generally refers to the final act of purchasing but it can also include the procurement process overall which can be critically important for companies leading up to their final purchasing decision. Companies can be on both sides of the procurement process as buyers or sellers though here we mainly focus on the side of the soliciting company.

Key Takeaways

- Procurement is the process of purchasing goods or services and is usually in reference to business spending.
- Business procurement requires preparation, solicitation, and payment processing, which usually involves several areas of a company.
- Procurement expenses can fall into several different categories, depending on the procurement demand.
- Competitive bidding is usually a part of most large scale procurement processes involving multiple bidders.

How Procurement Works

Procurement and procurement processes can require a substantial portion of a company's resources to manage. Procurement budgets typically provide managers with a specific value they can spend to procure the goods or services they need. The process of procurement is often a key

part of a company's strategy because the ability to purchase certain materials or services can determine if operations will be profitable.

In many cases, procurement processes will be dictated by company standards often centralized by controls from the accounts payable division of accounting. The procurement process includes the preparation and processing of a demand as well as the end receipt and approval of payment.

Comprehensively, this can involve purchase planning, standards, specifications determination, supplier research, selection, financing, price negotiation, and inventory control. As such, many large companies may require support from a few different areas of a company for successful procurement.

1.2 Importance of the study:

A procurement department is mandated to execute 3 Main Functions:

1. **Manage the organization's spending.** A good procurement function is pivotal in deploying an effective Annual Buying Plan, leveraging robust forecasting, market analysis, purchasing processes, and cost reduction methodologies.
2. **Support operations** by ensuring the timely acquisition of high quality, low cost, inputs and raw materials to be converted into products and services purchased by an organizations' internal customers. An organization exists to create value for its customers. The procurement function is pivotal in supporting value creation processes.
3. **Protect the organization from risk** by deploying risk management methodologies such as Failure Mode and Effects Analysis (FMEA). Contract management, and price shock mitigation and avoidance provide huge benefits to an organization, stakeholders and customers.

1.3 Objectives of the study:

- **Broad Objective**
- ✓ Process at Procurement of Apex Holdings Ltd. in Bangladesh.
- **Specific Objective**
  - Understand business requirements
  - Buy products and services
    - – At the right price
    - – From the right source
    - – At the right specification that meets users' needs
    - – In the right quantity
    - – For delivery at the right time
    - – To the right customer

1.4 Sources of Information:

Primary information: Primary information is directly collect from senior manager of SCM, Chief Operating officer of IT department, Operation department, purchase department, Account Department, company training, directly supplier visiting information and my cooperative colleague of supply chain department.

Secondary information: Secondary data are collected from website of Apex Holdings Ltd, catalogs provided by Apex Holdings Ltd, different reports on Apex Holdings Ltd, and others internet, newspaper, magazine etc.

1.5 Scope of the study:

The study is concerned with the description of procurement as a responsible strategic for industrial company. Each industrial company must have supply chain manager for operates overall that at its headquarters.

Specifically the researcher will collect data to establish why supply chain manager is a key for industrial company, how supply chain manager handle the all activities of their company, the challenges faced a supply chain manager as well as the others department concern manager. The data sources mainly primary from questionnaires and secondary from company annual reports and internet. The researcher may face problem from the respondents who may not be willing to reveal information may be due to lack of trust and assumed lack of confidentiality. The respondents may feel they are going against the organizations rules and ethics. But they will be reassured that the information is needed for research purpose only. The researcher may experience constraints of time to carry out the research.

1.6 Limitation:

Time constraints of the semester require making a research but less time, than may be ideal for an ethnographic study. Data collected from different sorts of sources. So there may be some type of errors.

1.7 Methodology

Research Framework: The research was described logistics process on the based on direct market survey and review more related article at research purpose. The sources of these primary data were my practically work in the company and directly market or internet based market survey. Though the logistics was most work the done by known, the study is both comparable and quantitative supported by survey reports & quantitative data necessary. The methodology of this report is totally different from conventional reports. Therefore, I was emphasized on mostly practical working and direct market survey and depth discussion with the senior.

Chapter-2

Process of Procurement

2.1 Process of Procurement:

Determination of Requirements: This phase comprises of identification of Material Requirements. This can be based on the user or MRP proper/Demand based approach to inventory control. Purchase Requisitions can be created manually Release or can be generated using the System.

Source Determination: This Phase comprises of identification of potential sources of supply. This can be based on past orders, and existing agreements.

Vendor Selection: This Phase comprises of comparison of quotations received from Vendors. The system can check different quotations received from vendors.

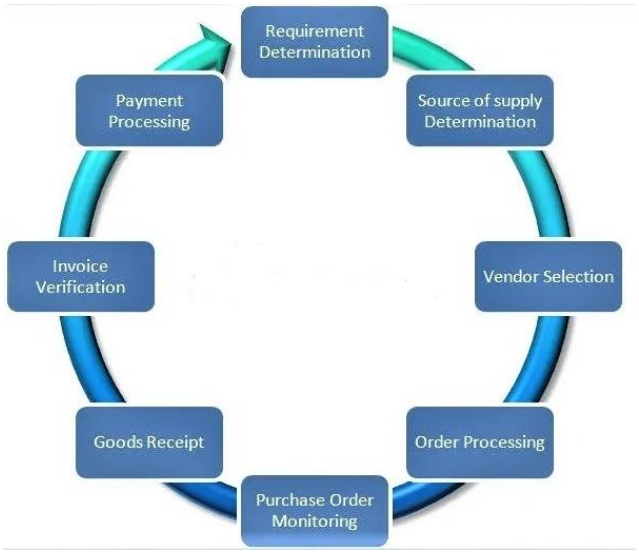


Figure- 2.1 Process of Procurement

Purchase Order Processing: In this phase information is acquired from the Requisition and the Quotation. Purchase Orders can be generated by the system or they can be created manually **(ME21N).**

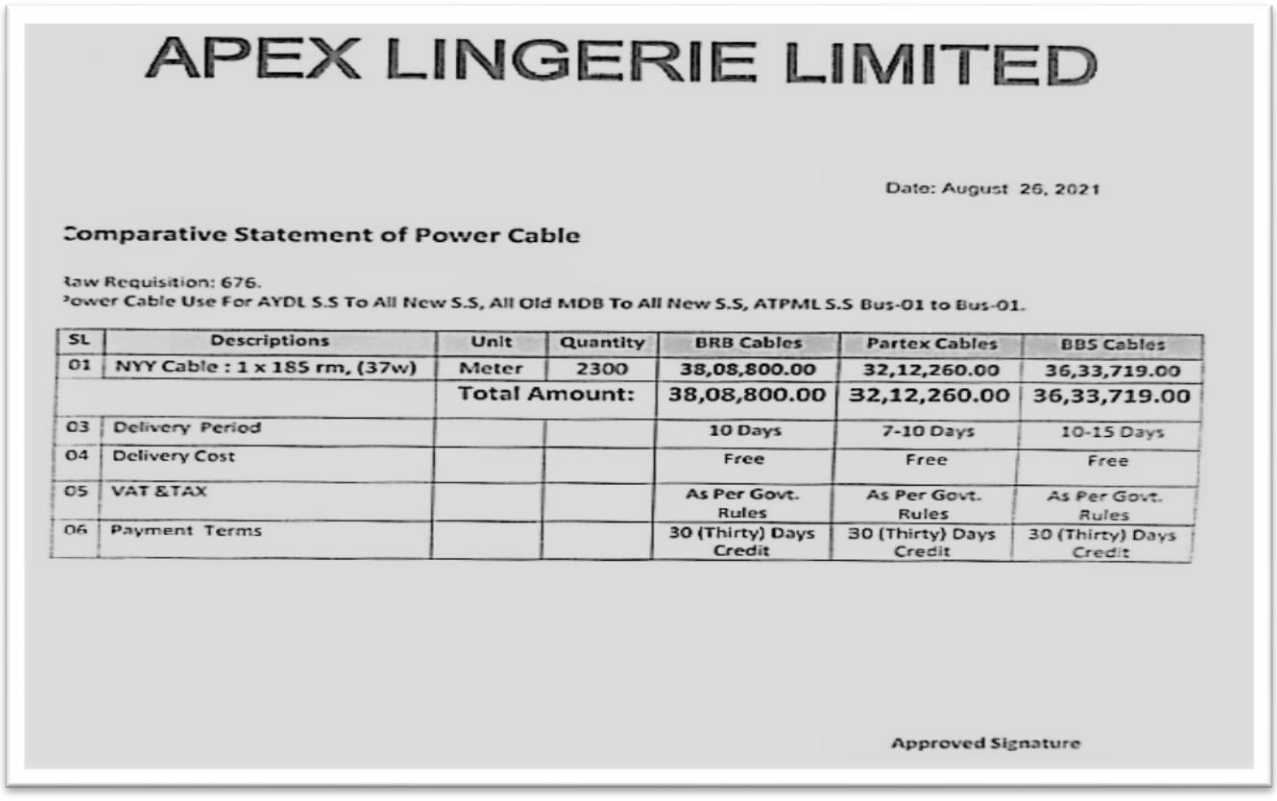
Goods Receiving and Inventory Management: When you enter incoming deliveries (by looking at the delivery order provided by vendor), you will be referring to the Purchase Order, therefore, entry work is minimized..

Invoice Verification: Here Invoices are matched,

Payment Processing: This is the final step where the payment program authorizes payment to the creditor liabilities.

2.2 Sourcing or Market Survey (Local/foreign)

Sourcing or Market Survey (Local): When create or generate demand then need to source or Survey the market for fulfills the demand. Visiting suppliers whose supply the materials or machine for buying and fulfillment the demand. If found locally then go to QC or Engineer test that it's ok or not for use the production. If it's ok then purchase from local market on raw material or machine. Apex Holdings Ltd verify more supplier for quality, Price negotiation etc. must be making a visiting report after visiting supplier demand which will be better for our company at a minimum price.



APEX LINGERIE LIMITED

Date: August 26, 2021

Comparative Statement of Power Cable

Raw Requisition: 676.
Power Cable Use For AYDL S.S To All New S.S, All Old MDB To All New S.S, ATPML S.S Bus-01 to Bus-01.

SL	Descriptions	Unit	Quantity	BRB Cables	Partex Cables	BBS Cables
01	NYY Cable : 1 x 185 rm, (37w)	Meter	2300	38,08,800.00	32,12,260.00	36,33,719.00
		Total Amount:		38,08,800.00	32,12,260.00	36,33,719.00
03	Delivery Period			10 Days	7-10 Days	10-15 Days
04	Delivery Cost			Free	Free	Free
05	VAT &TAX			As Per Govt. Rules	As Per Govt. Rules	As Per Govt. Rules
06	Payment Terms			30 (Thirty) Days Credit	30 (Thirty) Days Credit	30 (Thirty) Days Credit

Approved Signature

Sources: local survey

Figure- 2.2: Local Market survey

2.3 Company Internal Procedure of Purchase (Local/Import):

Company Internal Procedure of Purchase (Local): Each and Every company has an internal format before purchase the materials or machine from supplier. Such as AHL maintains their internal rules and regulation when purchase the supplier. When production and operation generate demand for production on material or machine then locally follow below system:

The flow diagram below describes steps involved when purchasing higher value items from a supplier. Remember, organizations each have their own unique procurement process, however, this flow chart sums up the key steps included in most procurement processes.

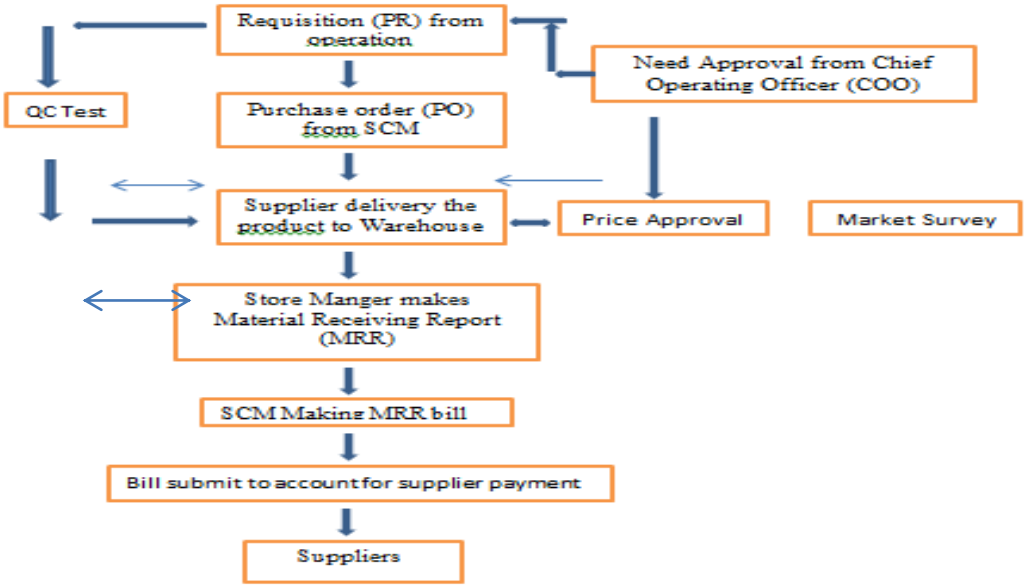
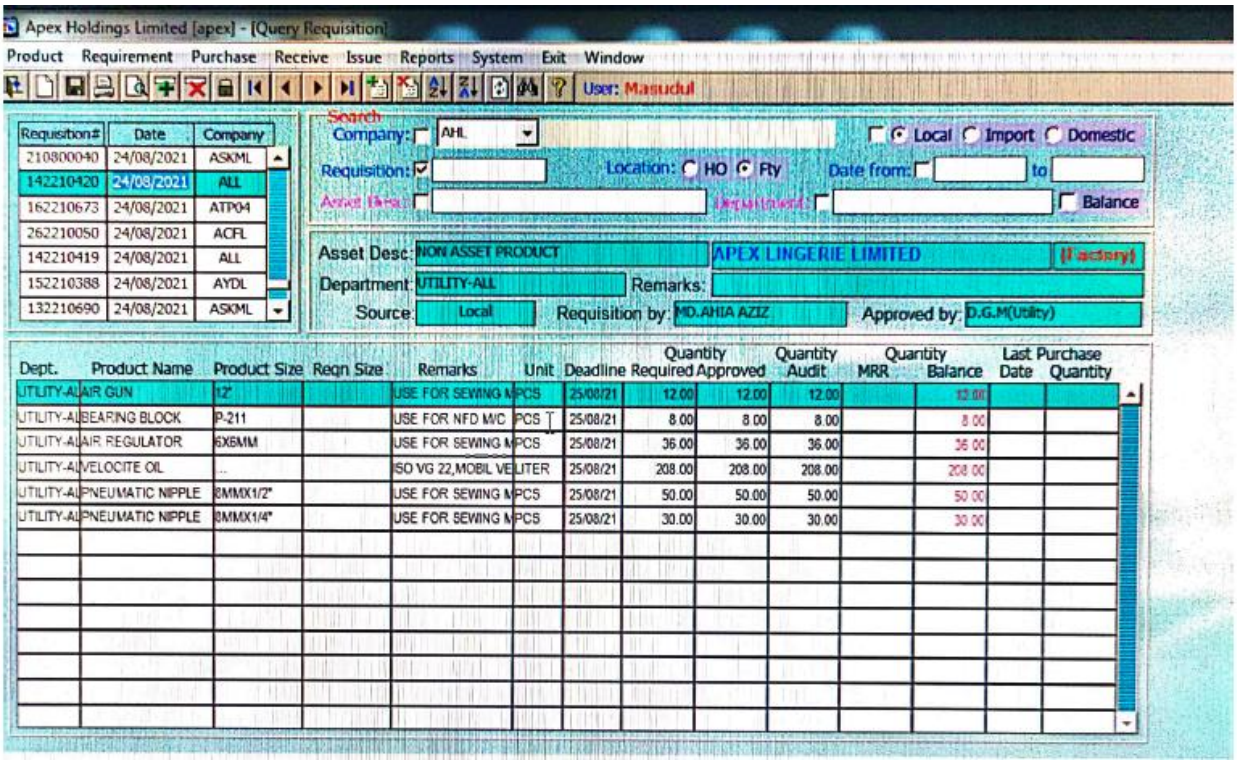


Figure-2.3 Internal Procedure of Purchase

I. Purchase Requisition (PR) from operation:

Operation manager create demand for production then rise to purchase requisition (PR) of the demanded materials then send to COO Sir for permission to purchase by supply chain manager in the local market. After the permission operation department send PR to supply chain manager for collect and send to warehouse for producing the product.

Apex Holdings Ltd always follows the production process that can't stop in any moment for any purpose. Those material shortage or machine damage we create Oracle for quickly solution and run the production.



Sources: Oracle software

Figure-2.4: Purchase Requisition (PR)

II. Purchase order (PO) from Procurement:

After the permission of requisition form chief operating officer then supply chain manager making purchase order (PO) form SCM software and visiting local market. To visit at least THREE suppliers for good quality and reasonable price offer to purchase from supplier. Searching the better supplier then making PO forwarding local supplier for supply the materials into the warehouse. During purchase we follow the following techniques to negotiate price and to ensure timely supply the goods in good condition:

- Selection of vendors:
  - First Choice – Manufacturer

- Second Choice – Direct importer
- Third Choice – Trader

- We keep good relation with the vendors
  - We want to do business with the suppliers keeping long term vision in mind.
  - We treat them as partner of Apex Holdings Ltd.

APEX TEXTILE PRINTING MILLS LIMITED
RUPAYAN GOLDEN AGE, 5th & 6rh FLOOR, 99 GULSHAN AVENUE, GULSHAN, DHAKA-1212, BANGLADESH
TEL : 88-02-9883358, EXT 102, 103. FAX 88-02-8810850 or 9861685
e-mail : procurement@apexholdings.com web:www.apexholdings.com

Date: 14/07/2020
Requisition : 162200507

To
AQUA PAINTS
South Avenue Tower, (2nd Floor),
House #50, Road #3, 7 Gulshan Avenue,
Gulshan-1, Dhaka-1212.

Attn: Mr. Shafat Zameel

Subject: Work Order for Paints

Dear,
With reference to your quotation, Dated 12.02.2019, we are pleased to select you to Supply the following specified items.

Sl	Specifications	Size	Qnty	Discount Price	Amount
01	T-7 Thinner	04 liter	**10**	900.00	9,000.00
02	Enamel Paint Black	3.64 liter	**02**	1056.00	2,112.00
03	Road Marking Yellow	3.64 liter	**12**	2565.00	30,780.00
04	Road Marking Red	3.64 liter	**03**	2565.00	7,695.00
Total Amount					**49,587.00**

Please arrange to supply the above mentioned items as early as possible

a) **Payment Term** : Payment Made by Cheque after 30 days from the date of delivery.
b) **Delivery Site** : Pollibiddut, Chandra, Shafipur, Gazipur.
c) **Delivery Schedule** : Within 1 (One) days from the date of work order.
d) **Contact Person** : Khairul : 01710693437

Thanking you

Md. Atikur Rahaman
Senior Executive (Procurement)
Apex Holdings Ltd.
Contact: 01726-399094

Source : Procurement Department.

Figure-2.5: Purchase order (PO)

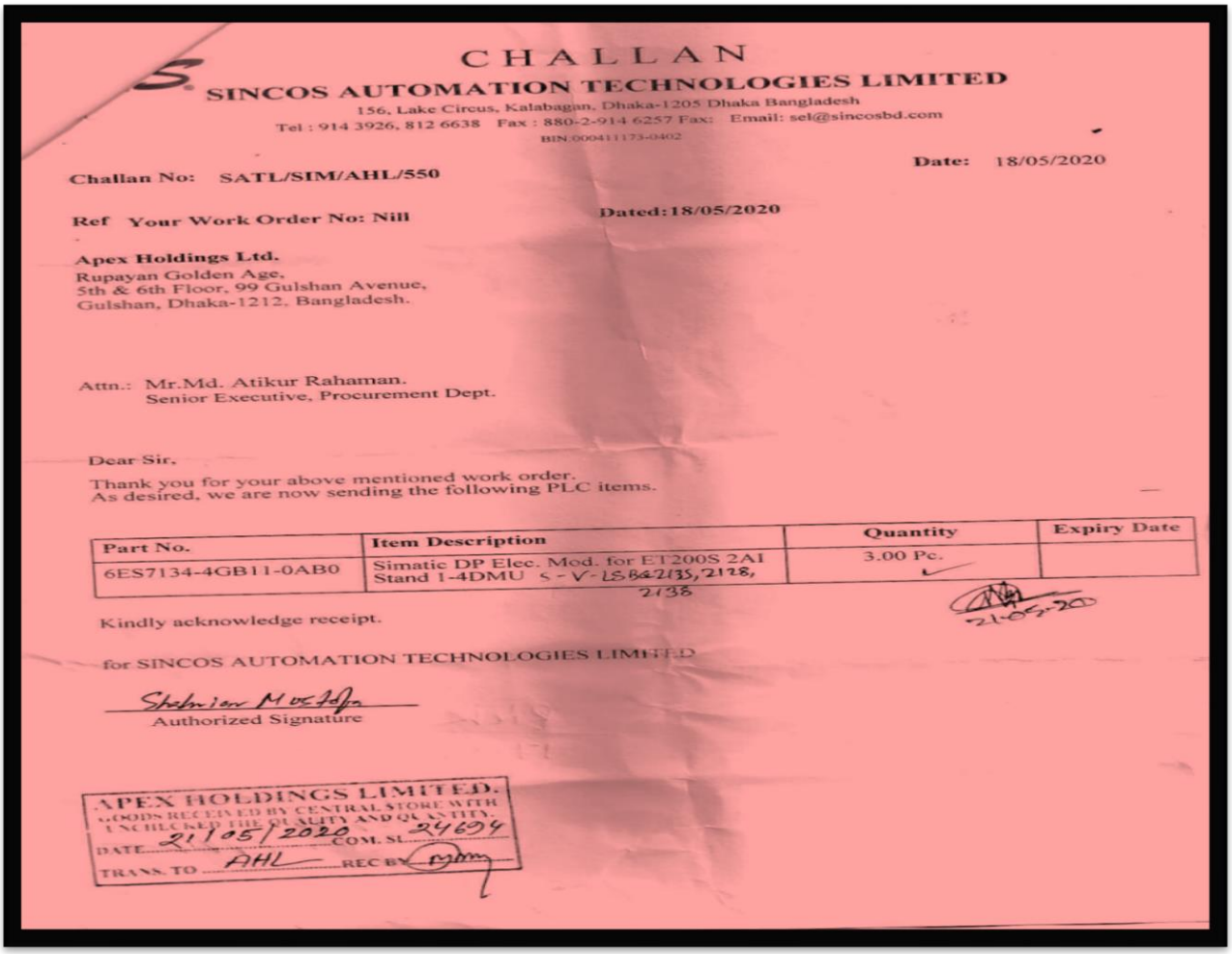
III. Supplier delivery the product to Warehouse:

Supplier getting PO then arranges the material or product delivery at a specific time. At a time supply chain manager and supplier both are always connecting each other for arrange and delivery purpose, if supplier face any problem then inform to the supply chain manager. Then supply chain manager discuss about the problematic issue about the operation manager for discover a solution. Hopefully suppliers will success to deliver the product or materials into the warehouse. Supply chain arranges transport to carry goods from suppliers ware house to factory:

- By arranging truck/ pickup through our company transport.
- By the suppliers negotiating price as including carrying.
- SCM himself arrange truck by taking consent from company transport.
- Small quantity items which are purchased in a day are stored there for sending to factory ware houses.
- 2(Two) store assistants are engaged to deliver goods to the factory. They do shifting duty.
- This arrangement has been done to supply small quantity of purchased goods at the earliest possible time to factory.

IV. Store Manger makes Material Receiving Report (MRR):

After finishing arrangement the material or product supplier send to the company warehouse for producing the product. Company Store manager receiving the material to make a material receiving report (MRR). That each purchase requisition material appropriately supply or not, if found any missing or incorrect material. Store manager must inform supply chain manager that your supplier missing the supply on the material, so inform you supplier why missing? That's why MRR is must for each product when receive.



CHALLAN

SINCOS AUTOMATION TECHNOLOGIES LIMITED

156, Lake Circus, Kalabagan, Dhaka-1205 Dhaka Bangladesh
Tel : 914 3926, 812 6638 Fax : 880-2-914 6257 Fax: Email: sel@sincosbd.com
BIN:000411173-0402

Challan No: SATL/SIM/AHL/550 Date: 18/05/2020

Ref Your Work Order No: Nill Dated:18/05/2020

Apex Holdings Ltd.
Rupayan Golden Age,
5th & 6th Floor, 99 Gulshan Avenue,
Gulshan, Dhaka-1212, Bangladesh.

Attn.: Mr.Md. Atikur Rahaman.
Senior Executive, Procurement Dept.

Dear Sir,
Thank you for your above mentioned work order.
As desired, we are now sending the following PLC items.

Part No.	Item Description	Quantity	Expiry Date
6ES7134-4GB11-0AB0	Simatic DP Elec. Mod. for ET200S 2AI Stand 1-4DMU S-V-LSB#2135, 2128, 2138	3.00 Pc.	

Kindly acknowledge receipt.

for SINCOS AUTOMATION TECHNOLOGIES LIMITED

Authorized Signature

21-05-20

APEX HOLDINGS LIMITED.
GOODS RECEIVED BY CENTRAL STORE WITH UNCHECKED THE QUALITY AND QUANTITY.
DATE 21/05/2020 COM. SL 24694
TRANS. TO AHL REC BY

Figure-2.6: Material Receiving Report (MRR)

V. Procurement dept. making MRR bill:

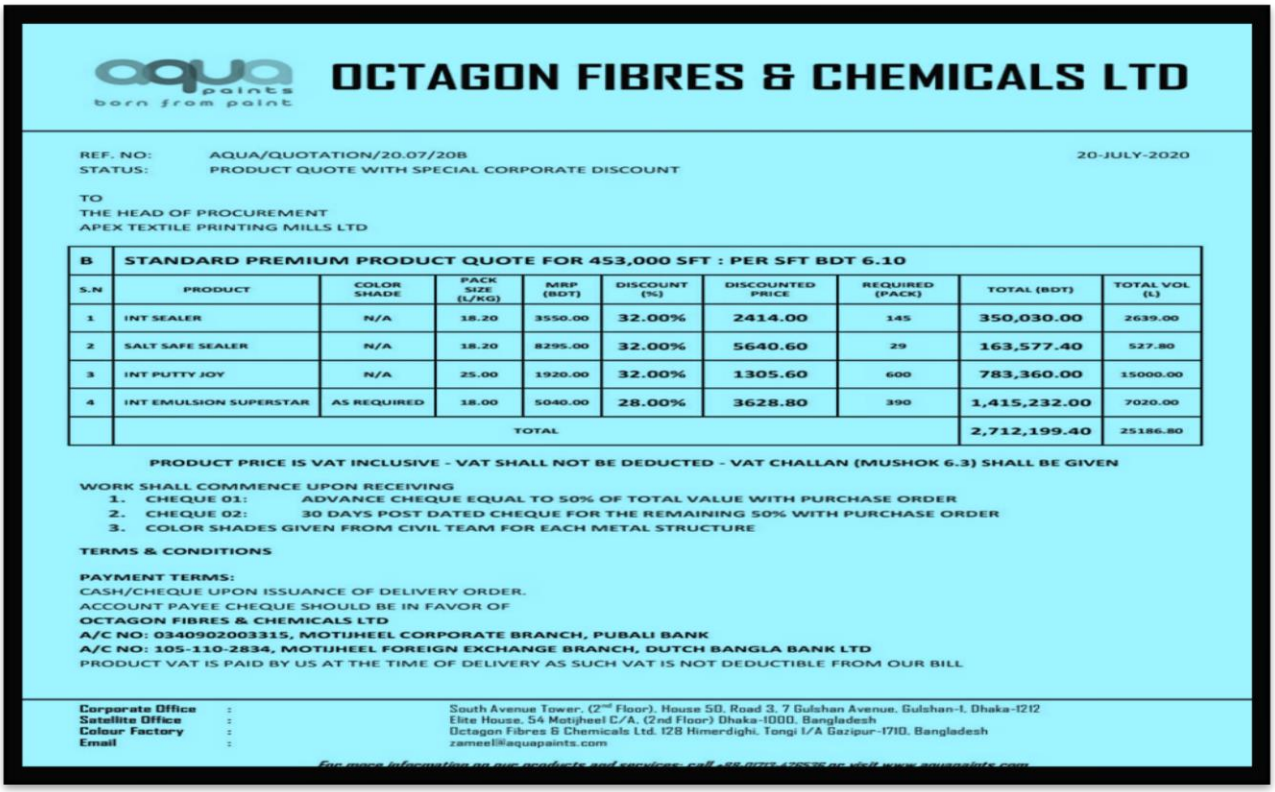
Procurement manager when making supplier bill that time must follow store manager MRR. How much bill? Depend on MRR, without MRR don't make any bill because when making MRR that time Store manager follow supplier challan quantity amount of goods. Local supplier are very small so quickly done payment by the supplier for making good relation in future better service. That's supply chain manager and supplier buildup trusty relationship. Without trust impossible to do any business.

VI. Bill submit to account for supplier payment:

It's major term in any business to right time payment for according to the pay terms. Our local supplier supply more products at each week if the supply amount aren't more than their cash in hand for business is not more for long time underpayment. When supply chain manager finishing the local bill works for pay supplier that time account department must pay at 3 or 4 days for payment.

N: B:

Market survey: Market survey must for every local supplier, a supply chain manager major work it is, before order the product supply. We must have a supplier for quality product but reasonable price. Without market survey or sourcing impossible to create a good market in any supplier for supply the product.



aqua paints
born from paint

OCTAGON FIBRES & CHEMICALS LTD

REF. NO: AQUA/QUOTATION/20.07/208 — 20-JULY-2020
STATUS: PRODUCT QUOTE WITH SPECIAL CORPORATE DISCOUNT

TO
THE HEAD OF PROCUREMENT
APEX TEXTILE PRINTING MILLS LTD

B	STANDARD PREMIUM PRODUCT QUOTE FOR 453,000 SFT : PER SFT BDT 6.10								
S.N	PRODUCT	COLOR SHADE	PACK SIZE (L/KG)	MRP (BDT)	DISCOUNT (%)	DISCOUNTED PRICE	REQUIRED (PACK)	TOTAL (BDT)	TOTAL VOL (L)
1	INT SEALER	N/A	18.20	3550.00	32.00%	2414.00	145	350,030.00	2639.00
2	SALT SAFE SEALER	N/A	18.20	8295.00	32.00%	5640.60	29	163,577.40	527.80
3	INT PUTTY JOY	N/A	25.00	1920.00	32.00%	1305.60	600	783,360.00	15000.00
4	INT EMULSION SUPERSTAR	AS REQUIRED	18.00	5040.00	28.00%	3628.80	390	1,415,232.00	7020.00
	TOTAL							2,712,199.40	25186.80

PRODUCT PRICE IS VAT INCLUSIVE - VAT SHALL NOT BE DEDUCTED - VAT CHALLAN (MUSHOK 6.3) SHALL BE GIVEN

WORK SHALL COMMENCE UPON RECEIVING
1. CHEQUE 01: ADVANCE CHEQUE EQUAL TO 50% OF TOTAL VALUE WITH PURCHASE ORDER
2. CHEQUE 02: 30 DAYS POST DATED CHEQUE FOR THE REMAINING 50% WITH PURCHASE ORDER
3. COLOR SHADES GIVEN FROM CIVIL TEAM FOR EACH METAL STRUCTURE

TERMS & CONDITIONS

PAYMENT TERMS:
CASH/CHEQUE UPON ISSUANCE OF DELIVERY ORDER.
ACCOUNT PAYEE CHEQUE SHOULD BE IN FAVOR OF
OCTAGON FIBRES & CHEMICALS LTD
A/C NO: 0340902003315, MOTIJHEEL CORPORATE BRANCH, PUBALI BANK
A/C NO: 105-110-2834, MOTIJHEEL FOREIGN EXCHANGE BRANCH, DUTCH BANGLA BANK LTD
PRODUCT VAT IS PAID BY US AT THE TIME OF DELIVERY AS SUCH VAT IS NOT DEDUCTIBLE FROM OUR BILL

Corporate Office : South Avenue Tower, (2nd Floor), House 50, Road 3, 7 Gulshan Avenue, Gulshan-1, Dhaka-1212
Satellite Office : Elite House, 54 Motijheel C/A, (2nd Floor) Dhaka-1000, Bangladesh
Colour Factory : Octagon Fibres & Chemicals Ltd. 128 Himerdighi, Tongi I/A Gazipur-1710, Bangladesh
Email : zameel@aquapaints.com

For more information on our products and services, call +88-0170-470575 or visit www.aquapaints.com

Figure-2.7: RFQ from Supplier

Negotiation Process : While there are many approaches to negotiation tactics, there are five common steps that most effective negotiations follow to achieve a successful outcome:

1. **Prepare**: Negotiation preparation is easy to ignore, but it's a vital first stage of the negotiating process. To prepare, research both sides of the discussion, identify any possible trade-offs, determine your most-desired and least-desired possible outcomes. Preparation can also include the definition of the ground rules: determining where, when, with whom, and under what time constraints the negotiations will take place.
2. **Exchange information**: This is the part of the negotiation when both parties exchange their initial positions. Each side should be allowed to share their underlying interests and concerns uninterrupted, including what they aim to receive at the end of the negotiation and why they feel the way they do.
3. **Clarify**: During the clarification step, both sides continue the discussion that they began when exchanging information by justifying and bolstering their claims. If one side disagrees with something the other side is saying, they should discuss that disagreement in calm terms to reach a point of understanding.
4. **Bargain and problem-solve**: This step is the meat of the process of negotiation, during which both sides begin a give-and-take. After the initial first offer, each negotiating party should propose different counter-offers for the problem, all the while making and managing their concessions. During the bargaining process, keep your emotions in check; the best negotiators use strong verbal communication skills.The goal of this step is to emerge with a win-win outcome—a positive course of action.
5. **Conclude and implement**: Once an acceptable solution has been agreed upon, both sides should thank each other for the discussion, no matter the outcome of the negotiation; successful negotiations are all about creating and maintaining good long-term relationships. Then they should outline the expectations of each party and ensure that the compromise will be implemented effectively. This step often includes a written contract and a follow-up to confirm the implementation is going smoothly.

Price Approval: When survey many supplier everyone given a price offer for buying the goods from her. Our chief operating officer verifies the price and does the approval one from many prices. Without price approval supply chain manager can't buy any material form supplier

Chapter-3
Literature Review

3.1 Theoretical Review

3.1.1 Theories of Purchasing Management :

Before World War 11, purchasing was considered to be more or less a clerical duty. The work of purchasing departments in most organizations was merely made up of bookkeeping. After World War 11 businesses began to learn the benefits of a more scientific approach. Today there are organizations have found successful. Having a working knowledge of these theories will enable you to better understand the business process.

Fordism Theory

Henry Ford revolutionized manufacturing through the assembly line and standardizing the use of special purpose tools. His innovations created a general model and system of manufacturing that came to be called Fordism. The theory of purchasing management that emerged from Fordism places key emphasize on the control of suppliers. To better facilitate mass production, purchasing managers attempt to gain direct control over sources of raw materials such as rubber and metals.

Just In Time

Just in Time models of production were first pioneered by Japanese manufacturers. The major advantage of this form of production is that it allows manufacturers to reduce inventories and thereby warehousing costs. Items and suppliers are purchased only when immediately needed. It is the role of the purchasing management department to create an effective system for ordering. This system is only made possible by computing technology that monitors production needs for timely communication.

Vendor Management

Vendor management is an evolution of the Just in Time theory of purchasing management. The control over inventory is placed not with a purchasing department or any management, but with

the actual sellers of items. Vendors are able to use computer systems to order items that are only manufactured at their command. This system is meant to take advantage of the particular expertise of vendors and the knowledge they gain from customer interaction.

Customer Management

Another evolution of the Just in Time model of production is customer management. In this method of

purchasing customers are able to order items themselves that are then manufactured with immediately provided suppliers. To the extent that this sort of system can be implemented with any item it offers an ideal arrangement. Expenses for suppliers are only incurred when there is a definite demand from a definite customer. This system requires very flexible production methods.

3.1.2 Game Theory

Game Theory is a mathematical model of interactions that is used in competitive situations to settle conflicts or initiate negotiations between two rational decision makers. Game Theory is widely used in the fields of economics, politics, psychology, computer science and even biology. Game Theory was developed as a solution to zero-sum games where out of the two participants, only one would benefit. Business organizations use Game Theory to address issues like mergers, negotiations, product launch, price wars and more.

Negotiations between buyers and sellers are commonplace in procurement and often prove to be a tricky ballgame for both. Game Theory can be applied in procurement negotiations to achieve favorable outcomes and make strategic decisions. Although the procurement industry is well aware of the benefits of Game Theory in negotiations, its employment is still in the nascent stage.

Explanation

In order to understand the nature of Game Theory and its application in procurement, let's consider a hypothetical situation between a buyer and a supplier.

Both the buyer and supplier involved in this situation are known as Players and the negotiation is called the Game. The prior information available to both the parties is known as Information Set and the plan of action that a player will take under different circumstances is known as Strategy. The payout a player receives at the end of the game is known as the Pay Off and the point at which both the parties reach an agreement is called Equilibrium.

Suppose one liter of fabric dye costs $100 in the market and that is the information known to both the parties. Let's assume that the buyer's maximum price offer is $100 and the supplier's minimum price offer is $40. However, neither the supplier is aware of the buyer's maximum offer, nor the buyer is aware of the supplier's minimum offer. Certainly the buyer is expecting an offer that is less than $100 and the supplier is expecting an offer that is more than $40. Using Game Theory, both the parties try to get the other player to reveal their offers to place a counter offer. Suppose the buyer reveals the maximum offer and the supplier doesn't reveal the minimum offer, the supplier will receive a payoff of $100 while he/she was ready to even accept $40. In another instance, let's say the supplier reveals the minimum offer but the buyer doesn't reveal the maximum offer, in this case the buyer will get away with a cheap pay off of just $40 when he/she was willing to go till $100. Both will fail to receive a pay off if either of them don't reveal their offers.

Game Theory works under the assumption that the players are rational decision makers who acknowledge the information set and work towards equilibrium through mutual cooperation. Thus, Game Theory helps both the parties to reinforce confidence in one another and reach equilibrium by revealing their respective offers to settle at a common ground.

Benefits of Game Theory in Procurement

- **Streamlines Negotiations**

  Game Theory helps in making negotiations more structured by bringing both the parties

on the same page. It adds more clarity to the entire process and ensures that both the parties commit to reaching an agreement as soon as possible while maintaining their respective interests.

- **Increased Savings**

  Buyers can take advantage of Game Theory to increase their savings, reap greater return on investments and explore new options to minimize their costs while retaining the existing suppliers. Game Theory makes negotiations more transparent in nature, thus offering a fair advantage to suppliers as well.

- **Retain relationships**

  Game Theory takes the interests of both the parties into account and thus both suppliers and buyers taking part in a negotiation will find its application helpful. The theory helps buyers retain their suppliers without paying high amounts and suppliers retain their buyers without losing much of their margins. It helps both suppliers and buyers to arrive at a middle ground and strengthen their existing relationship.

- **Offers Deeper Understanding**

  Given that Game Theory offers a systematic and scientific approach to reach agreements in a negotiation, it provides an opportunity for both the parties to analyze the reasoning they used to achieve the desired outcome. The reasoning and approach used to negotiate can be traced back, dissected, studied, improved and used again as a strategy for future negotiations.

- **Better Procurement Practices**

  Lastly, Game Theory helps in improving the processes involved within the supply chain. Improved processes can reflect in increased savings, shorter turnaround times, healthier supplier-vendor relationship and greater compliance.

Limitations of Game Theory

- Though Game Theory offers many benefits, it cannot be applied in all the situations. There are instances where rationality or diplomacy might not offer the solutions one is looking for. There are instances where mutual benefit might not be the most ideal outcome. During situations like this, one has to make the conscious decision of whether or not to use Game Theory to settle issues.

- Also, there is no hard and fast rule that the settlement reached using Game Theory should end with a mutual benefit. Though the theory adds structure and clarity to the negotiation, there are elements of uncertainty that might favor one party over the other.
- The assumption that both parties are going to be rational and cooperate with each other to reach a mutual agreement can prove to be risky. The theory assumes that both the parties won't be hell bent on their self-interests while it may not be the case.

3.1.3 Procurement Theory by Pen Pamela, 2008

According to Pen Pamela (2008) procurement is to launch a competitive price though affording some flexibility in selecting the suppliers to deal with. Inverse auctions do not have this flexibility, because it is the auction rules and not the buyer that determines the winner. In practice the advanced mechanisms that remove some suppliers and a consistence number of demand from the auction market are quite common. In theory such advanced mechanisms increases competition and make buyers better off as long as suppliers are willing to accept noncompetitive contracts. Under an extensive variety of conditions these contracts have a positive expected profit. The theory depends on two behavioral assumptions:

- Bidders in a multiunit uniform-price reverse auction will follow the dominant strategy of bidding truthfully
- The supplier who has been removed from the market will accept noncompetitive contract that have a positive expected profit. Due to experiment it shows the bidders in the auction behave very close to following the dominant strategy regardless of the whether this auction is stand-alone or part of advanced mechanism. Also suppliers accept non- completive contracts sufficiently often to make advanced mechanism outperform the reverse auction.

This theory enabled the researcher to understand strategies used by private organizations when making international procurement as well as the challenges associate with the use of these strategies.

3.1.4 Comparative Cost Advantage Theory

The theory developed by David Ricardo (1817) in England who formulated the law of comparative advantages the aim of the theory was to look if a foreign country can supply cheaper commodity than England manufacturing industries. David said that it is better to buy some part of product for manufacturing in another county with cheap price or it better to manufacture everything up, without buying from another country, to the end of product or goods if the conditions and/or requirements are cheap. Comparative advantage is the ability of a party to produce a particular good or service at a lower marginal and opportunity cost over another. Even if one country is more efficient in the production of all goods (absolute advantage in all goods) than the others, both countries will still gain by trading with each other, as long as they have different relative efficiencies.

David Ricardo argued that a country does not need to have an absolute advantage in the production of any commodity for international trade and another country to be mutually beneficial but this can work through the following assumption:

- Absolute advantage meant greater efficiency in production, or the use of less labor factor in production.
- Two countries could both benefit from trade if each had a relative advantage in production.
- Relative advantage simply meant that the ratio of the labor embodied in the two commodities differed between two countries, such that each country would have at least one commodity where the relative amount of labor embodied would be less than that of the other country.

The theory was criticized by Heckscher for the reason that comparative advantage concept is formulated to be applicant for two country and the commodity of two case. Heckscher put it that if there is more than two country or commodities the theory cannot work or loses its facile features and requires totally different formulation. Also, conditions that maximize comparative advantage do not automatically resolve trade deficits.

For example, the amount of goods produced can be maximized, yet it may involve a net transfer of wealth from one country to the other, often because economic agents have widely different rates of saving. This theory enabled the researcher to understand how different organizations in different country can benefit or not benefit by making international trade, how transaction may affect the worth of the industry and how each company can use opportunity cost to save some product with lower cost.

3.1.5 Peter Kraljic Matrix

The Kraljic Matrix is a popular method used when setting up a procurement strategy. It is used to classify and analyse the purchasing portfolio of a company.

According to Peter Kraljic, a purchasing strategy depends on two key factors:

- **The strategic importance of purchasing:** volume of expenditure, Total Cost of Ownership (TCO), profitability, differentiation and value-added for the company and the sales process.

- **The complexity of the supply market:** monopoly or oligopoly, entry barriers, technological evolution, logistics cost or complexity etc.

This principle is illustrated with a chart that can be used to priorities purchases and sort them into four main categories.

- ✓ Non-critical items
- ✓ Leverage items
- ✓ Bottleneck items
- ✓ Strategic items

3.2 Empirical Review

In this section what have been done by other researchers concerning the challenges face procurement in local procurement in private sector has been discussed from different views of other researchers. It reviews previous researches and studies which has relation with specific objectives of this work. Here below are some of them:

Procurement Strategies

B-2-B Process: Firms in business-to-business markets are embedded in a complex network of relationships with suppliers, customers as well as a number of other stakeholders. Economic actions are influenced by the social context in which they are embedded. The partnership can be structured to achieve cost rationalization and technical development. The benefits are reduction of production, transportation and administrative costs. On the technical development the greatest benefit is the possibility of sharing the resources of suppliers and shortening the lead-times. Close relationships also increase cost and closeness imposes dependency, as handling dependencies are a crucial factor.

Zaheer Et Al. (2000) study on the strategies used by procurement officers in Malaysia. Researcher used sample of 50 staff of procurement departments from 2 manufacturing industry and used group discussion and interview methods to collect data from respondents. Study found that networks among different firms is the strategy used by manufacturing companies in procurement process where the procurement staff access information on resources, markets, and technologies from other companies. The strategy was seemed to be effective in allowing firms to achieve their procurement performance. The study concluded that networking as the one of the procurement strategy in the manufacturing firms is good if both firms are intended to produce the best qualities and support each other for the performance of manufacturing industry.

Kevin (2011) examined impediments in implementation of procurement activities on private organizations in Kenya. The design was survey in which the researcher used questionnaires as the main tool of collecting data from 200 respondents. The study found that Procurement expenditure is the challenge for some private procurement whereby efficiently handling in the large size of procurement it is impossible due to lower capital of the firm and higher cost of international procurement process. Also, objective consideration of the government was also impeding some private international procurement whereby the government refused to grant some private procurement because they did not relate to government priorities. Greater examinations of tax payment, corruption, low skills and technology in procurement as well as weak understanding in respect of management and policy were noted to impede private procurement activities.

Thai (2001) conducted a study on public procurement in Thailand. The researcher used a sample of 10 public organizations where by 380 procurement officers were questioned. The study found that among the strategies used in public procurement was procurement performance benchmarking, whereby managers of procurement are emphasized to rich some target on their activities performance, and this stimulated procurement staffs to be king on their decision and observe ethical and codes of procurement. The researcher concluded that government and procurement regulator should put the range of benchmark for both public and private entities where the procurement officers should reach in order to be effective on their procuring process and through it will be easy to analyze problems and weaknesses of supply chain in the country.

Spain (2007) conducted a study on global sourcing and purchasing strategy. The researcher used a sample of 2 procurement industry where researcher collected data through questionnaires from 70 respondents. The study found that purchase management centralization strategy is used as a tool for cost minimization during international procurement, transportation of goods up to the warehouse and management of time from day of contract up to deliver. The researcher concluded that it was important for procurement organization to use the purchase management centralization which is a good tool to overcome some unnecessary costs which are caused by unsystematic management.

3.3 Organizational History

Apex Holdings Limited (AHL)

Apex Holdings Limited (AHL) is a holding company for the management of a wide range of manufacturing and export-oriented enterprises, ranging from Frozen & Convenience Foods, Textiles & Apparels, Chemicals & Agro businesses. The company was formed and registered in Bangladesh in 1998. The sponsors of AHL had set up its first export-oriented manufacturing enterprise in 1980 and have ever since grown into a sizable group of companies. As the number of companies under the management increased, the need for a management company to facilitate coordination and to maintain control over the individual company became necessary.

Our Business Segments

- Apex Spinning & Knitting Mills Limited (ASKML)
- Apex Textile Printing Mills Limited
- Apex Fashion Wear Limited (AFWL)
- Apex Lingerie Limited.
- Apex Yarn Dyeing Limited (AYDL)
- Matex Bangladesh Limited (MBL)
- Apex Foods Limited (AFL)
- Apex Bio fertilizer & Bio-Pesticides Limited.
- Apex Organic Soya Limited.
- Apex Convenience Food Limited.

3.4 Sustainability

Apex is a pioneer in sustainable manufacturing. Its sustainability efforts are driven by digitization, ecological cognizance, productivity, innovation, and adaptability. Apex has a three-pronged mechanism for addressing sustainability: environmental friendliness, usage of recyclable materials, and mainstreaming corporate social responsibility efforts into its daily operations.

Our commitment to environmental friendliness is multi-faceted. We have one of the largest privately-owned water treatment plants in the country where it researches how to recycle wastewater. Our factories use environmentally friendly chemicals that adhere to ZDHC (Zero Discharge of Hazardous Chemicals) guidelines, to promote sustainable manufacturing.

We have prioritized conserving resources. We use singeing and sublimation in the manufacturing of our textiles to minimize dye wastage and chemical usage. To conserve energy and maximize efficiency, we made the switch to LED lights from CFL lights and from clutch motors to servo motors in all of our factories and offices. Additionally, our operations utilize waste heat from factory power generation and use it to power air-conditioning and cooling units. Our energy

conservation initiatives extend to our dyeing houses as well, as a part of the International Finance Corporation's (IFC) PaCT program.

We are the Global Recycle Standard (GRS) certified, which means that we voluntarily allow third-party assessment of our recycling efforts. We recycle the pre-consumer waste produced in our manufacturing processes into new fiber. We work with bamboo fiber, recycled polyester, recycled ocean plastic, nylon, viscose made from FSC certified wood pulp, and viscose made from pre-consumer recycled cotton in addition to using organic cotton in our manufacturing.

Also, to integrate technological innovation into our sustainability initiatives and to promote recycling, we have collaboration with Reverse Resources to facilitate an online platform that allows a network of recycling spinners to access fabric scrap availability.

3.5 CSR Policy

We have mainstreamed corporate social responsibility into our operations and chooses to holistically develop our employees. Some of our initiatives are planting 1000+ trees a year, providing safe drinking water, on-premises medical and transport facilities for staff and family and daycare centers which have certified childcare givers for working mothers. We also organize wellbeing training sessions focused on financial literacy and nutrition of our employees as a regular practice. We are determined to invest in our people. Along with the support from the International Labor Organization (ILO), we have jointly developed a wage management system called the Fair Wage Method to address wage disparity challenges in the global garment manufacturing sector. We do not see these works just as corporate social responsibility but as a way to develop the community and the larger global sector.

Chapter-4
Finding of the Study

4.1 Finding

- **Communication with supplier:** A bottom point of Procurement is smooth communication with supplier at always time.
- **Network channel:** A goods channel with supplier make benefit in the future others product into the market.
- **Procurement network at Apex Holdings Ltd:** At the beginning to finish product how to supply of manufacturer to ultimate customer at below point:
  - ✓ Supplier: A person who responsible to supply the raw materials, machinery or others.
  - ✓ Manufacturer: Getting materials then starting to make the final product.
  - ✓ Warehouse: A stock house of the factory that's to measurement of the present stock at materials or final goods.
  - ✓ Distribution: Circle of channel to distribution all things at ultimate purpose.
  - ✓ Retailer: A nominee person who sell the final product to consumer for making profit.
  - ✓ Customer: Ultimate customer who buy our company product for consume.

- **Cost measurement:** If we make a final product, then include all cost such as materials, Shipping, Process etc.
- **Affect of logistics cost on profit at Apex Holdings Ltd:** Every cost is affected on profit some are lowest, some are more. Here logistics is a turning factors of cost at below:
  - ✓ Air freight cost: An emergency or smooth of liquid materials then use airway otherwise its high costing affect to making final product.
  - ✓ Sea freight cost: As import section procurement must decided to ship at sea freight in any country because sea are always a measurable lowest cost for carried.
  - ✓ Road/Land freight cost: when we import any materials at neighbor country then we try to shipment by road because it's given lowest cost.

- **Import follow up system:** A supply chain manager must follow up when materials or machine are shipment if delay to release the goods then given the demurrage to customs.
- **Sourcing new supplier at Apex Holdings Ltd:** Supply chain manager must source new supplier local or international for reduce the materials purchase cost
- **Delivery chain network:** A chain of network to deliver the product at Supplier to manufacturer.
- **Price negotiation:** when we purchase materials or machine from supplier then must smoothly negotiate for price reduction.

4.2 Adoption of Dual Construct for Supplier Selection:

In order to achieve a more advance supplier selection method in the future, an orthogonal perspective or also known as dimensions is needed to guide the identification of metrics. The relevant metrics for supplier selection in the construction industry can be viewed in two perspectives. Based on the study done by Thiruchelva, two main constructs namely supplier competitiveness and supplier attractiveness are formed to distinct all the criteria. However, the author thinks that there are criteria which are not included that servers an importance towards the construction industry. Therefore, two new construct consisting of supplier effectiveness and supplier allurement are proposed to cater for the construction industry. Supplier effectiveness shows the main attributes organizations seeks from a supplier and are relatively similar across the market. The main criteria consist of supplier quality, price, delivery and support services. Supplier allurements are attributes that only appears as high priority to certain organizations.

This construct includes supplier flexibility, financial performance, customer focus, safety awareness.

Chapter-5

Recommendation and Conclusion

5.1 Recommendations

Recommendations have been made about measures that could be taken to reduce the challenges of international procurement faced by the private sectors. The following may be noted:

- Bangladesh government should support procurement in privet sector by reducing taxes and other charges and if possible to establish an independent board which will deal with potential private firms which procure either all or part of their production material from local markets. Furthermore, Tanzania embosses all over the world can help our local private companies to identify reliable source of different materials in the countries where they are. This will help the companies to avoid dealing with cheater producers and suppliers.

- It is forth recommended that the private company should have procurement units that are managed by quality personnel who have the requisite knowledge, training and competence in procurement. This can be done, by providing the staffs in charge of procurement, training and opportunities to gain professional procurement qualifications. This would help achieve more value for money and transparency.

- The private company should establish spend analysis. The spend analysis will provide a tool that can be used to increase visibility and transparency. Correct pricing, rebates and volume discounts are factors that can be reported by implementing the analysis. The visibility issue applies inside the organization as well. By implementing the spend analysis the organization can monitor whether the suppliers are following the corporate policies and using the appropriate contractual terms with buyers, pricing, payment and purchase value commitments.

- Proper documentation of international procurement activities was also recommended. Accurate written records of the different stages of the procedure are essential to provide an audit trail of procurement decisions for controls, serve as the official record in cases of administrative or judicial challenge and provide an opportunity for management and monitor the funds. Additionally, private company need to put procedures in place to ensure that procurement decisions are well documented, justifiable and substantiated in accordance with relevant laws and policies in order to promote accountability.

5.2 Room for Further Studies

Another study should be conducted on the same topic while considering other sector of business rather than manufacturing sector. This will enable to get the general picture of challenges of international procurement in private companies

5.3 Conclusion

Procurement is an exciting and important area of study. Specialist companies like Excel are able to save the world's leading businesses large amounts of money, time and effort by creating an effective supply chain. Just-in-time methods and premium supply chain management. Procurement division has a good contribution for overall chain management of Apex Holdings Ltd. Apex Holdings Ltd as a private sector of plastic industries, which has started its manufacturing plastic goods activities in 2003 is trying to serve the various valued customers through different types of plastic goods and products. It is now holding the position of leader. In addition to this, supply chain manager given a great support to this position, where whole mechanism is connected by the systematical way. To build up communicate with various person for better chain management. Despite the supply chain's role as a significant contributor to attaining strategic business goals, the logistics industry is experiencing a shortage of capable and well-rounded supply chain managers prepared to step into key management positions. This can be overcome by developing programs for talent management the vigorous, systematic process of connecting a clear, well defined business strategy to the recruitment, retention and development of talent.

Many shippers are troubled by the current state of talent management within their organizations, with promotion and rotation practices and identifying and developing leaders the top concerns.

As supply chains grow more complex and intrinsic to a company's ability to attain its business goals, they require leaders who are more diverse and multi-faceted. A significant number of shippers feel their current leaders don't have what it takes to address future business challenges. Here logistics support more important for challenging global market competition where both type of shipping vary the making final product for ultimate customer at a measurable price.

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