PERFORMANCE EVALUATION OF PROCUREMENT PRACTICE OF IGLOO ICE CREAM UNIT: A STUDY ON ABDUL MONEM LIMITED

An Thesis Report

*Submitted to the **Faculty of Business Studies**, **Sonargaon University** in Partial Fulfilment of the Requirements for the Degree of*
Masters of Business Administration

Under the Supervision of

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PERFORMANCE EVALUATION OF PROCUREMENT PRACTICE OF IGLOO ICE CREAM UNIT: A STUDY ON ABDUL MONEM LIMITED DECLARATION

I hereby declare that except where specific reference is made to the work of others, the contents of this dissertation are original and have not been submitted in whole or in part for consideration for any other degree or qualification in this, or any other University. This dissertation is the result of my own work and includes nothing which is the outcome of work done in collaboration, except where specifically indicated in the text.

Jinnat Hossain
September 2021

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PERFORMANCE EVALUATION OF PROCUREMENT PRACTICE OF IGLOO ICECREAM UNIT: A CASE STUDY OF ABDUL MONEM LIMITED

be accepted in partial fulfilment of the requirements for the degree of ***Master of Business Administration*** *under the* ***Faculty of Business Studies***, ***Sonargaon University***

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DEDICATION

To my Parents

EXECUTIVE SUMMARY

Abdul Monem Limited (AML) is one of the leading conglomerates in Bangladesh. AML is a Private Limited Company. The Procurement Division is one of the support departments established in AML to maintain an effective and smooth functioning in the organization. And also, to monitor all the activities like from planning to revenue generation each steps of AML and its subsidiaries. Procurement is the mechanism in place on a permanent basis to procure necessary items in an organization, both at a central and at a departmental divisional level. A key component of effective procurement process is the management of reducing cost as well as taking strategic decision about the long-term organizational goals.

Abdul Monem Limited is one of the largest production-based organizations and their business is expanded overall the country therefore it is quite hard for them to conserve as well as monitor an appropriate procurement process. The report will be divided into eight chapters. In chapter one – Introduction part like Background of study, research objectives, scope of the study and methodology in brief will be discussed. These contents will give an overall idea about the whole report which is important to analyse on this topic. In chapter two - literature review will be discussed that means the previous studies about the related objectives of that topic which is important to make a better methodology that means how to collect information from organization. In chapter three – the methodology of study will be discussed like research design, study area, questionnaire will be mentioned, data collection and analysis process will be discussed which give a general idea how the analysis part will be accommodate by which method. In chapter four- organizational overview will be discussed; we will get a brief idea about Abdul Monem Limited and its products. In chapter five – the procurement practice of Igloo ice cream will be discussed; in that chapter we will come to know how AML has been functioning its procurement process as well as its demand and supply management too. In chapter six – collected information will be analysed and findings will be accommodating which give overall summary of the report. In chapter seven – a brief discussion will give an idea to reader and summary of findings of previous chapter. And finally, in chapter eight - the conclusion on the findings, limitation of the study and some recommendations will be discussed that means this is the overall summary of whole objectives of that report.

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LIST OF ABBREVIATIONS

Symbol	Description
AML	Abdul Monem Limited
LC	Letter of Credit
SBU	Strategic Business Unit
CHO	Corporate Head Office
RFQ	Request for Quotation
CS	Comparative Statement
DDP	Delivery Duty Paid
Incoterms	International Commercial Terms
MRR	Material Receive Report
ERP	Enterprise Resource Planning
PI	Proforma Invoice
PR	Purchase Requisition
RM	Raw Material
SMP	Skimmed Milk Powder
ROP	Re-Order Point
SS	Safety Stock
PM	Packaging Material
ADB	Asia Development Bank
JICA	Japan International Cooperation Agency
DBEL	Danish Bangla Emulsion Ltd.
CIPS	Chartered Institute of Procurement & Supply
JIT	Just in Time
FGD	Focus Group Discussion
AGM	Assistant General Manager
SWOT	Strength, Weakness, Opportunity & Threat
R&D	Research & Development
FMCG	Fast Moving Consumer Goods
DMD	Deputy Managing Director
MD	Managing Director
SWIFT	Society for Worldwide Interbank Financial Telecommunication
SRM	Supplier Relationship Management

RFP	Request for Proposal
QC	Quality Control
VMI	Vendor Managed Inventory
WO	Work Order
PO	Purchase Order

CHAPTER 1

INTRODUCTION

1.1 Background of the study

Today in this competitive business world, companies in local as well as abroad manufacturing similar products for a targeted customer base with identical structured administration. For example, in the ice-cream industry, makers of Igloo, Polar and Bellissimo compete with each other so as to acquire clients and furthermore to expand their benefits. For a company to expand its benefits, piece of the overall industry and deals volume to keep its business enduring, consumer loyalty and item quality are the main considerations used to pick up an upper hand which won't just draw in new clients yet additionally hold the current ones. A production-based organization must probably assess and screen its key utilitarian territories regarding production, transportation, assets, raw materials, support and a lot more with the goal that a taka or dollar spared in each area of an association has a general effect in the organization's turnover. Even though, item quality and consumer loyalty are the basic products in a decent business, numerous associations come up short on the information of how to effectively utilize their assets to accomplish a fruitful business operation.

Numerous organizations seize to work ideally because of not properly implemented process of procurement which in the end prompts a mind-boggling expense of maintaining a business. Consequently, cost is a basic factor that upsets the accomplishment of a business if legitimate consideration isn't taken. Today organizations are ending up increasingly related because of globalization and the fallout impact has led to development of organizations over the globe. A definite comprehension of the procedures associated with acquirement and its usage will upgrade the productivity and viability of an organization in a very aggressive market, which will thusly achieve a decent possibility for progress. Current undertaking is looked with enormous arrangement of difficulties, for example, items delivery to the clients at the ideal time and spot, powers of globalization, expanded risk, complicated supply chain and the spread of government guideline on decision making. Notwithstanding, business condition experience troubles in setting up preferable models over the current traditional suppliers' relationship.

The recent development towards maintaining a solid platform with new features is a challenge for most ice cream companies, especially those trying to conform their services in an irregular business environment to international standards. Igloo believes it can be profitable, successful and durable in ensuring long-term existence. To ensure survival in

this highly competitive industry, they take advice from their customers very carefully and try to change and add new dimensions to their business. This strategy has successfully tackled the challenge of maintaining competition with cutting-edge technologies and products, and of maintaining a remarkable 63 percent market share. In comparison with its major competitor, Polar has 24% of the market, with Savoy holding a 10% interest, Kwality 2% and other 1%. Therefore, it can be concluded that Igloo offers value-added products and demonstrates its commitment to optimal use of resources. Proper procurement practice is important for ice cream industry of our country because customers will choose the company that meets their needs fastest. It is also important to get competitive advantages in international market.

1.2 Scope of the study

Research has been carried out on the Procurement Division, Head Office of Abdul Monem Limited. It was conducted in a very short period of ten weeks. Information was gathered from managers and executives and the live procurement process on the respective departments to get the right scenario. If the procurement function ends properly, a company's overall function will decrease its catalogs to reduce purchasing costs as well as total costs, reduce lead time, increase efficiency and increase market receptivity by considering the negative impacts on the buyer-supplier relationship and finding a proper solution. Improved and superior procurement performance also leads to a rapid response, which is a concept for collaboration and sharing or information between buyers and suppliers that enables them to respond more quickly to customer requirements. The procurement function is one of the most important components of the overall supply chain management. Organizations such as universities, training institutes and commercial offices, etc., offer supply chain management from a strategical point of view as important courses for modern management through which employees can be well educated in procurement and then implement the learning directly in the consumer goods industry. It can make our future economic growth more enthusiastic and sustainable.

1.3 Objectives of the study

1.3.1 **Broad Objective:** To evaluate the performance of procurement practice of Abdul Monem Limited (AML) is the broad objective of this study.

1.3.2 **Specific Objective:**

- To identify the overall process of local procurement of materials needed
- To identify the overall process of procurement through LC
- To investigate the current condition exists in procurement practice of AML
- To identify the problems facing by procurement function of AML
- To recommend some guidelines to improve the efficiency and effectiveness of procurement practice on AML

1.4 Methodology of the study

Descriptive and qualitative research has been conducted in this study to maintain the instruction of my departmental supervisor and to delve deeper and understanding of overall procurement function and its practice on AML.

1.4.1 **Source of Data:** To collect the information, both primary and secondary data sources used to complete this report

1.4.2 **Primary Data:**

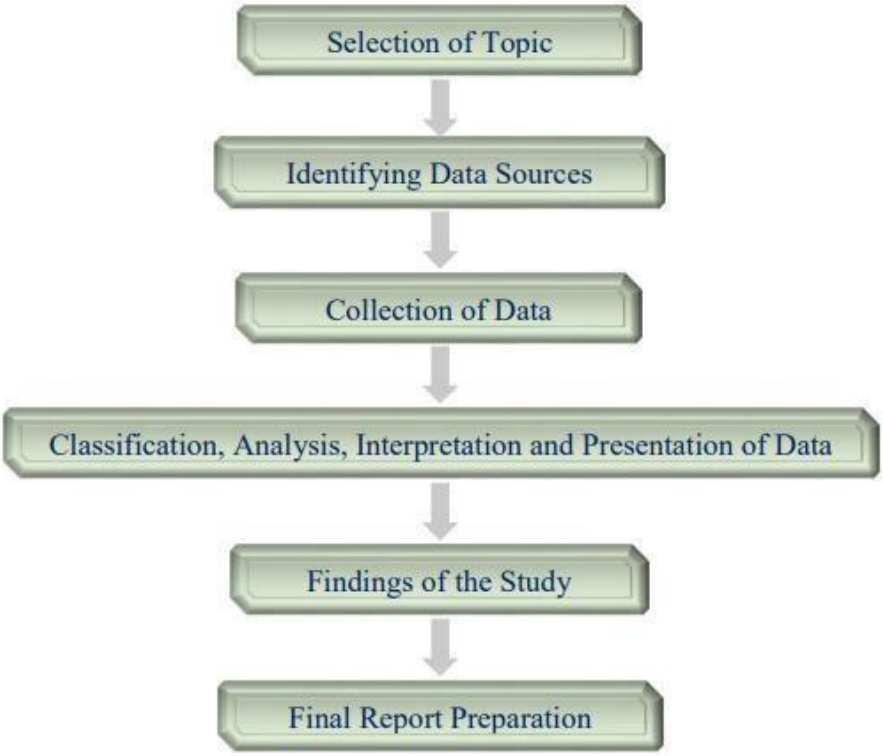
- Face to face conversation with managers and executives
- Raw data from indent, purchase order, purchase requisition etc.
- Observe regularly on corporate head office.

1.4.3 Secondary Data:

- Website and relevant document of AML
- Journals, conference papers related with procurement

1.4.4 **Research Design:** The report is descriptive and judgmental. Data sources were identified and collected to carry out the study. The collection was classified, analyzed, interpreted and systematically presented and key points were identified.

The overall methodology process is given in the form of a flowchart below.



1.5 Structure of the study

The paper will be divided into eight chapters. In chapter one – Introduction part like Background of study, research objectives, scope of the study and methodology in brief have already been discussed. These contents give an overall idea about the whole report which is important to analyze on this topic. In chapter two - literature review will be discussed that means the previous studies about the related objectives of that topic which is important to make a better methodology that means how to collect information from organization. In chapter three – the methodology of study will be discussed like research design, study area, questionnaire will be mentioned, data collection and analysis process will be discussed which give a general idea how the analysis part will be accommodate by which method. In chapter four- organizational overview will be discussed; we will get a brief idea about Abdul Monem Limited and its products. In chapter five – the procurement practice of Igloo ice cream will be discussed; in that chapter we will come to know how AML has been functioning its procurement process as well as its demand and supply management too. In

chapter six – collected information will be analyzed and findings will be accommodating which give overall summary of the report. In chapter seven – a brief discussion will give an idea to reader and summary of findings of previous chapter. And finally, in chapter eight - the conclusion on the findings, limitation of the study and some recommendations will be discussed that means this is the overall summary of whole objectives of that report.

On next chapter, literature review of this study will be discussed in detail.

CHAPTER 2

LITERATURE REVIEW

For doing a research work, a few secondary sources need to be revised to gain insight about the current ideas or knowledge about a research work, such as theoretical, experimental and methodological contributions on a research topic.

"Literature review has been described as the basis for research in nearly all academic field" (Lamb. D, 2014)

2.1 Procurement

Procurement is one of the key functional areas in an organization. It is a major cost center through which all materials are been channeled into the company. It is the organizational center that handles all materials purchasing, exchanging materials for further processing with financial resources. This process generates additional revenue for the company before its customers without compromising the company's values and integrity. Procurement process has multiple definitions based on the purchase act of goods and services and their demand-based preparation and processing. The role of procurement function has been and continues to receive increasing attention in organizations as the years go by (Johnson, Leenders & Flynn, 2011). Procurement improves efficiency and competitiveness among other benefits but considering strategic factors that affect the performance of the procurement function is imperative in order to realize these benefits.

Turner (2011) described procurement as a system or process that supports the total needs of the organization for the provision of goods, services and processes required to achieve the organization's goals and tasks. Procurement is also defined as the process of obtaining the goods and services that a company needs to fulfill its model through various tasks such as developing quality standards, financing, price negotiation, purchasing, value analysis, research and selection of suppliers, inventory control and disposal of waste products such as material packaging.

In addition, procurement is the act of finding, acquiring and purchasing from external sources the appropriate goods, services or work at the best possible cost to meet the acquirer's need in terms of quality and quantity, time and location. Chartered Institute of Procurement and Supply (2013) also described procurement as the business management function that ensures the identification, procurement and management of external resources that an organization needs to fulfill its strategic goals. Procurement is a natural process in which one step of production takes place before the other in a way that requires each stage to be fulfilled in order to achieve the desired result. It is a process that explores market supply opportunities and implements resource strategies to simultaneously deliver optimal supply results to the company, its stakeholders and customers. However, the effectiveness of procurement is determined by its value and the organization's success.

Activities or process of procurement can be divided into two categories: activities of direct and indirect procurement. Direct procurement focuses on supply chain management related

to manufacturing activities that directly affect a manufacturing company or company's production process. Indirect procurement activities focus on a company's operating resources to enable its operations such as equipment, maintenance, repair, consulting and outsourcing services. (Cadwell & Davies, 2009; Roehrich & Lewis, 2009.)

The term procurement may also be referred to as supply management in the business environment. Some organizations, as both words are synonymous and have similar key characteristics, prefer to use the term supply chain management. Supply management as a concept and procurement are synonyms, according to Turner (2001). From the academic point of view, however, supply management appears to be broader as it encompasses procurement itself as a whole. Supply management can be defined as a concept using specialized tools, focusing on specific techniques and processes to maximize efficiency and add value to the procurement services of an organization. (Turner, 2011). The primary objective of the two activities, however, is to manage external resources for the benefit of the company and customers, generate income for the company, and generate value for their customers in general.

2.2 Types of Procurement

Turner (2011) declares procurement process is a cost center. Procurement in a company provides a wide range of benefits by supporting strategic organizational goals. Seven core procurement benefits were identified. These include: security of supply in terms of raw materials and end products, lower production costs, lower risk, improved product quality,

higher added value, increased efficiency and innovation (CIPS 2013). Procurement creates a higher profit margin and prevalence over other competitors by managing ordering, receiving, reviewing and approving the entry of items through the suppliers into the organization. If less efficient organization can integrate its philosophy and culture into their system, procurement will be effective and profitable. (Turner 2011, p. 2.)

Morledge and Smith (2013) reported that if the appropriate procurement method is adopted, a project capital cost can be reduced by an average of 5 percent. However, when strategic procurement management is used in an organizational system, the benefit of procurement is achieved or guaranteed.

Principally, procurement includes two interrelated elements: purchasing and supplying goods (Heiserich, Helbeig & Ulmann2011). There are six procurement types, including ;

1. **Single procurement:** This is a type of procurement that initiates and triggers the production process of the supplier by specific customer orders (Heiserich et al., 2011)
2. **Stock procurement**: Goods are restored according to the threshold level in this type of procurement. There is a minimum stock level that must be available in storage once a production has been completed until customers receive the next order. This procurement is beneficial as it is possible to anticipate customer demand. His drawback, however, is that the cost of procurement may be higher. (Heiserich et al., 2011).
3. **Vendor managed inventory:** This is a method of procurement in which customers or end users have a close network with the supplier, and the supplier is responsible for the stock in the company of their customers. This type of procurement is beneficial as it creates an avenue for optimized production processes, lower costs and gives room for flexibility as well. (Arnold, 2009.)
4. **Just in time procurement:** It is a type of procurement based on the delivery of goods when the company's stock level is low. This type of procurement is helpful as it reduces costs and processes that are balanced.
5. **Just in sequence procurement:** It is a type of procurement based on the successive delivery at a particular time of the required goods to a company.

6. **Ship to line:** It is a type of procurement requiring less logistical steps, goods or raw materials are dispatched from the supplier's last added value to the customer's first added process. (Heiserich et al., 2011).

2.3 Procurement Strategy

Procurement strategy can be defined as a company's planned approach to buying their required goods, raw materials or services based on factors such as timelines for procurement, funding and budget, projected risks and opportunities, and much more.

Four key performance drivers, including time, cost, quality and technology, have been identified for the procurement process (Turner, 2011).

1. **Cost:** There is no doubt that the greatest driver of procurement strategy was the search for lower material costs. Business companies are striving to produce cheaper and more distinct product to their potential customers in order to win consumer preference. (Kotabe 1998) Due to the fact that the raw materials or products supplied by a particular supplier may be too expensive and that the same materials can be obtained at a lower price from other merchants elsewhere, the integration of the procurement strategy has resulted in a reduction in the cost of purchasing goods.
2. **Time:** Because of some difficulties such as the availability of capital and locations, some suppliers may not be able to supply the required material or may not be able to meet the required delivery time. This has motivated procurement strategy developments to provide the source for the best candidate who can meet the needs of the company at the right time.
3. **Quality:** Buyers usually emphasize quality for some products. Because the quality of a supplier's raw materials or products is unsatisfactory or insufficient for a manufacturer to sell its product to potential consumers where higher standards are required. To keep a company competitive advantage ahead of others, they may adopt the procurement strategy to provide raw material that fulfills their specifications.

4. **Technology:** Because some suppliers do not have access to first - class technology, which in turn has affected their reliability in terms of supplying agreement - based

raw material. This has resulted in some manufacturers developing procurement processes to identify reliable suppliers. Procurement process is handled by a professional who supervises and manages the entry into the company of external resources. Procurement process is a challenging and critical task depending on the type of project that a company is carrying out. Each company has its own characteristics, strategic divergence, size, product range and coverage of the market.

2.4 Procurement Tools

There are five key supply management and procurement tools that are essential to enhancing a successful business and need to be considered when making a business organization's decision. Turner (2011) further explained that the concept, tools and resources used are part of an outstanding and successful strategic supply management;

1. **Price Analysis:** This involves comparing suppliers ' prices against external benchmarks without direct knowledge of supplier costs.
2. **Total Cost Analysis:** This includes additional part costs (mean time before failure) such as transportation, tariffs, special package, storage (inventory) and quality control.
3. **Total cost of ownership analysis:** It shall include the total cost value of an item over the lifetime of that item. These costs shall include but not be limited to:
    a) **Purchasing price**: Money payable for the item.
    b) **Acquisition cost:** All costs invested in the acquisition of items such as employee time, heat, electricity, fuel, telephone, rental or cost of buildings, Internet and online procurement platforms and services, engineering and/or implementation costs, transport costs, taxes, tariffs etc.
    c) **Analysis of usage costs:** this is the cost of modifying or using the service item such as receiving, storing, storing, requisitioning, picking and shipping costs, removal and repair costs.
    d) **End - of - life cost analysis:** this includes end - of - life costs and product disposal costs.

4. **Financial analysis:** This includes the analysis of the financial competence and capacity of the supplier or bidder using the Dun and Bradstreet report (D&B) showing credits, the history of delinquency and the industry's risk of failure or inadequacy. Also included in the analysis is the investigation of the annual report showing the cash inflow and outflow, as well as the previous year's fiscal reports and the fourth coming year.
5. **Technical analysis:** This includes the analysis of the item or service's physical characteristics to increase reliability, lead time and meet the minimum organizational specifications.

2.5 Procurement Performance

According to Walker and Rowlinson (2008), procurement performance measurement is the first step in understanding the weaknesses and strengths of a given system and implementing corrective actions. Developing an effective method to measure procurement performance requires certain indicators to enable evaluation. Procurement performance indicators include efficiency measured in terms of transaction cost and time in the procurement process. Another indicator for fairness of participants is transparency and openness of the procurement system. The professionalism of the workforce is also another indicator of the performance of procurement; a well trained and equipped workforce can improve the performance of the procurement process.

Procurement performance relates to purchase, product and/or service quality, delivery and flexibility in procurement from the operational dimension (Nair, Jayaram & Das, 2015). On the other hand, procurement performance's strategic dimension takes into account innovation in the purchasing process. The measures underlying the dimensions are multiple in both cases, ranging from cost and quality of inputs / outputs, purchase costs, percentage of JIT suppliers, inventory turns, purchase cycle times and on-time deliveries (Lysons & Farrington, 2006). Other performance indicators range from the ability to respond quickly to schedule changes and the ability to access and use new technologies (Project Management Institute, 2004).

Poor procurement performance on its part contributes to increased inefficiency as well as the procurement function's costs and competitiveness. According to Barsemoi, Mwangagi and Asienyo (2014), poor procurement performance contributes to a reduction in

profitability in the private sector and is therefore a major impediment to the realization of organizational growth as it leads to delays in delivery, low-quality goods and services and increased defects. Poor procurement performance in both the private and public sectors results from unable to embrace e-procurement, using traditional procurement procedures and poor coordination of procurement activities between the requisitioning departments and the procurement department.

The ability to develop suitable criteria for evaluating suppliers is a measure used to determine the performance of procurement. For example, using the criteria for financial stability is seen as a good indicator of the performance of the supplier. According to Murigi (2014), the supplier assessment has a direct correlation with the overall performance of the procurement process, with 57.1 percent of the procurement process performance being directly determined by the supplier assessment and assessment criteria. Financially stable suppliers pose lower business risks because their financially weak counterparts are likely to remain independent. Other criteria, such as the supplier's geographical proximity, are also important as increased geographical distance can sometimes lead to other challenges associated with transportation logistics and foreign exchange fluctuations resulting in flexibility setbacks.

Realizing these goals in earnest leads to performance in procurement. Using other criteria for evaluation such as the quality criterion is a useful tool in the development of suppliers. This is because supplier evaluation motivates suppliers by increasing efficiency and being more innovative to continuously improve their operations (Hald & Ellegaard, 2011). Using realistic assessment criteria helps both parties realize suppliers ' causes of weak performance and allows them to take remedial action. The result is that suppliers are able to improve metrics, which translates the purchasing institution into better metrics, a sign of good performance in procurement.

On next chapter, methodology of this research will be discussed in detail.

CHAPTER 3

RECHARCH METHODOLOGY

Each study has been conducted under regulation because without it, the study can lose its importance that can be imperative for anyone. So, there's also no exception to this study. In this case, the overall study structure is stated which means what its population is, how many samples are selected, which tools are used to process data into information, etc. In other words, it gives an overall view of the study of how this study is carried out. As the title says, the research methodology of the dissertation is included in this chapter.

3.1 Research Strategy

The research conducted on this thesis was applied but not new. Instead, numbers of previous academic research pieces relate not only to AML in particular but also to other local companies in Bangladesh and other companies in the world in relation to procurement

practice and performance evaluation. As such, the research proposed took the form of a new study, but an existing research topic.

3.2 Research Design

The report is descriptive and judgmental. Data sources were identified and collected to carry out the study. The collection was classified, analyzed, interpreted and systematically presented and key points were identified. This research is designed by step by step systematic approach is given below: **Step**-1: Selecting the topic,

Step-2: Identifying Data source,

Step-3: Selecting methodology,

Step-4: Collection of information,

Step-5: Analysis of collected information,

Step-6: Findings of the study,

Step-7: Recommendations upon findings.

Step-8: Final report preparation.

3.3 Research Method

This paper is being attempted in a confined, specific and a given period to complete micro - level study. Research methods consisting of plans and procedures to organize and analyze the study and collect data are very important and vary with the nature of the research. There are three types of methods – Qualitative, Quantitative and Mix method. I have followed Qualitative method in this research.

Qualitative research was conducted to meet the objectives of the dissertation. Qualitative research mainly has the characteristics of being most suitable for small samples, whereas their results are not measurable and quantifiable.

It offers a full description and analysis of a subject of research, without limiting the scope of the research and the nature of the responses to the participant (Collis & Hussey, 2003), and thus constitutes its essential difference with quantitative research.

The effectiveness of qualitative research, however, is strongly based on the researchers ' competences and skills, while the results may not be seen as reliable because they come mainly from the individual opinions and interpretations of the researchers. Because small samples are better suited, it is also risky that qualitative research results are seen to reflect the views of a wider population (Bell, 2005).

3.4 Research Approach

For this study, the research approach followed was the inductive one. This approach is followed by special observations used by researchers to produce generalized theories and conclusions from research. It was due to the fact that the context in which research work is active has been taken into account and is also most suitable for small samples producing qualitative data. The principal weakness of the approach is, however, the generalization of theories and conclusions only based on a few observations, thus calling into question the reliability of the research results (Denzin & Lincoln, 2005).

3.5 Data collection method and tool

This research is qualitative in nature. As the employee of procurement division is so little that is why ‘Focus Group Discussion (FGD)’ was selected to assess the overall function.

A focus group discussion (FGD) is a good way to bring people from similar backgrounds and experiences together to discuss a topic. The group is guided by a moderator (or group facilitator) who introduces topics for discussion and assists the group in a lively and natural dialog with each other.

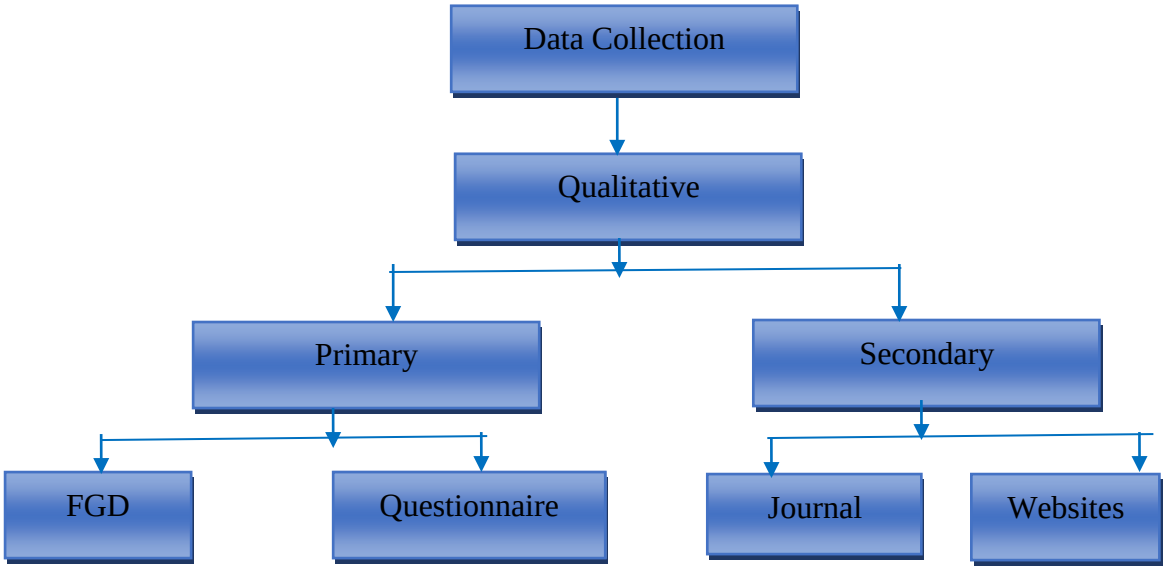


Figure-1: Data collection method and tool

FGDs can be used to examine and collect a wide range of views on a topic of interest and to explore the significance of findings which cannot be explained statistically. With the bridging of research and policy, FGD can be helpful to offer insights into different opinions between the various parties that participate in the change process and to make the process smoother. It is also a good way to use the questionnaires before designing them.

So, the questionnaire designed based on FGD that means only confined within expert people on procurement only.

3.6 Primary and Secondary Data

This overall research has two sources: Primary and Secondary data sources.

- Primary data collected from AML Igloo Ice cream unit Procurement officers.
  Focus group discussion is the main methodology for collecting these primary data.
- Secondary data collected from online articles, journals, conference papers etc.

I then walked through the materials after getting adequate materials and tried to find the answer to my objective questions. I had to contact my supervisor during the process. I will be concluded by evaluating all the information I gathered.

3.7 Sample Selection

For the development of the sample of this research, I have used the method of purposive sampling. Based on their knowledge, relationships and expertise on the research subject, the members of the sample are selected according to this method, which belongs to a category of unlikely sampling techniques (Freedman et al., 2007). The current study showed a special relationship between the selected sample members and this phenomenon, adequate and relevant work experience on procurement, active involvement in procurement decision - making and supplier partnerships, as well as proven background in industry and understanding of procurement information. Within this context, the participants of this study were managers and executives of procurement division of AML, their designation given below:

- Assistant General Manager (AGM),
- Deputy Manager
- Senior Executive
- Executive

3.8 Research Process:

Meetings with AML managers and executives mentioned above took place in February and March 2019 with the aim of receiving support from their participation on this research. In particular, after explaining the nature and scope of the trial, I met them and asked them to take part in the FGD. Generally speaking, interviews took place between February and March 2019 and participated in discussion. The discussions lasted approximately 90 minutes at AML's corporate head office. Mostly notes were kept during the interviews to help me analyze the collected data.

3.9 Data Analysis

In order to analyze the data collected from FGD, tabular and SWOT analysis are used. These are, according to Moore & McCabe (2005), the types of research in which the collected data is classified into topics and sub-themes in order to be comparable. One major advantage of tabular and SWOT analysis is that it helps to reduce and simplify the data collected, while simultaneously producing results which can then be measured with

quantitative technique. In addition, tabular and SWOT analyzes give researchers the ability to structure qualitative data collected to fulfill research goals. Analyzing the collected information, there will be two types of analysis followed. One is evaluating performance based on issues which is called tabular analysis and another one is SWOT analysis; finding strength, weakness, opportunity and threats for the organization.

3.10 Ethical Considerations

Some ethical issues were addressed in the current study. The participants were fully informed about the aims of the study while assuring them that their responses were treated as confidential and used only for academic and research purposes. Except for the above, during the conduct of the research, participants were not physically or mentally harmed or abused. Instead, I tried to build and maintain a comfortable climate.

3.11 Research Limitations

As with each study, the following limitations existed in this dissertation:

- The sample size was small, with only four participants. Probably a larger sample will enhance research reliability.

- Qualitative research does not permit the assessment of the problems examined.
- Factors not discussed in this research may influence the analysis of the performance evaluation of procurement practice.
- Participants, in some cases, refused to speak against their organizations.

On next chapter, organizational profile of Abdul Monem Limited (AML) will be discussed.

CHAPTER 4

ABDUL MONEM LTD.

ORGANIZATION OVERVIEW

Abdul Monem Limited (AML) is one of the leading diversified business conglomerates of Bangladesh. The fundamental slogan of this company is-

"Touching Lives"



Figure-2: Monem Business District, Corporate Head Office of AML

4.1 Historical Background of the company

The honorable Managing Director and Chairman Mr. Abdul Monem had established the organization in the year 1956. Since 1956 and onwards, AML created the path and others will follow. The core asset of the organization is rooted in their capacity to gather the resources to complete infrastructure projects on a grand scale which mostly sponsored by Word Bank, ADB, JICA etc.; thus, signifying their ability to bear the initial risks associated with such projects and proving their sustainability throughout the long development periods. AML started its Ice Cream plant in Chittagong in 1964 with the brand name IGLOO, followed by a bottling license and Coca Cola distributorship in 1982.

All these strategic units are established with a view to leveraging the strength of the parent company as well as to contribute to the national economy with an intention of generating employment opportunities for fellow citizens. Even though, AML began as a family-owned business, it has transformed into a multi-disciplinary modern day business group delivering value to their customers. As such, their priority has been to focus on building capabilities to infuse strength and character in people, business partners, associates and stakeholders resulting in robust and dynamic growth of the establishment.

4.1.1 Corporate Profile

Name of the company	Abdul Monem Limited
Year of Establishment	1956
Status of the company	Private Limited Company
Country of Registration	Registered under Register of Joint Stock
Corporate Head Office	Monem Business District, 111, Bir Uttar CR Datta Road, Dhaka-1205
Chairman & Managing Director	Abdul Monem
Deputy Managing Director	ASM Mainuddin Monem ASM Mohiuddin Monem
Website	www.amlbd.com

Table-1: Corporate Profile of AML

4.1.2 Timeline of Success

A timeline of a period of time during which year of establishment of SBUs are marked. The following timeline shows the overall and step - by - step success of Abdul Monem Ltd in different areas of business.

Table-2: Timeline of Success

SL No.	SBUs	Year of Establishment
1	AML Construction	1957
2	Ice Cream Unit	1964
3	Beverage Unit	1983
4	AM Mango Pulp Processing Unit	2000
5	Igloo Foods Ltd.	2004
6	Danish Bangla Emulsion Ltd.	2004
7	AM Securities & Financial Services Ltd.	2004
8	Igloo Dairy Products Ltd.	2004
9	Servicengine BPO	2006
10	Money Business District	2006
11	Abdul Monem Sugar Refinery Ltd.	2007
12	AM Energy Ltd.	2007
13	Novus Pharmaceuticals Ltd.	2008
14	AM Asphalt & Ready Mix Concrete Ltd.	2010
15	AM Auto Bricks Ltd.	2012

Source: AML Website

4.2 Management Team

4.2.1 Company Organogram

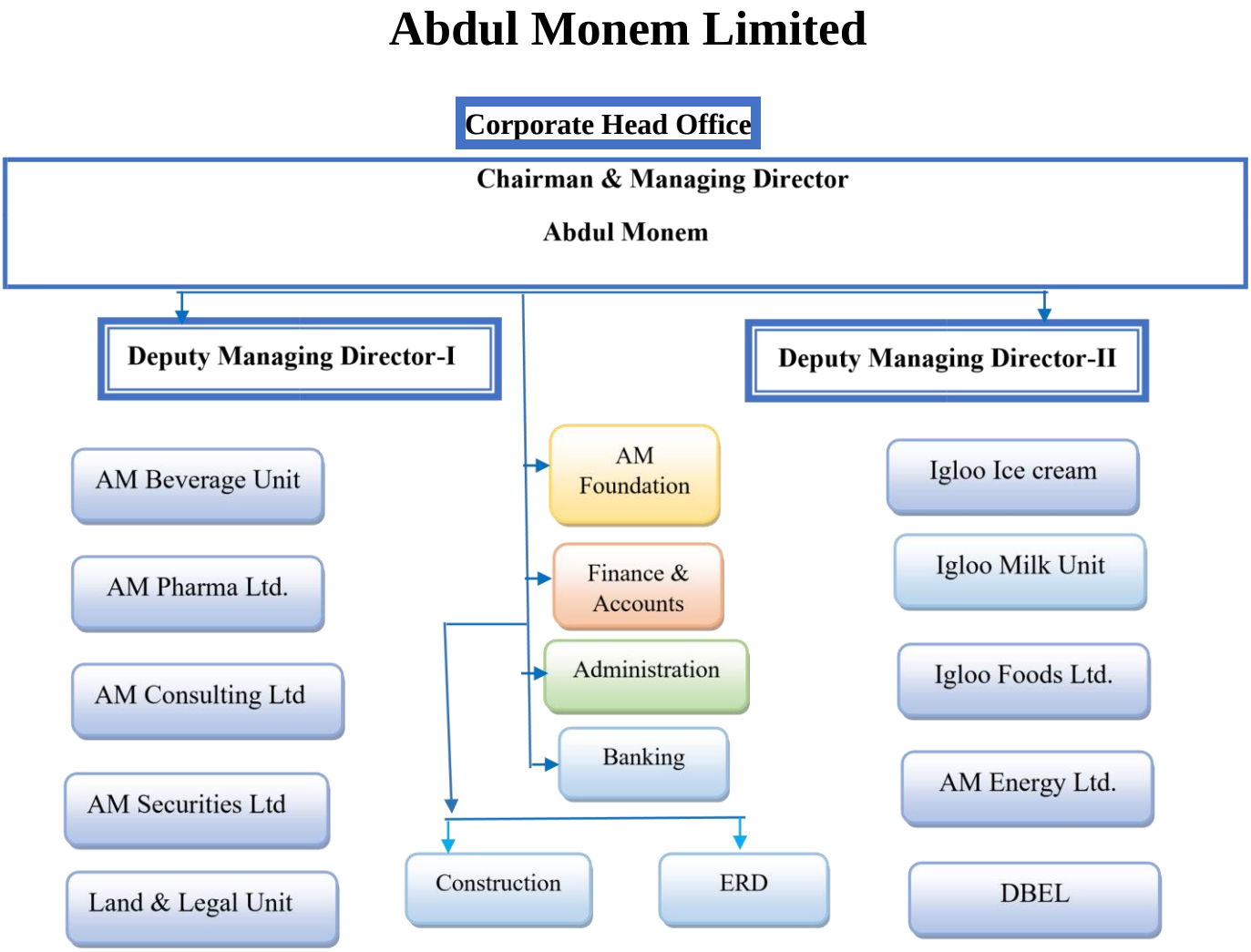


Figure-3: AML Organogram

4.2.2 Procurement Division of Igloo Ice-cream Unit

Procurement division has two wings: construction and industry. Igloo ice cream unit is in industry wing directly handled by DGM-Procurement.

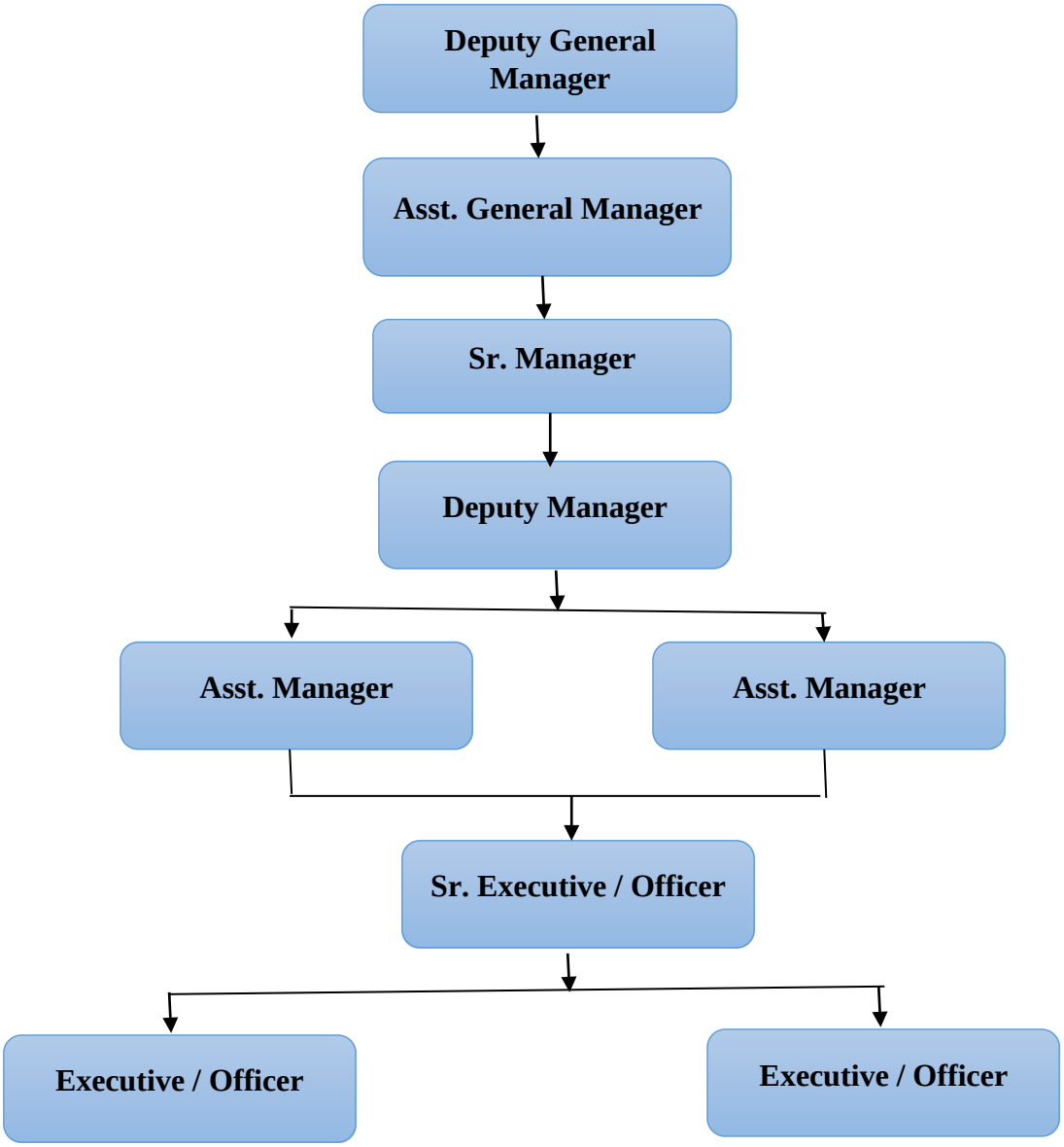


Figure-4: Procurement Division of Igloo Ice cream unit

4.3 Products and services of the company

Over a successful period, AML has not just developed a wealth of experience in infrastructure and development project arena in order to meet the international standards of quality and services, it has also become the bottler of Coca Cola, the producer of number one ice-cream brand Igloo, Igloo milk and dairy products, Igloo food items and snacks, manufacturer of pharmaceuticals, maker of auto bricks, bitumen and other selected construction materials. It also established AM Sugar Refinery Ltd., AM Rice Bran Oil), Servic Engine BPO, AM Securities and Financial Services Ltd., etc. In 2015, it was awarded to develop one of the first private economic zones of the country i.e. Abdul Monem Economic Zone (AMEZ) in Daudkandi, Munshiganj on its land of 216 acres.

Strategic Business Units:

- AML Construction
- Ice cream Unit
- Igloo Dairy Limited
- AM Beverage Unit-Coca-Cola
- Igloo Foods Ltd
- Danish Bangla Emulsion Ltd
- AM Securities & Financial Services Ltd
- Monem Business District
- Abdul Monem Sugar Refinery Ltd
- AM Energy Ltd
- Novus Pharmaceuticals Ltd
- AM Asphalt & Ready Mix Concrete Ltd
- AM Auto Bricks Ltd

4.4 Vision and Mission

Optimal use of valuable resources, including human resources, to create value-added products and services that contribute to Bangladesh's economic, social and environmental progress and prosperity.

Provide value added products and services by creating a successful partnership between people, technology and practices. The commitment is to establish an absolute sense of inclusion of AML employees in organization and to build lasting relationships with their customers, business associates and stakeholders by exceeding their expectations and lifelong trust through exceptional performance. Excel in all of their works, constantly challenging to improve performance and teamwork in order to achieve incremental growth of business, thereby having a positive impact on the community and the nation in economic and social development.

On next chapter, procurement practice of Igloo Ice cream unit will be discussed in detail.

CHAPTER 5

PROCUREMENT PRACTICE OF IGLOO ICECREAM UNIT

The procurement department is a function that is found in most of the companies, whichever their type and industry: it is not limited only to manufacturers of products and goods, but is also a business unit for services companies, working with freelancers, agencies, etc. It is a strategic function linking the needs of a firm, and the suppliers or contractors. It plays a key role in the competitiveness of an organization.

The procurement division situated on corporate head office (CHO) of Abdul Monem Limited (AML) maintains the whole procurement operation, meet the demand from factories or projects for materials. AML has several SBUs and Igloo Ice-cream unit is one of major key unit. Now, we are going to know how the procurement process has been practicing for Igloo ice cream unit for years.

5.1 Procurement Cycle

Procurement team follows a systemic approach to finish the whole operation for a particular material or product. They are discussed below.

1. Indent or demand note

CHO receives an official copy indent of materials (raw materials, packaging materials as well as processing materials) from factory or project via e-mail from factory manager or project manager.

2.Preparing Supplier Base

AML has strong supplier base based on different material class on local market as well as on abroad. Depending on the nature or specification of material, CHO identify the capable suppliers from their database of suppliers as well as analyzing supplier market.

3. RFQ to suppliers

After selecting capable and authentic suppliers, Procurement team contact with Suppliers via phone call or e-mail. For local suppliers, team contacted them via phone call; often visit the market. For foreign suppliers, team contact with suppliers via Phone, E-mail, WhatsApp, Skype etc. Then, team send indent of requirement to suppliers and go for RFQ (Request for Quotation).

4. Received Quotation from Suppliers

Suppliers send quotation including their offerings to procurement team. In quotation, the price and rate of material are mentioned. Also, there are some terms and conditions suppliers mentioned in a quotation like: location, payment mode, unload cost, validity etc.

5. Comparative Statement (CS)

After receiving quotations from suppliers, team prepares Comparative Statement (CS) based on quality, unit price and supplier capability. For multiple suppliers, items may be assessed on several factors like:

- Quotation date and validity,
- Price (fixed/variable),
- LC required,
- Advance payment required,
- Payment period,
- Material onsite payment,
- Expected date for commencement,
- Performance security required,
- Advance payment security required,
- Retention security required,
- Program for delivery required,
- Delay damage agreed,
- Experience of companies,
- Origin of material,
- Testing required, Tax etc.

6. Supplier Negotiation

When CS is completed, then team will for negotiation with suppliers; often try to reduce the rate and find out which supplier is the best and capable to supply the material. After selecting the best supplier, team will contract with supplier.

7. Send Work order to supplier

After finishing contract with supplier, procurement team send a work order/ purchase of required material to supplier. There are several terms and conditions mentioned in a work order like

- Product,
- Origin, Brand, Specification, Packing
- Delivery terms (Delivery Duty Paid- DDP as per incoterms 2010),
- Quantity,
- Rate,
- Contract Value,
- Unloading
- Payment
- Delivery destination and schedule
- Delay damage
- Dispute resolution (if any dispute arises during contract period, it will be resolved amicably. Otherwise, the decision of procurement team will prevail.)

8. Receive materials from Supplier

In maximum case, local supplier delivered the material to the factory or project site. Before that, they sent sample for QC. If materials pass on QC test then, supplier sent material ready for delivery. Foreign suppliers deliver materials via sea or air freight to Chattogram Sea Port. Later on, AML team receives the delivery from customs and port authority and bring these to factory.

9. Receive MRR

When factory or project site receives the material, they prepare an MRR (Material Receive Report) as well as update the information on ERP (Enterprise Resource Planning). After that, factory manager send it to CHO to verify it.

10. Input data into ERP

After receiving MRR from factory or project, procurement team check the data and input it to ERP.

11. Working with Audit team

Procurement team send the MRR copies and other documents on procuring item to audit team. Audit team check the documents, verify it with ERP and send it to Accounts section after finalization.

12. Arrange payment for Suppliers

After finalization of all documents, accounts section arranges the bill as well as payment for suppliers. If payment can be done in cash then local suppliers can directly withdraw their payment from accounts section. And if payment can be done in cheque then finance department handle this issue with help of bank.

The above discussion is actually describes how procurement team procures required materials in general; specially from local suppliers. Material procurement through L/C will be discussed on next.

5.2 Material Procurement through L/C

Procurement team of Igloo Ice cream unit procures raw materials, packaging materials as well as processing materials from foreign suppliers. Maximum of raw materials of ice cream sourced from different countries like Denmark, Sweden, Australia, Pakistan, India, Indonesia etc. In this section, we will see how AML procurement team procure raw materials through L/C.

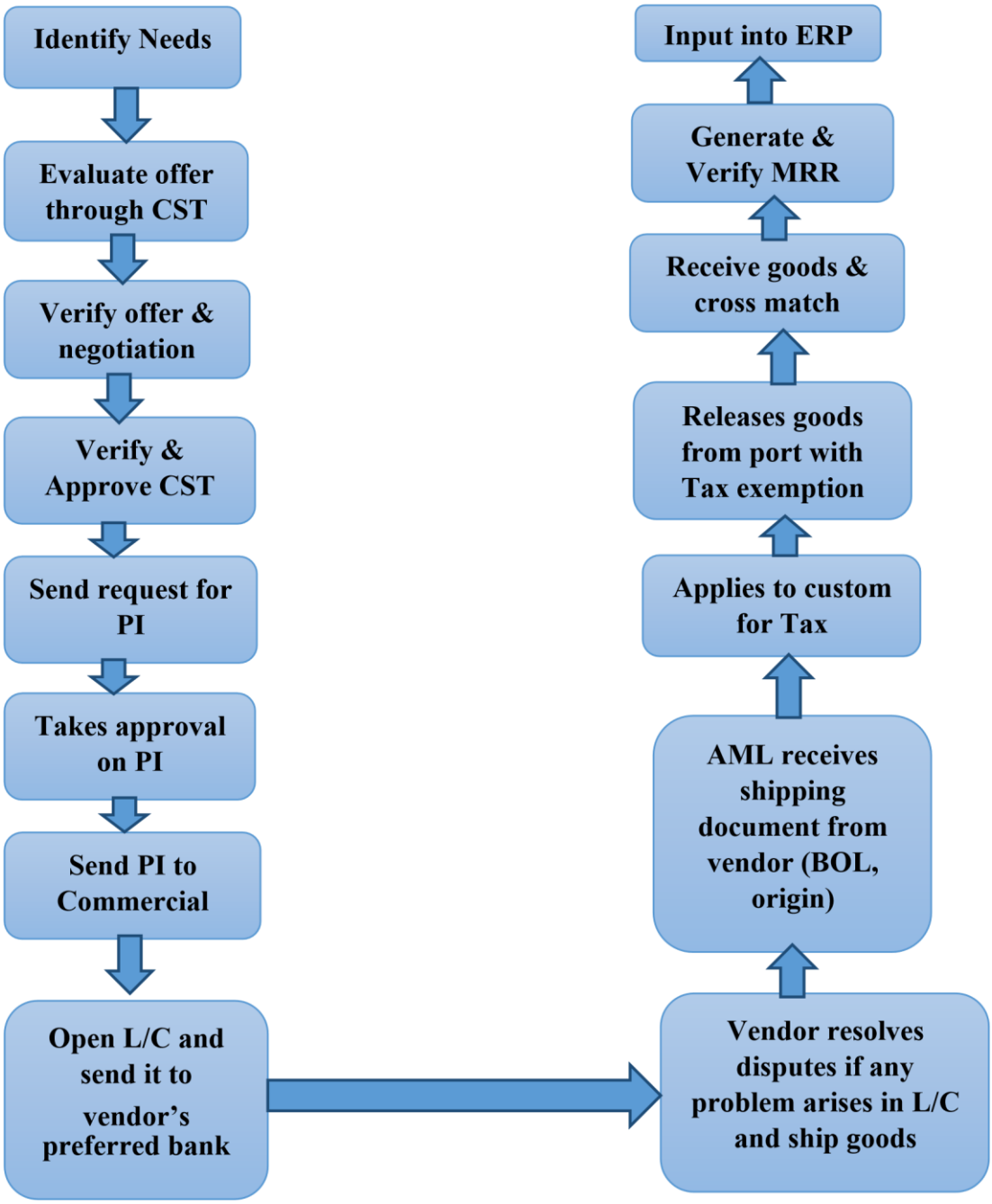


Figure 5: Procurement through LC

5.3 Supply and Demand Management:

Procurement division not only procure the items; it also maintains and check supply and demand management timely. Officers of this division check the information in ERP daily and they have an excellent system to forecast demand, calculate how much material is available in stock and how long they sustain. This system can also be called as Inventory Management. Managing materials as inventory is very crucial part on procurement. It helps to take decisions on strategic sourcing as well as long term procurement plans.

When a PR (Purchase Requisition) arrives from factory, procurement officers check whether the materials (raw and packaging) is really needed or not with help of their supply and demand management system. A sample supply and demand management system for a raw material is illustrated below.

Name of RM	Stock Qty.		Total Qty.	Assumption (2019)	Avg. Daily Usage	Max. Daily Usage	Present Stock (Day)	Lead Time	ROP Level	Safety Stock
	Present	Pipeline								
SMP	5000	1000	6000	7000	500	800	90 Days	45 Days	4800	3500

Table-3: Sample of Supply and demand management of AML

Here, SMP is a raw material for Igloo Ice cream means Skimmed Milk Powder sourced from Sweden, Australia and Denmark.

In stock quantity, there are two types of quantity of raw material, one is present quantity which means how much SMP available in stock and pipeline quantity means how much SMP procured as well as on the way from supplier. Assumption or forecasting for next year actually made by procurement officers. They follow naïve technique in case of forecast the demand. As the demand of ice cream is seasonal demand so, they usually follow this technique based on previous data such as average and maximum daily usage. They also evaluate how long this present stock will sustain with help of ROP (Re-order Point) level.

For raw materials (RM) like SMP, when total stock quantity will be equal to the ROP then officers understand that they must take decision to go for L/C. In this case, their

management system automatically inform them about L/C. In case of uncertain situation, procurement officers always consider on Safety Stock (SS). Material quantity must not go under SS.

This overall procedure is also applicable for packaging materials as well as processing materials.

So, the key factors must be considered in terms of evaluating supply and demand or inventory management are:

- Stock Quantity
- Pipeline Quantity
- Issued Quantity
- Total consumption of current year
- Assumption of next year
- Average and daily usage
- Imported RM, PM stock
- Re-order Point Level
- Lead time
- Safety stock.

On next chapter, research findings and analysis of those findings will be discussed.

CHAPTER 6

RECHARCES FINDING AND ANALYSIS

This research has been done by focus group discussion (FGD). In this FGD, four officers of procurement team had participated- Assistant General Manager, Senior Officer and two Executives. A few questions based on the daily practice of procurement in AML Igloo Ice cream unit; questioned to them. This chapter will discuss about the findings from those questions and the analysis of findings later.

6.1 Research Findings

The global ice cream market is geared to consumers ' varied tastes. Igloo therefore remained strong in the Bangladeshi customer’s market. This is partly because ice cream has become very popular nowadays and is an integral part of the culture. Igloo, one of Abdul Monem Limited's top products, is the country's favorite ice cream. It is Bangladesh's pioneer ice cream brand, having started operating in Chittagong in 1964.

Later, the expansion of the market resulted in the creation in Kadamtali Industrial Area, Dhaka and a new state-of - the-art factory with the most modern equipment, to satisfy market demand. AML is currently using straight-line ice cream production technology. In fact, this technology is the first company in South-East Asia. The company manufactures almost 20,000 liters every day of ice cream distributed across the country.

By continuing its R&D activities, AML-ice cream is committed to maintaining the highest quality standard. The most important ingredients, raw and packaging materials come from the best in Europe. At all stage of the manufacturing process, from material procurement, mixing, material flow, ice cream production, packaging, storage (at a main warehouse), distributing and market shelving in the department of quality control, strict quality control is carried out.

In the provision of fresh taste and modern packaging, Igloo is the pioneer. The long product range currently includes Igloo's fifty items. It has captured the minds of consumers on the local market and is seen in the ice cream industry as the market leader. Igloo has an important market share in terms of price, taste, flavor and quality, in the midst of intense competition in the ice-cream business.

Some findings in detailed have collected from Focus Group Discussion (FGD) is given below:

- AML has been using several types of raw materials to produce ice cream. A few important RMs like: SMP, Butter Oil, Coconut Oil, Chocolate chips cookie Dough, Cocoa powder Natural, Strawberry juice concentrate, Vanilla flavor U35636, Glucose.

- 95% of our raw materials are imported from foreign countries like, Australia, Denmark,

India, Italy, Malaysia, Pakistan etc. They also sourced some raw materials from local suppliers when immediate need arises. Besides, RM we need packaging material (PM) and processing materials (spare parts) too.

- Maximum of PMs and spare parts are available in local market, that's why they sourced and procured those materials from their known supplier base. But about 5% of spare parts (e.g.: electrical and mechanical equipments) and packaging materials like Chochobar wrapper, Dudhmalai wrapper etc. sourced from abroad.

- A heavy-duty warehouse attached with their Igloo ice-cream factory. So, there's a communication between factory and warehouse officers. Officers are all aware of technicalities of inventory management. Factory officers have been using inventory management system to find out when the need will arise. The system automatically informs them about the need. And they send indent or demand note of materials (RM, PM, spare parts) to procurement team in CHO.

- Warehouse officers-maintained materials well balanced. They know how to calculate ROP, Safety stock; so for each and every material there's an amount of safety stock without increasing carrying cost. With help of safety stock, their warehouse supports the immediate need. For example, if the delivery from foreign supplier delayed somehow; then warehouse officers successfully support the immediate need from their safety stock.

- Procurement team worked with sales team closely. In every year, higher management set a goal for selling ice-cream to sales team. Suppose its 5000 Liter
    - ✦ for this year. So, sales team informs them to check whether it will be managed or not as well as how many materials they should procure in future from local and abroad. Based on usage and consumption of ice-cream in previous year, procurement team, also set a forecasting value. As the technique is confidential, let's assume it's about 10% of previous year. That's how they increase the amount of ice-cream (in liter) and send it to production unit. Production unit always keep up to date with procurement.

For, PM and processing materials, they follow the same way.

- They have not faced such type of situation like the forecasting went wrong yet. But they pretty much confident that they can handle it by their own. In supply chain, uncertainty is a normal thing. The demand of ice-cream is called seasonal demand; so they know when the peak demand arises; even if the uncertainty arises they can compensate the loss.

- AML doesn't follow any advance supplier selection method. They are doing business in this FMCG sector for so long. That is how they have a strong local supplier base. Besides, they have known foreign suppliers too. So, they do not have to follow any advance method to select them. What they do, they find out foreign suppliers by researching and analyzing global supplier market on internet for materials.

- Usually, they contact with their local suppliers via phone call; sometimes by email. For foreign suppliers they use social networking apps like Whatsapp, Viber because these mediums are convenient to communicate with them. But maximum time, they communicate with them by e-mail. Because, e-mail communication is the best medium for sending official documents.

- RFQ means Request for Quotation. This is the best method to let the suppliers know about their requirement. What they do, they send them the indent via email and asked for RFQ within two or three working days. Suppliers send quotations with several terms to them.
  RFQ help them to know supplier's requirement as well as to move the procurement process forward.

- Unit Price offered by suppliers, market price (for local and global), supplier capability which means how many years they are doing business in this sector as well as their reputation, quality of materials. AML considers these factors when preparing a CS. Based on CS; they actually select the supplier who's going to deliver their requirement.

- They do not evaluate Supplier performance after suppliers complete the job or delivery.

- Foreign suppliers usually respond so quickly. They always follow the terms written on LC. If they became late then our bank communicates with supplier's bank. And they push suppliers to pay as soon as possible. If local supplier becomes late then AML give them a warning. Sometimes, supplier can not be able to deliver the item in time, in that case AML cancel that work order and find another supplier from their database. Last year, they faced similar type of scenario; suddenly raw material (SMP) was not available in abroad; then they had to procure that item in costly rate from local supplier.

- Before submitting to commercial, they prepare documents in the following way: they make ready the note. In that note, they mention how much time is required, how much time already available in stock, what is market rate. Then they attached it with Purchase Requisition (PR) from factory which is signed by AGM, DMD, MD sir. After that, they submit the copy to commercial department. All the documents are signed by their managers and head. Then commercial department go for LC.

- After receiving Proforma Invoice (PI) from supplier, commercial team goes to bank to open LC. AML has contract with 17 banks. In bank, after filling up some documents, bank will give an LC. In LC, there are so many clauses and termsconditions. If AML opposes with any condition in LC, then they send it to bank for correction. After correction, bank send it to supplier's bank in abroad. Money transfer happened via SWIFT. That is how an LC can be opened.

- For foreign suppliers, it takes 60-90 days to receive the material. AML usually use sea as a mode of transportation. But in case of emergency, they have to use air sometimes; in that case it takes 1-2 days. Local suppliers demand advanced payment and when they delivered the material, we pay them within 1-2 days.

- Procurement team believes that ERP helps their procurement process smooth and record everything in a mannered way.

- Procurement team manually prepares Purchase order (PO) as well as Work orders (WO). Unfortunately, their ERP system is not that improved; modern ERP system automatically processed WO and PO. But they are preparing those manually.

- AML does not monitor or check the data regarding cost reduction annually. But they have everything in detailed in the form of documents. Unfortunately, they do not have any analytical tool to check real time cost reduction curve of last year or last six month.

- There is a lot of procurement challenges that AML has been facing since the beginning. They will not claim that their procurement practice is the best in the industry. They have limitations. Their procurement process is lengthy, and it depends on too many manually documentation. And it consumes so much time to procure items often. Besides, they do not have any tool to evaluate supplier's performance. They do not have enough wellexperienced procurement specialist

    - ✦ on the team. Supplier selection procedure is very traditional, and referral based. So, they think these are enough to realize how their procurement function is going on. They will not share other challenges because of the confidentiality of information.

6.2 Analysis

Evaluating Procurement performance is essential for effective procurement function management and continuous improvement. Evaluation of procurement provides the purchasing department with vital feedback as well as top management to assess the effectiveness of procurement strategies and decision-making processes of an organization.

An organization's overall performance is strongly affected by how well the function of procurement can contribute to the strategies and goals of the company.

Based on the above findings, the overall information will be analyzed into two ways, one is evaluation of procurement practice in tabular format and another one is SWOT analysis of procurement practice on Igloo Ice cream.

6.2.1 Performance Evaluation Analysis

Key Indicators	Current Practice	Performance Evaluation
Factory Location	Kadamtali I/A, Shampur Near to Dhaka City and River	Strategically fit. Material can easily deliver to Chittagong Port via Road
Raw Material	95% exported from abroad	Relied upon foreign suppliers, because materials available in local market is less quality
Analyzing Supply Market	Referral based supplier identification	Biased method
Comparative Study	Only based on lowest price	Supplier capability, quality and reliability is ignored
ERP	Confined with only processing bill invoice and MRR	Not fully automated
Procurement Lead Time	Lengthy procurement process	Time consuming; sometimes take 1 month to procure item
Inventory management	Forecasting: Naïve technique Helps to take LC decision	Analytical data and tools available, Lead time, Safety Stock, Annual consumption easily monitored

Supplier Performance Appraisal	Not available	Supplier's performance can't be monitored which may create difficulties for taking strategic sourcing decision for managers
SRM	Not up to the mark	Supplier need advance payment, but AML's policy is to pay after delivery, but it varies to material wise.
Training facility	Not available	Poor; training may enhance employee's knowledge on procurement and take decisions smoothly.
Cost Monitoring	Not available right now in digital format	AML have resources but in hard documentation; it takes time to monitor how procurement reduce cost annually

Table-4: Performance evaluation of current procurement practice of AML

6.2.2 SWOT Analysis

S – Strength:

- Strong supplier base in local as well as international market
- Highest market share in Bangladeshi Ice-cream industry
- Having own freeze van to deliver finished materials to distribution centers around Bangladesh
- Manufacturing capacity is around 20,000 liters countrywide per day

W- Weakness:

- No appropriate method for supplier selection

- No supplier performance evaluation tool
- ERP system is not fully automated
- Highly dependent on imported raw materials
- Seasonal business

O– Opportunity:

- New products for winter and off-seasons
- Scope to improve flavors and products
- Expanding into foreign markets like exporting ice cream to Calcutta and NorthEastern Indian states
- Widening product range and entering new related business-like Igloo Ghee and Butter

T- Threat:

- Too many competitors in ice cream industry
- Unavailability of raw materials with better quality in local market
- Lead time is too high to procure materials from abroad
- Faced difficulties to clear materials on customs and ports
- Possibility to losing suppliers due to late payment after delivery of materials

On next chapter, so far what we have learned about AML's procurement practice will be discussed as well as summary of findings too.

CHAPTER 7

DISCUSSION AND SUMMARY OF FINDINGS

7.1 Discussion

Procurement is the formal purchasing process of goods and services. The procurement process may vary from one organization to another, but AML's common key procedures and elements for local procurement such as:

The process usually begins with a request or requirements or the issuance of an indent copy from the user department in any section of the company (factory, corporate head office, etc.). This may be a physical part (inventory) or a service. A request is generated that details the requirements (in some cases providing a specification of requirements) that the procurement department takes action. A proposal request (RFP) or quotation request (RFQ) is then submitted to the supply chain head. For the following parties, work orders are prepared for 3 or 4 copies:

1. Office Copy
2. Auditor Copy
3. Supplier Copy

4. Store in-charge Copy (Without the rate of product)

A procurement committee is then prepared by the management of the company for market verification and a work order is sent to the supplier. Suppliers send their quotations in response to the RFQ, and a review is carried out where the purchase order is given the best offer (usually based on price, availability and quality). The supplier will send an invoice that is cross-checked with the purchase order and documents that specify which goods were received. The payment will then be made to the supplier and transferred.

The Material Receiving Report (MRR) was received by the store officer after purchase. Then product goes to the department of Quality Control (QC) and the QC report is issued. Store in-charge issue Material Received Report (MRR) and it is intended for final payment invoice preparation by Finance & Accounts.

7.2 Summary of Findings

Based on the questions from FGD, during my internship period I have found some insights regarding AML's current procurement practice as well as what are the challenges they are facing. The number of employees on procurement division was so low that's why FGD technique was followed as the methodology to evaluate their procurement performance.

- Sometimes, AML faced difficulties to allocate resources (materials) on their warehouses due to lack of storage facilities. Then procurement team asked suppliers to deliver material in consignment basis.
- Procurement team doesn't have proper human resources having knowledge on procurement.
- Maximum raw materials procured from abroad and those are available in local market but having less quality.
- No internal training on procurement available.
- Buyer-supplier relationship is not that sustainable.

- Sometimes, suppliers don’t get payment in due time. Suppliers often need advance payment, but AML have been practicing traditional method of payment such as payment after full delivery.
- Procurement division received 100+ indent daily; that is why it is difficult to manage and procure all item and fulfill need of factory in time.
- Lead time and clearance from port consumes too much time and make the procurement process slower sometimes. It reduces efficiency.
- On ice-cream unit, no tender government or non-government-based work done.

On next chapter, conclusion that means a brief summary of this report, limitations faced during completion of report and a few recommendations for procurement practice of AML will be discussed.

CHAPTER 8

COMCLUSION AND RECOMMENDATIONS

8.1 Conclusion

Abdul Monem Limited is one of Bangladesh's leading companies grouped by construction and manufacturing according to size and area of operation. It has nearly seven to eight business sectors operating exclusively in Bangladesh's current marketplace, particularly for Igloo Ice Cream, Coca Cola and the engineering industry. In the next few years, AML aims to be the first in the manufacturing and construction sector and how it performs, showing that the day is not so far from reaching its destination.

The Ice Cream Industry in Bangladesh is an important and basic business sector. AML operating within this industry must then be able to provide relevant business strategies to support the growth of the FMCG (Fast Moving Consumer Goods) sector through effective procurement management. By identifying the procurement division's current procurement practices, some areas for upgrading may be recognized. Managers and executives are under increasing pressure to measure, manage and report item procurement, select eligible suppliers and reduce purchase costs.

Whether managers need to efficiently procure their own information in order to smartly document their own information, fulfill supplier mandates or comply with government regulations, the vast amounts of data involved mean that business software is the best way to meet the challenge. For practical reasons, and to arrive at data that is accurate and inspires the trust of downstream trading partners, a centralized ERP solution is a better technology tool for these purposes than collecting point solutions or manual record keeping, for that matter.

I have tried to observe and investigate how the procurement process is being carried out overall and assessed during the 10 weeks of my internship. What I perceived to be very traditional in the procurement function of AML and did not follow up to date methods for the maintaining suppliers and procurement of various materials. However, procurement plays a key role in reducing overall costs and helping to operate Igloo Ice Cream business in an efficient and strategic manner.

8.2 Limitations of the Study

Each organization has its own privacy, which cannot and should not be disclosed to an outsider. So, I had some limitations to go into AML's affairs in depth. In addition, the employees of the organization had their own routine duties. Despite their full cooperation, I was not able to discuss on every aspect in detail.

Only ten weeks is not enough time to understand whole procurement function and evaluate it. It is therefore very difficult to prepare the report in time.

The procurement departments usually have a policy of not disclosing certain sensitive data and information, for obvious reasons, which could be very useful as an obstacle to the practical orientation.

Procurement department is one of the busiest departments of AML. That’s why a few managers and executives cannot be able to present at focused group discussion.

The number of employees on procurement division is so little that is why quantitative approach could not be taken. And FGD was selected as a method of research.

8.3 Recommendations

Based on the research findings, I would like to recommend a few things to improve the performance of procurement division of AML. Those are:

Vendor managed inventory can be introduced in time of crisis which can improve efficiency of procurement process as well as inventory management system.

SRM (Supplier relationship management) should be properly managed in time to time; so that suppliers will be more interested to supply their product in time.

Training on up-to-date procurement tools and techniques may be introduced; as executives as well as managers deal with practical problems with their knowledge on procurement.

To follow trade-off supply chain based on need of factory. That means, introduced a balanced procurement system

JIT procurement can be applied when stock becomes low.

Supplier performance appraisal tool need to be introduced; as AML can monitor the activities of suppliers, find them easily on future need and evaluate their performance.

Monitoring cost reduction and analytical tool need to be improved; so that managers can take decision on strategic procurement easily.

ERP system need to be updated; as managers alongside executives will take decision quickly to execute orders and procure the item easily without consuming time.

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APPENDIX

FOCUS GROUP DISCUSSION QUESTIONS

PERFORMANCE EVALUATION OF PROCUREMENT PRACTICE OF IGLOO ICECREAM UNIT: A STUDY ON ABDUL MONEM LIMITED

Dear Sir,

This focus group discussion examines various aspects of current procurement practice in your organization. Your participation is critical to the success of the study. All responses will be kept confidential and will be used as academic purpose. There are no right or wrong answer to the following questions. I am only interested in researching performance of procurement process of your organization You will be asked questions concerning the company's current procurement practice. The discussion will take about 90 minutes to complete. Kindly spare a few minutes from your busy schedule to attend the discussion as your participation is of value to this study.

Thank you in advance for your valuable time and cooperation.

Sincerely,

Jinnat Hossain

MBA Sonargaon University

Question-1: *Tell about your factory location and raw materials used to produce ice cream.*

Answer: Igloo Ice cream unit is a very crucial production unit for AML. The factory situated on 71-A/B, Kadamtali I/A, Shampur, Dhaka. Actually, we have been using several types of raw materials to produce ice cream. I would like to mention important RMs like: SMP, Butter Oil, Coconut Oil, Chocolate chips cookie Dough, Cocoa powder Natural, Strawberry juice concentrate, Vanilla flavor U35636, Glucose.

Question-2: *Are these all raw materials locally sourced or imported from abroad?*

Answer: 95% of our raw materials are imported from foreign countries like, Australia, Denmark, India, Italy, Malaysia, Pakistan etc. We also sourced some raw materials from local suppliers when immediate need arises. Besides, RM we need packaging material (PM) and processing materials (spare parts) too.

Question-3: *Well. Are those PM and spare parts available in local market or you imported those from abroad too?*

Answer: Maximum of PMs and spare parts are available in local market, that's why we sourced and procured those materials from our known supplier base. But about 5% of spare parts (e.g.: electrical and mechanical equipment) and packaging materials like Chochobar wrapper, Dudhmalai wrapper etc. sourced from abroad.

Question-4: *Do you think factory officers able to realize the immediate need for materials?*

Answer: Yes, off course. A heavy-duty warehouse attached with our Igloo ice-cream factory. So, there's a communication between factory and warehouse officers. Our officers are all aware of technicalities of inventory management. Factory officers have been using inventory management system to find out when the need will arise. The system automatically informs them about the need. And they send indent or demand note of materials (RM, PM, spare parts) to us in CHO.

Question-5: *How warehouse supports the immediate need?*

Answer: Pretty much. Warehouse officers-maintained materials well balanced. They know how to calculate ROP, Safety stock; so for each and every material there's an amount of safety stock without increasing carrying cost. With help of safety stock, our warehouse supports the immediate need. Let me tell you a scenario. If the delivery from foreign supplier delayed somehow; then our warehouse officers successfully support the immediate need from their safety stock.

Question-6: *How do you forecast of future requirement for RM, PM and processing materials in procurement team?*

Answer: Our procurement team worked with sales team closely. In every year, higher management set a goal for selling ice-cream to sales team. Suppose its 5000 Liter for this year. So, sales team informs us to check whether it will be managed or not as well as how many materials we should procure in future from local and abroad. Based on usage and consumption of ice-cream in previous year, we, procurement team, also set a forecasting value. As the technique is confidential, so assume it's about 10% of previous year. That's how we increase the amount of ice-cream (in liter) and send it to production unit. They always keep up to date with us. For, PM and processing materials, we follow the same way.

Question-7: What if the forecasting goes wrong or is there incident in past you have faced like that?

Answer: We have not faced such type of situation yet. But we pretty much confident that we can handle it by our own. You know, in supply chain, uncertainty is a normal thing. The demand of ice-cream is called seasonal demand; so we know when the peak demand arises; even if the uncertainty arises we can compensate the loss. Thanks for the question; it's very important for supply chain professionals.

Question- 8: *My pleasure, Sir. I am interested to know about how you select your suppliers in abroad as well as from local market. Do you follow any advance supplier selection method?*

Answer: Not likely. As you know, we are doing business in this FMCG sector for so long. That is how we have a strong local supplier base. Besides, we have known foreign suppliers too. We mentioned about countries before. We do not have to follow any advance method to select them. What we do, we find out foreign suppliers by researching and analyzing global supplier market on internet for particular materials.

Question-9: *How do you contact with your suppliers?*

Answer: Usually, we contact with our local suppliers via phone call; sometimes by email. For foreign suppliers we use social networking apps like WhatsApp, Viber because these mediums are convenient to communicate with them. But maximum time, we communicate with them by e-mail. Because, e-mail communication is the best medium for sending official documents.

Question-10: *How do you find the 'RFQ' method works for procurement of RM, PM and processing materials?*

Answer: RFQ means Request for Quotation. This is the best method to let the suppliers know about our requirement. What we do, we send them our indent via email and asked for RFQ within two or three working days. Suppliers send quotations with several terms to us. RFQ help us to know their requirement as well as to move the procurement process forward.

Question-11: *What are the prime factors to prepare 'Comparative Statement' in your point of view?*

Answer: Unit Price offered by suppliers, market price (for local and global), supplier capability which means how many years they are doing business in this sector as well as their reputation, quality of materials. We consider these factors when preparing a CS.

Based on CS; we actually select the supplier who's going to deliver our requirement.

Question-12: *Do you evaluate Supplier performance after they complete the job?*

Answer: No. But we have a plan to do so in future.

Question-13: *If any supplier responds late to deliver raw materials then what happens?*

Answer: Foreign suppliers usually respond so quickly. They always follow the terms written on LC. If they became late then our bank communicates with supplier's bank. And they push suppliers to pay as soon as possible. If local supplier becomes late then we give them a warning. Sometimes, supplier can not be able to deliver the item in time, in that case we cancel that work order and find another supplier from our database. Last year, we faced similar type of scenario; suddenly raw material (SMP) was not available in abroad; then we had to procure that item in costly rate from local supplier.

Question-14: *How do you prepare documents before submitting to commercial?*

Answer: We make ready the note. In that note, we mention how much time is required, how much time already available in stock, what is market rate. Then we attached it with Purchase Requisition (PR) from factory which is signed by AGM, DMD, MD sir. After that, we submit the copy to commercial department. All the documents are signed by their managers and head. Then commercial department go for LC.

Question-15: *How do you open an LC?*

Answer: After receiving Proforma Invoice (PI) from supplier, our commercial team goes to bank to open LC. We have contract with 17 banks. In bank, after filling up some documents, bank will give you an LC. In LC, there are so many clauses and termsconditions. If we oppose with any condition in LC, then we send it to bank for correction.

After correction, bank send it to supplier's bank in abroad. Money transfer happened via SWIFT. That is how an LC can be opened.

Question-16: *What is the lead time of receiving item from supplier?*

Answer: For foreign suppliers, it takes 60-90 days to receive the material. We usually use sea as a mode of transportation. But in case of emergency, we have to use air sometimes;

in that case it takes 1-2 days. Local suppliers demand advanced payment and when they delivered the material we pay them within 1-2 days.

Question-17: *Do you use ERP? If you use ERP, how it helps in the process of procuring materials?*

Answer: Yes, we are using ERP. We believe that this system helps our procurement process smooth and record everything in a mannered way.

Question-18: *How do you prepare PO, WO?*

Answer: We manually prepared Purchase order (PO) as well as Work orders (WO). Unfortunately, our ERP system is not that improved; modern ERP system automatically processed WO and PO. But we are preparing those manually.

Question-19: *As the main objective of Procurement is to reduce cost; so, do you monitor cost reduction annually?*

Answer: No, we do not monitor or check the numbers such a way. But we have everything in detailed in the form of documents. Unfortunately, we do not have any analytical tool to check real time cost reduction curve of last year or last six month.

Question-20: *What are the major challenges you have been facing to practice procurement in your organization?*

Answer: There is a lot of challenges we are facing. We will not claim that our procurement practice is the best in the industry. We have limitations. Our procurement process is lengthy, and it depends on too many manually documentation. And it consumes so much time to procure items often. Besides, we do not have any tool to evaluate supplier's performance. We do not have enough well-experienced procurement specialist on our team. Supplier selection procedure is very traditional, and referral based. So, we think these are enough to realize how our procurement function is going on. We will not share other challenges because of the confidentiality of information.