

ECOLE DES HAUTES ETUDES COMMERCIALES
EHEC

**Thesis Submitted in partial Fulfillment
Of The Requirements for Master's Degree in Commercial
Sciences**

Major: International affairs

**Diagnosis Of Procurement Function Within
An Algerian Company**

CASE STUDY: FAMAG, LLC

Submitted by :

Asmaa GHAFIR

Supervised by :

Mrs. Farah BENYOUNES

Assistant professor

4th Graduation

September 2017

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Abstract :

In an economic context where sales prices are dictated by the market and resources are available to any economic agent wishing to engage in a gainful activity, the company is obliged to look for other issues to guarantee its profitability and continuity.

The procurement function is one of the elements that allow the company to acquire a competitive advantage that differentiates it from its competitors.

The position has gained a major importance in the scientific field as well as in the business field, which has attracted interest among researchers and company executives.

Since Algeria is open to the world, it is not immune to the requirements of the current context, which requires the establishment of a structure organizing this function and its integration into its development strategy.

In this work we will try to study the procurement function in the company in general, to try to understand the functioning of the purchases within the Algerian organizations, even if its performance is measured, as well as to list the main constraints which hinder its process.

Key words: Purchasing, Procurement, Algeria, Strategy, Performance, Competitiveness, Supplier relations, Agricultural machinery, Agriculture, Supply, Procurement function.

Résumé :

Dans un contexte économique où les prix de ventes sont dictés par le marché et les ressources sont disponibles à tout agent économique souhaitant exercer une activité lucrative, l'entreprise se trouve obligée à chercher d'autres enjeux pour garantir sa rentabilité et sa continuité.

La fonction d'achat est un des éléments qui permettent à l'entreprise d'acquiescer un avantage concurrentiel qui la différencie de ses concurrents.

La fonction a su gagner une importance majeure dans le domaine scientifique ainsi que dans le domaine des affaires, ce qui a sollicité un intérêt chez les chercheurs et les dirigeants d'entreprises.

L'Algérie, étant ouverte sur le monde, ne se trouve pas à l'abri des exigences du contexte actuel qui exige la mise en place d'une structure organisant cette fonction, ainsi que son intégration dans sa stratégie de développement.

Dans ce travail nous allons essayer d'étudier la fonction d'achat dans l'entreprise en général, tenter de comprendre le fonctionnement des achats au sein des organisations Algériennes, voire si sa performance est mesurée, ainsi qu'énumérer les principales contraintes qui freinent son processus.

Mots clés : Achats, Algérie, Stratégie, Performance, Compétitivité, Relation fournisseurs, Machinisme agricole, Agriculture, Approvisionnement, Fonction d'achats.

ملخص :

في السياق الاقتصادي الذي تملّي فيه أسعار البيع من قبل السوق والموارد المتاحة لأي عامل اقتصادي يرغب في الانخراط في نشاط مربح، أصبحت الشركة ملزمة بالبحث عن قضايا أخرى لضمان ربحيتها واستمراريتها.

إن وظيفة الشراء هي أحد العناصر التي تسمح للشركة بالحصول على ميزة تنافسية تميزها عن منافسيها.

وقد اكتسبت هذه الوظيفة أهمية كبيرة في المجال العلمي وكذلك في مجال الأعمال، حيث اجتذبت اهتمام الباحثين والمديرين التنفيذيين للشركات.

وبما أن الجزائر منفتحة على العالم فإنها ليست بمنأى عن متطلبات السياق الحالي الذي يتطلب إنشاء هيكل ينظم هذه المهمة ودمجها في استراتيجيتها التطويرية.

في هذا العمل سوف نحاول دراسة وظيفة الشراء في الشركة بشكل عام، و محاولة لفهم عمل المشتريات داخل الشركات الجزائرية، وإن كان أدائها يخضع للتقييم، فضلا عن سرد القيود الرئيسية التي تعرقل عمليتها.

كلمات مفتاحية: الشراء، الجزائر، الإستراتيجية، الأداء، القدرة التنافسية، علاقات الموردين، الآلات الزراعية، الزراعة، التموين، وظيفة الشراء.

Dedication:

To you, My Queen,

I dedicate the whole page,

The whole work

And my whole life...

MOTHER ;

*I hope that i will make you proud
someday.*

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First and foremost, I would like to thank God Almighty for giving me the strength, knowledge, ability and opportunity to undertake this research study and to persevere and complete it satisfactorily. Without his blessings, this achievement would not have been possible.

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List of abbreviations :

Abreviation	Signification
AFWP	Association Française des détenteurs de wagons
AMA	American Marketing Association
AMU	Arab Maghreb Union
AUTF	Association des Utilisateurs de Transports de Fret
BL	Bill of lading
CKD	Completelyknocked down
CLECAT	European Association for Forwarding, Transport, Logistics and Customs Services
CNIS	Conseil national de l'information statistique
CPDM	National Council of Physical Distribution Management
DHL	Dalsey, Larry Hillblom et Robert Lynn
ERP	Enterprise Resource Planning
FIATA	International Federation of Freight Forwarders Associations
GDP	Gross domesticproduct
HR	Human ressources
ICC	Chamber of Commerce
IFWLA	International Federation of Warehousing & Logistics Associations
KMPG	<p>K est l'initiale de Klynveld. Le cabinet d'expertise-comptable KlynveldKraayenhof& Co. fut fondé par Piet Klynveld à Amsterdam en 1917.</p> <p>P est l'initiale de Peat, du nom du cabinet d'expertise-comptable William Barclay Peat & Co., fondé par William Barclay Peat à Londres en 1870.</p> <p>M est l'initiale de Marwick : James Marwick s'associa avec Roger Mitchell pour créer à New York le cabinet d'expertise-comptable Marwick, Mitchell & Co. en 1897.</p> <p>G est l'initiale de Goerdeler. Dr. Reinhard Goerdeler sera longtemps à la tête de la Deutsche Treuhand-Gesellschaft (DTG) puis de KPMG.</p>

LTA	Lettre de transport aérien
NARDP	National Agriculture and Rural Development Plan
NIF	Numéros d'identification fiscale
ONS	Office national des statistiques
P2P	peer-to-peer
PDI	Predelevry inspection
R&D	Research and Development
SCM	Supplychain management
SKD	Semi knocked down
SOLE	The International Society of Logistics Engineers
SRM	Suppliersrelationship management
SWIFT	Society for Worlwide Interbank Financial Telecommunications
VAT	Value addedtax

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Introduction

General introduction:

The company as a living system that influences and get influenced always seeks to maintain its profitability and the continuity of its activity.

Within the framework of this objective, the company tries to develop its internal functions and adapted them to the requirements of its external environment. In an increasingly tough competitive environment, this is no longer seen as an objective but as a necessity for survival.

One of the functions that must be taken into account when implementing the development plan of any company, regardless of its size or the sector in which it operates, is the procurement function.

The procurement function has evolved to become, at the heart of the commercial system of companies. In order for the company to be competitive, it must have a procurement function that can ensure the acquisition at the least cost of the right quantities of goods, raw materials, supplies ... at the right time and place. The main objective of the procurement function is to satisfy the internal customers of the company, which are all the departments whose operation depends on the procurement department. Therefore, in order for the company to succeed in its procurement, it must not only set up a specialized structure, but must also ensure better coordination between this structure and the rest of the accounts.

The major importance of that procurement function takes throughout the world, day after day, did not spare Algeria. After having applied for more than 30 years a planned economy, the country has reconverted to the market economy, which imposes on it the same rough competitive environment and therefore the same survival requirements.

In a context where sales prices are dictated by market law and resources are available for all economic agents, the only way for companies to preserve or increase their profit margin is to play on the costs incurred by their purchases. This end-of-study project will therefore enable any company wishing to benefit from the contribution of the procurement function in the improvement of its overall performance and not merely commercial, to have a clear idea of the

importance of its role , best practices in the field of procurement, as well as its different stakes The majority of Algerian companies depend on the availability of their purchases in the development path of their products and their activities. Therefore, purchasers and supply managers must be aware of the importance of this function in the company. Today, all purchases must be planned and planned with accuracy. This involves identifying needs, finding suppliers, negotiating prices, receiving goods, storing and, above all, having optimum management of supplies. Whose unique purpose is to meet the expectations of the internal customer and contribute to the performance of the company. The subject of our research is "diagnosis of procurement function within an Algerian company". The interest of our research seems to be two-fold, first and foremost the subject matter of interest to many researchers in the field of commercial sciences at the national or international level, in addition to an economic interest which allows business leaders to understand the need to integrate this function into their strategies.

To the interests that our theme can satisfy, we opt for a company that is active in the field of agricultural machinery for the practical application of the theoretical aspects to be dealt with in this end-of-study project.

Our choice of LLC FAMAG & motivated by:

- The sector in which FAMAG carries out its activity and which is considered to be the most important sector after hydrocarbons.
- FAMAG a national leader in its field for the past five years.
- FAMAG is part of our research problem, by the importance of its purchases.

This research consists of analyzing the procurement function in general and then the company's own procurement function, as well as the role it plays and its contribution to the overall strategy of the company, activity and performance. Then to get to make a diagnosis through the strengths and weaknesses are noted.

Thus our problematic is articulated around the following question:

**“How an Algerian company organizes its procurement function?
And what are its strengths and its weaknesses? “**

In order to answer the main question, we decided to ask the following questions:

- Does the procurement function within an Algerian company follow previously defined procedures or is it still conventional in its operation?

- Is the performance of the procurement function measured and used as a strategic tool?
- What are the main constraints faced by the procurement function during its operation?

From his questions arise the following hypothesis:

- The procurement function remains a classic function in its organization despite the awareness of its important role.
- Performance of procurement function is measured but not used in the development of the company's strategy.
- Logistical constraints are those that constrain the smooth running of the procurement process.

In order to carry out our work well, we have opted for a deductive method, that is, we start from the general to the particular. Our review of the literature, enriched by documentary research on the main concepts and theories dealing with our subject, allowed us to insert our study in a descriptive and analytical framework.

In addition, our research was reinforced by a practical part which enabled us to carry out a field survey through the interview guides addressed to the different procurement actors, procurement manager, local purchases and imports executives, head of logistics department, head of inventory management department.

The plan of our work is composed of two parts drawn up in the following manner:

- ❖ A theoretical part containing two chapters:

Chapter I: Contains basic notions about the procurement function, starting with reviewing the conceptual framework and the history of the function's evolution over the last decades, its place and organization are presented below. As well as its relationship with the other functions of the company. And finally the strategic aspect of the process of procurement its objectives and its challenges.

Chapter II: This chapter deals with the classical and modern functions that are necessary for the functioning of the procurement department within the company, and that contributes from near or far, and which without them the missions of the department cannot be fulfilled.

❖ A practical part also containing two chapters:

Chapter III: In this chapter we have described:

- The external environment in which FAMAG operates, we have presented the importance of the field of agriculture in Algeria and then the importance of the agricultural machinery sector and the various partnerships of the company.
- The internal environment of FAMAG, the nature of its activity, its organization, the history of its evolution, and its development plan.

Chapter IV: We have devoted this chapter to the presentation of the procurement department and the position that the function occupies within the company FAMAG, and to analyze its process. Then we presented the methodology that we followed to carry out our practical research, and finally the results of the survey that we carried out followed by a synthesis summarizing the obtained results.

Chapter I:

The procurement function within the company

Introduction:

The Procurement function has become strategic since its impact on the performance of the company is significant in many areas. Today, purchases account for an average of 68% of turnover in the industry.

Thus, if the procurement function is the guarantor of the quality of the products purchased, it must now correspond to a profit center.

One of the causes of this change is that we have moved to a market economy, where sales prices are dictated by the market, thus making the cost price the only variable on which the firm can play. But this cost price now contains 50% of purchases, which makes of procurement function a strategic element to ensure the competitiveness of the company. Purchasers have thus acquired new responsibilities such as prospecting, negotiating and selecting products or services that meet the needs of the company.

This is why the purchasing function quickly moved from a purely administrative function to a negotiating or even technical function according to the organizations.

In this first chapter, we will try to review some theoretical aspects of the procurement function. The first section will be devoted to the conceptual framework of the function; the second section will deal with the procurement function within the company, its process, its objectives and its challenges.

This chapter contains two sections:

- The first one aims to give a general review of the theoretical framework of procurement function.
- The second presents the function within the company, how does it affect and how it is affected by the different function of the company.

Section 01: Conceptual framework of the procurement function

1.1. Presentation of the procurement function:

The aim of the company is to make a profit, but in an increasingly exacerbated competitive context where selling prices are dictated by the law of the market, the only way is to play on the cost price and improve the profit margins on productivity and on purchases, that is how this function whose reputation is so recent has gained its nobility.

The procurement function became a value provider to the company and a crucial function to its profitability and sustainability. Its impact on the company's strategy is strongly recognized since the company's conception was totally disrupted by the adoption of the quality approach in order to meet the evolving requirements of customers.

The main role of this function is to: search, select and negotiate to provide the company with necessary products and services for its functioning according to defined criteria: price, quantity, quality and deadlines required. Thus, it is considered as administrative, negotiating and technical at the same time¹.

The technical aspect of the function makes it possible to evolve the product by applying the quality approach which can be adopted only by a strong collaboration between the production function and the procurement function. This relationship subsequently became a source of innovation for the research and development unit, which will be informed of all new materials that may lead to cost reductions or improvements to the product.

The administrative aspect of the function is the organization of purchasing procedures, from the identification of the company's needs, in terms of costs, quality and deadlines, to the receipt of products. Also the updating of supplier databases and products in order to closely monitor the market matter, as well as the production and management of all the documents required at each stage in the purchasing process, in particular: purchase orders, deliveries notes...Etc.

The procurement function is a function focused on negotiations². After collecting the needs from the various divisions of the company (marketing, HR, logistics, production ...), launching market research, on their evolution, and finally the selection of the best offer, intervenes the negotiating aspect of the function to identify the clauses on which can be made concessions on the sale. This starts with ranking priorities in negotiations to set

¹Link :<https://d1n7iqsz6ob2ad.cloudfront.net/document/pdf/532ab4376da97.pdf> viewed 20/02/2017, at 11h20.

²Link :<https://cadres.apec.fr/Emploi/Marche-Emploi/Fiches-Apec/Fiches-fonctions/Les-grandes-fonctions/Services-techniques/Les-achats-fonction-centree-sur-la-negociation> viewed 13/02/2017 at 14h23.

Chapter I: The procurement function within the company

SMART goals and then preparing arguments based on facts, data and demonstrations to convince the supplier to improve its offer.

1.2. History and evolution of the procurement function:

The importance of the procurement function has not been recognized until 1832 after the publication of Charles Babbage's book³, and other researchers works (Marshall Kirkman 1887, Lewis 1890 ...), but we had to wait until the end of the 1990s so the profession of buyer become more professional, thanks to the new dimensions of purchasing, and then the mid-2000s to admit that the function is the most efficient to increase the profit margin of the company.

There are three main phases of development for procurement function⁴:

a) The procurement function as an administrative function:

In the early 1970, in a production economy where demand was superior to supply and their objective was to produce more to sell more, companies focused on production more than anything else, their priority was to optimize their production chain to increase their productivity thus their sales.

Procurement was a neglected function in most firms because of executive management's belief that it was not important or relevant to mainstream problems. This view was supported by Ammer⁵ who stated that procurement is described as an administrative rather than a strategic function.

Managers considered the role of purchases as completely passive in the decision-making process and the function entirely isolated from other functions and purely administrative, responsible only for converting an internal requisition into an external purchase order and ensuring it transfer in order to make the requested products available for internal customers, without any important added value and centered only on the short term.

Consequently, the relationship between purchasers and suppliers was a winner-loser relationship characterized by competitiveness so the companies do not depend on a single supplier and can purchase and change from a supplier to another very quickly without any risk.

b) The procurement function as a negotiating function:

After the oil shock of 1973, market became saturated and companies started to attach importance to reducing costs in order to optimize their margins. The only variable the

³ Charles Babbage, *On the Economy of Machinery and Manufactures*, Read Books Limited, London: Charles Knight, 1832.

⁴ Link : <http://www.mawarid.ma/document-1516.html>, viewed 12/04/2017 at 18h45

⁵ Dean S. Ammer, « Is your Purchasing Department a Good Buy? », Harvard Business Review, March-April 1974, pp, 36-159.

Chapter I: The procurement function within the company

company can play with to maximize its profit is the cost price which is made of 40% to 70% of purchases, therefore, the contribution of the procurement function in the company's begins to appear and the act of procure becomes strategic.

A major point in the recognition of procurement strategy occurred when Porter (1980) emphasized the importance of the buyer in his model of the five forces that impact the competitive nature of an industry. In addition to placing orders, the buyer places tenders in a bidding process, becoming thus, a decision-maker in the choice of suppliers with whom he negotiates the prices of products or services to choose the offer that meets best the need of the company, In terms of costs, deadlines, and quality.

c) The procurement functions as an integrative function:

From the 1990s, the procurement function became integrated into the firm's strategic planning process. Freeman and Cavinato⁶ point that “ procurement's role, capabilities, and resulting organization must be congruent with the evolution of the firm itself, if not procurement can become extremely vulnerable during periods of down-sizing and reorganization, since only those functions that are provided to contribute significantly to the welfare of the firm stand to remain intact”

With customers' growing expectations asking for more complex, more personalized, cheaper and high-quality products as well as a better service from the company, the buyer became responsible for optimizing the company's interaction with its environment, forging strategic partnerships with suppliers and seeking innovation, in addition to the democratization of Internet, thus revolutionizing the profession of the buyer in terms of organization and means.

The following table explains how the role of the purchaser, and the procurement department, has changed significantly over time:

⁶ Virginia T. Freeman and Joseph L. Cavinato, “Fitting Purchasing to the Strategic Firm: Frameworks, Processes, and Values,” *Journal of Purchasing and Materials Management*, Winter 1990, pp, 6-10.

Chapter I: The procurement function within the company

Table I-1 : History of procurement

Period	Status
Late 1890s	Procurement rarely used as a different department except in the railroad.
Early 1900s	Procurement considered clerical work.
World War I and II	Procurement function increased in importance due to the importance of obtaining raw materials, services, and supplies to keep the mines and factories running.
1950s and 1960s	Continued to gain stature, processes more refined, and more trained professionals. Still considered order placing clerical in a staff-support position.
Late 1960s–early 1970s	Integrated materials systems introduced, materials became part of strategic planning, and importance of department increased.
1970s	Oil embargo and shortages of basic raw materials turned the focus of the business world to procurement.
1980s	Advent of just-in-time with an emphasis on inventory control and supplier quality; quantity, timing, and dependability made procurement a cornerstone of competitive advantage.
Early 1990s	Value proposition of procurement continued to increase; cost-savings became the buzzword.
Late 1990s	Procurement evolved into strategic sourcing, contracts were more long term, and supplier relationship building and supplier relationship management started.
2000s	Procurement shifted its myopic focus on cost too much broader terms. Some of the widely used developments: spend analysis, low-cost country sourcing, procurement technology evolved (ERP, e-sourcing), procurement outsourcing evolved (P2P), total cost of ownership, data mining and benchmarking, and lean purchasing.

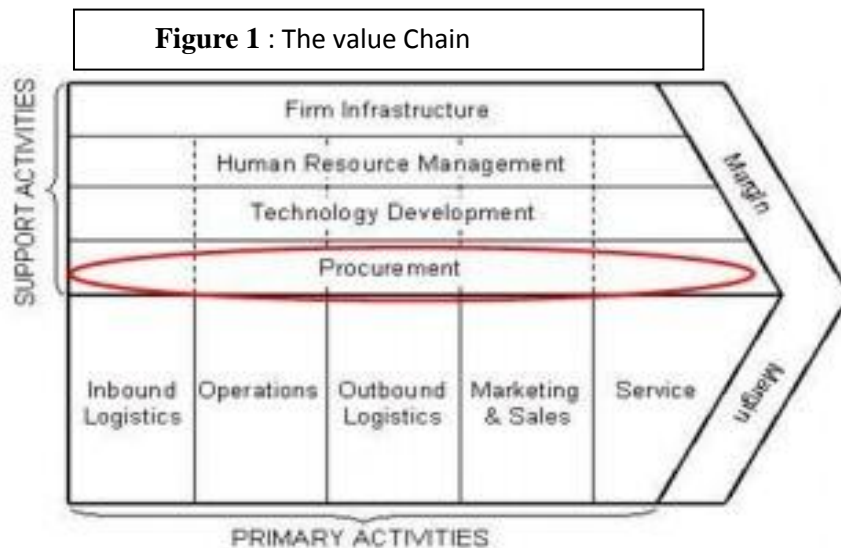
Source: CSCMP and Wendy Tate, *the Definitive Guide to Supply Management and Procurement*, Pearson FT Press, 2013.

1.3. Literature review of the concept “procurementfunction”

Due to the different professional specification in the field of procurement, there is no agreement on its definition. However, this has enriched the literature history of the concept.

Procurement is defined as the: activity of acquiring goods or services to accomplish the goals of an organization⁷, for authors, according to Alford and Beatty “procurement is the procuring of materials, supplies, machines, tools and services required for equipment, maintenance and operation of a manufacturing plant”. To Walters, it means “the procurement of purchase of the proper materials machines, equipment and supplies for stores used in the manufacture. Of a product adopted to marketing in the proper quality and quantity at the proper time at the lowest price, consistent with quality desired”⁸.

Carr and Pearson stated that firms recognize the procurement function as an important resource for obtaining high quality levels, fast deliveries and cost savings, while Porter classified it as a support activity in generic value chain,⁹(figure1), and that procurement activities are not value-adding themselves, because purchased inputs are present in more than one primary activity.



Source: Michael E. Porter, *Competitive advantage creating and sustaining superior performance*. New York, Free Press, (1985), p37

⁷ Link : <http://www.businessdictionary.com/definition/purchasing.html> viewed at 03/03/2017 at 07h43

⁸ Link : <https://www.coursehero.com/file/17678852/PRINCIPLES-OF-PURCHASING-1docx> viewed 20/04/2017 at 13h05

⁹ Michael E. Porter, *Competitive advantage creating and sustaining superior performance*. New York, Free Press, (1985), p.41.

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Therefore, some authors recognize the strategic role of the procurement function in their definitions. In accordance with Kauffman some professions use the terms purchasing, procurement, supply management, logistics, materials management, interchangeably, both in literature and in practice nowadays due to the different professional specifications in the field of supply chain management and purchasing. Kauffman focuses on the process of buying, by stating “the process of buying: learning of the need, locating and selecting a supplier, negotiating price and other pertinent terms, and following up to ensure delivery”¹⁰ He presents another definition of procurement that encompasses the function in an organization, saying that it is “a major function of an organization that is responsible for acquisition of required materials, services and equipment”.

As Kauffmann Van Weele depicts the definition of procurement as:” The management of the company’s external resources in such a way that the supply of all goods, services,, capabilities and knowledge which are necessary for running, maintaining and managing the company’s primary and support activities is secured at the most favorable conditions”¹¹ (van Weele, 2005, p,12).

Similarly, Smeltzer, et al, explain that procurement functions are not just the matter of price and delivery time, but they are aligned with the organization’s long-term goals. Furthermore, Smeltzer, et al also argue that ensuring the organization’s dependable and flexible supply is one of the firm’s major strategic goals realized by procurement function. According to Westing, Fine and Zenz “Procurement is a managerial activity that goes beyond the simple act of buying. It includes research and development for the proper selection of materials and sources, follow-up to ensure timely delivery; inspection to ensure both quantity and quality; to control traffic, receiving, storekeeping and accounting operations related to purchases.” Which is a definition that supports the strategic managerial aspect of the function.

1.4. Classification of procured goods:

It is important to define a classification of the company's purchases, this helps in defining the function’s strategy as well as its performance measurement. Classifying means grouping articles with several criteria in common into homogeneous groups.

In General, purchased materials and services can be grouped into the following categories:

¹⁰ Ralph G.Kauffman,” Supply management: What’s in a name? Or, do we know who we are?” Journal of Supply Chain Management, (2002),38-46.

¹¹ArjanJ.VannWeele, (2005) *Purchasing & supply chain management: analysis, strategy, planning and practice*. 4 th London, Thomson, p12.

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Table I-2: Classification of purchasing goods

Category	Main characteristics
Raw materials	Raw materials are materials which have undergone no transformation or a minimal transformation, and they serve as the basis materials for a production process, We may differentiate between physical raw materials, such as iron ore, copper ore, coal, and natural raw materials, such as grains, soya and coffee.
Supplementary materials	These are materials which are not absorbed physically in the end product; they are used or consumed during the production process. Examples of this type of product are lubricating oil, cooling water, polishing materials, welding electrodes and industrial gases.
Semi-manufactured products	These products have already been processed once or more and they will be processed further at a later stage. They are physically present in the end product; Examples are steel plate, rolled wire and plastic foils.
Components	Components are manufactured goods which will not undergo additional physical changes, but which will be incorporated in a system with which there is a functional relationship by joining it with other components. They are built into an end product. Examples are lamp units, batteries, engine parts, electronic parts and transmissions. A distinction can be made between specific, customized components and standard components. Specific, customized components are produced according to design or specification of the customer, whereas standard components are produced according to specification of the supplier or an industry norm.
Finished products or trade items	These encompass all products which are purchased to be sold, after negligible added value, either together with other finished products or manufactured products. Examples of this product category are accessories which are supplied by car manufacturers, such as navigation systems, car stereo systems and alloy wheels and tyres. The manufacturer does not produce these products, but obtains them from specialized suppliers; commercial products and articles sold by department stores are also in this category.

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Investment goods or capital equipment	These are the products which are not consumed immediately. But whose purchasing value is depreciated during its economic life cycle. In general the book value stated on the balance sheet annually. Investment goods can be machines used in production, but they also, include computers and buildings. These examples illustrate the varied character of this category of goods.
Maintenance, repair and operating materials (MRO items)	These products, sometimes referred to as indirect materials or consumable items, represent materials, which are necessary for keeping the organization running in general, and for the support activities in particular. These products are often supplied from stock; examples are office supplies, cleaning materials and copy paper, but also maintenance materials and spare parts.
Services	Services are activities which are executed by third parties (suppliers, contractors, engineering firms), or other business units of the company, on a contract basis. Services can range from providing cleaning services and hiring temporary labour to having a new production facility for a chemical company designed by a specialized engineering firm (a contractor).

1
5

Source: Arjan J. van Weele, *Purchasing and Supply Chain Management: Analysis, Strategy, Planning and Practice*, Cengage Learning EMEA, 2009, p15

Purchases can be classified according to other criteria:

- 1- If they are directly or indirectly incorporated into a product being manufactured :

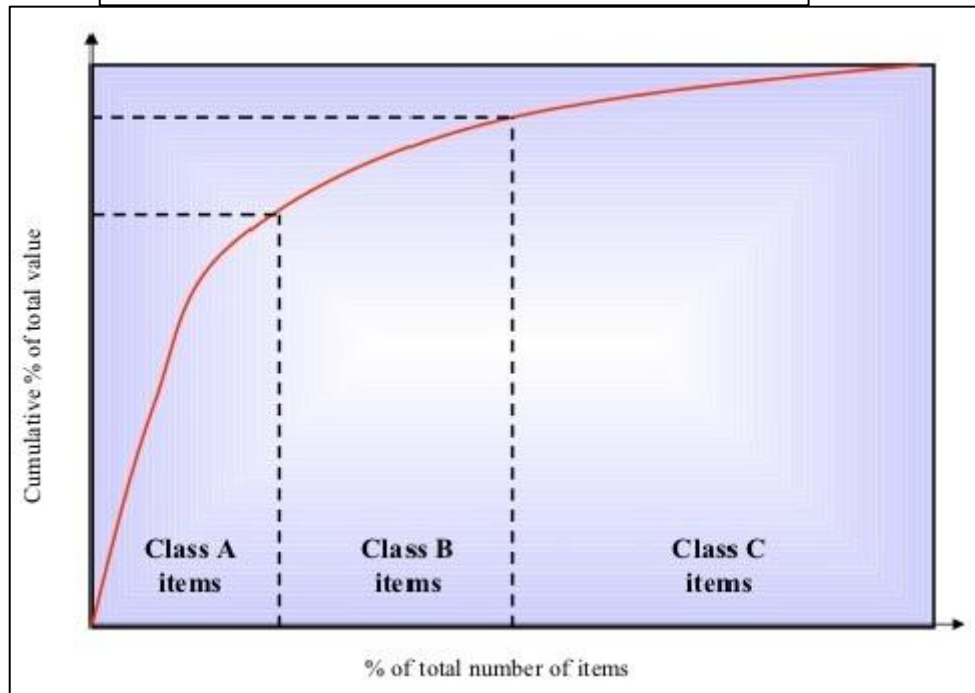
Direct goods and services	Indirect goods and services
It is the totality of the purchases that are directly related to the production of the particular good or service. It is therefore the purchase of raw materials, components, packaging. The resulting costs directly impact the final product.	These are all necessary purchases and supplies that enable your day-to-day business activities but which are not part of the production process. It include office supplies, travel, IT services, etc.

- 2- Using Pareto Principle we identify the 20% of purchases that represent 80% of the value of the purchasing portfolio, thus, they will be classified into three groups: A, B and C. A being the most valuable items and C being the least valuable ones. All of the A, B & C

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items are needed but a procurement professional knows how to deliberately group these items accordingly by importance and urgency of need in order to come up with considerable amount of savings.

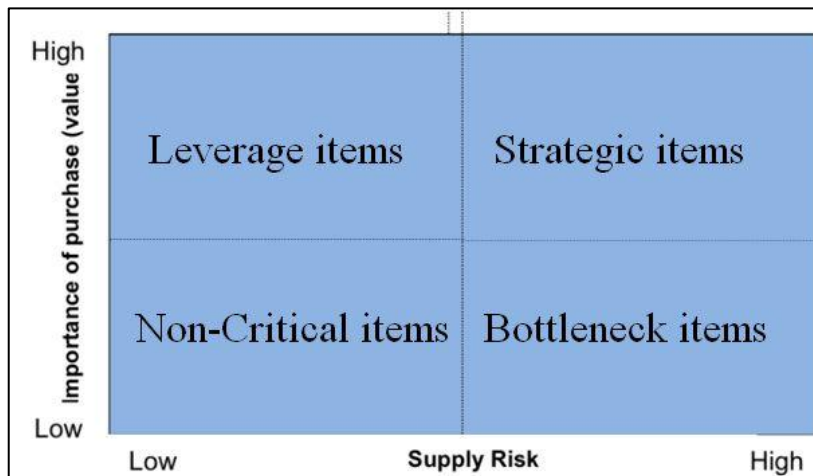
Figure 2: Representation of the Pareto principle for the ABC method



Source:(Johnson& Kaplan, 1987)

- 3- According to the supply risk and the profit impact of the product, Kraljic created in 1983 a matrix made up of four quadrants :

Figure 3: Risk-value Matrix Kraljic Model



Source :<https://www.procurious.com/procurement-news/unpicking-kraljic-matrix-procurement>, viewed 15-04-2017 at 16h13

- Non-critical items: that are easy to acquire and whose resources can be minimized, these items are necessary and acquired in bulk quantities. For example: basic office supplies such as paper, pens, tape, etc.
- Strategic items: that are crucial for the process, they deserve the most attention, and they are characterized by a high supply risk caused by scarcity or difficult delivery. These items represent the “performance core” of the product.
- Bottleneck items : are products that can only be acquire from one supplier or their delivery is otherwise unreliable, thus, they do not have such a strategic impact on the end product, but they do prevent the product from being completed, these items have a relative low impact on financial results.
- Leverage: Those are absolutely necessary to complete a product and are available on short notice from established suppliers.

1.5. Classification of buyers

As, the types of purchases, the type of buyer within the company can be defined using the two axes of the purchasing matrix, defined by Kraljic (1983):

- The importance of the made purchase in terms of: cost of acquisition over the total cost, value added in the product sold, etc;
- The complexity of the supplier market: oligopolistic / monopolistic market, technological maturity, barriers to entry, logistical complexity, and currency risks, etc.

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Thus, four categories are identified: the acquirer, the negotiator, the technician and the strategist:

- The acquirer carries out operational activities, which include accompanying internal customers in their procurement requests and monitoring and managing common problems with suppliers, thus performing operational activities, which require skills that Cavinato (1987) Means "purchasing techniques" (mastery of the aforementioned aspects, the computer tool, etc.)
- When the buyer is called upon to play a role in the definition of the needs and the analysis of the market of the suppliers he is considered a negotiator. The negotiator spends more time on activities upstream of the act of purchase (definition of needs, analysis and collection of data concerning the supplier market, drafting and management of tenders, strong competition between suppliers). It essentially mobilizes commercial negotiation skills.
- When the acquisitions are characterized by technological and logistical risks, the technician has the ability to identify, analyze and deal with technical problems. It uses a set of expertise such as technical knowledge of the purchased product.
- Finally, the strategic buyer is the one who directs all the actions of the function according to the strategy of the company and has the ability to face delicate situations. He realizes the roles of the negotiator and the technician who, beyond the above-mentioned knowledge and know-how, require strategic skills.

Section 02: The procurement function within the company:

2.1. Procurement policy:

A policy is a term that includes all the directives (explicit and implied) that designate the aims and ends of an organization and appropriate means used in their accomplishments¹².

The procurement policy is a part of a company's overall operations handbook; it describes and focuses on the procurement department responsibilities, procedures and process.

Organizations develop policies depending on the objectives they want to reach, these objectives consider the sales volume, the number of employees and the functional sophistication that decide whether the procurement policy to adopt should be simple or Complex. The defined policy must help to meet unique operational requirements. Although many procurement policies exist, most falls into five categories¹³:

- Policies defining the role of procurement :
This policy aims to clarify and define missions and responsibilities of the department and the procurement agents. Usually it is the policy that gives rise to other policies that directly support purchasing activities and from which; other detailed policies evolve which authority is grant by an executive committee.
By understanding the duties and responsibilities of the function, the staff will be able to carry out other executive policies, coordinate and evaluate the procurement activities.
- Policies defining the conduct of procurement personnel :
This policy is usually implemented so purchasing personnel upload an ethical behavior. In medium and large-size organizations, this policy is written and described in detail to serve as a guide for the procurement staff.
- Policies defining social and minority business objectives :
A minority business supplier is a business that is run or partially owned by an individual classified as a minority; this classification is widely considered by the U.S government. It objective is to evaluate performance potential of small and disadvantaged suppliers to educate buyers regarding their needs.
- Policies defining buyer-seller relationships:
This policy is generally adopted when the company wants to develop it relations regarding its suppliers, usually to turn single transactions into long-term beneficial relationships then

¹² Link : <https://fr.slideshare.net/Kitlaserna/purchasing-policy-and-procedures> viewed 16/02/2017 at 16h15

¹³ Monczka (R), Handfield (R), Giunipero (L), Patterson (J), *Purchasing and Supply Chain Management*, Bloomsbury Academic, USA, 2015, P97

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to a commitment and finally, sustain a successful supplier-Buyer partnership. The two main factors that enable such achievement are the style of exchange and content of information.

- Policies defining operational issues :

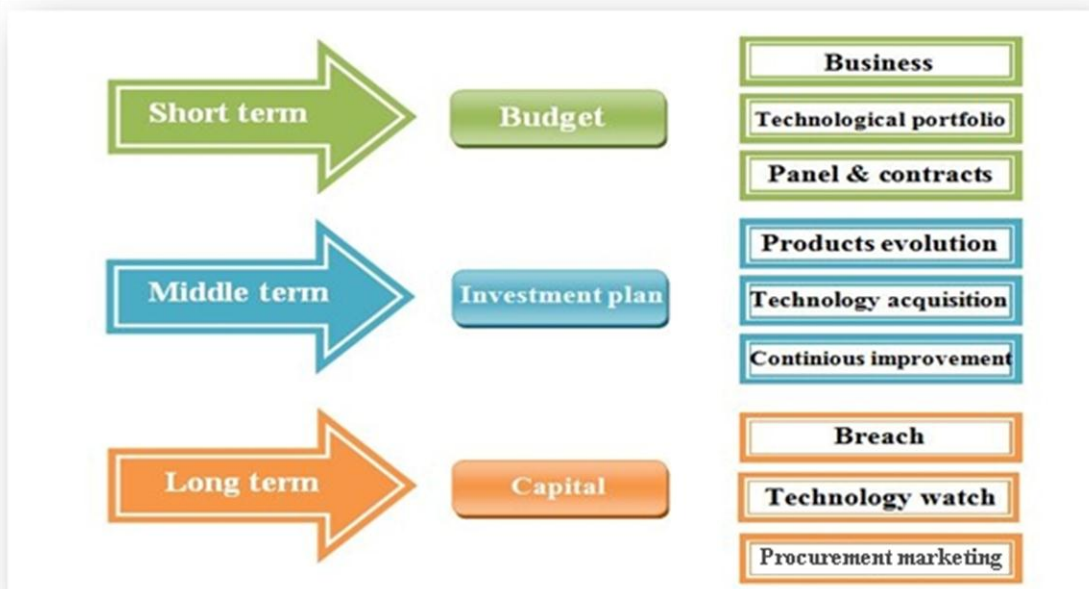
Companies that set up this kind of policies usually have a sophisticated department of procurement.

Operational issues often derail many plans and affect business performance, they fall under five categories:

- Wastage issues
- Delay issues
- Quality issues
- Control and management issues
- Work cultural issues

The implementation of a procurement policy enable the organization to make cost effective procurement decision from a group of efficient vendors who will deliver quality goods on time and at mutually agreeable terms, thus it is instrumental to three horizons of the business strategy as the following schema shows:

Figure 4: The contribution of the purchasing policy in the business



Source: Link: <https://fr.slideshare.net/josearmandoangelino/achats-internationaux>

viewed 17-04- 2017 at 21h12

Beside the organization's strategy, the procurement policy intervenes in each step in the problems' combating process, the procurement function affect directly or contribute in each

one. First it helps in the identification of types and causes of these issues and their analysis, then developing different solutions to finally implement the necessary changes.

2.2. Procurement process :

Figure 5 : procurementprocess



Source : <https://www.linkedin.com/pulse/blockchain-public-procurement-reducing-corruption-colman-mcmahon>, viewed 14-04- 2017 at 13h20

Although each company has a purchasing process adapted for its business, there is a basic form with main steps that every procurement operation passes by as illustrated in figure 5. However the process can be summarized into five steps:

2.2.1. Identifying needs:

The process usually starts with identifying or anticipating different departments' needs, it consists on answering the following questions:

- What to buy?

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- How much of it?
- When it is needed for?

Many documents can be used in this phase such as

- Purchaserequisitionsfrominternalusers
- Forecasts and customer orders (electronically)
- Routine reorderingsystems (barcodes)
- Stock checks
- Material requirements identified during new product development

2.2.2. Sourcing:

It is the process of taking advantage of purchasing opportunities by reviewing current needs against purchasing opportunities.

It starts with establishing requirement specification then analyzes the cost benefit and reviews the potential vendors. It enables the organization to discover potential suppliers, evaluate their potential to select the best one and sometimes develop the relationship with them.

The main goal of this phase is to provide the company with the best opportunity that may become a competitive advantage.

2.2.3. Establishing sale contract:

After the selection of suppliers, bids will be received and negotiations will take place, the purchasing team generally accomplishes the approval by a purchase order that sometimes is called purchase agreement. This agreement will be dispatched to the supplier and it identifies:

- The item(s) being procured
- The required quantity
- The price
- Delivery address
- Other terms and conditions relate to the order.

2.2.4. Delivering:

The purchase requirement receive is the physical transmission of goods, where they will be checked to ensure that they match the order and the correct quality. This level requires other documents such as: the material packing list, the bill of lading and the receiving discrepancy report.

2.2.5. Requesting payment:

Assuming that goods are received and correct, the supplier will issue an invoice which accompanies goods or will be sent separately. After the payment comes a step that many organizations neglect: the management of suppliers performance. The company should not consider that the purchasing cycle ends with the receipt of the order and continuously track its suppliers' performance.

2.3.The interaction between the procurement function and other departments¹⁴:

2.3.1.Procurement and Top management:

The relation between these two functions is strategically strong; the top management should participate in the process of simple or complex recognition process of the procurement function. On the other hand the top management should report monthly to top management on progress toward the company goals.

The two function should work together strategically to develop the procurement policies that have a big role in the realization of the general policy and comparing it to the set objectives.

2.3.2 Procurement and production

Production is the trigger of the procurement function, the starting point from which the procurement process begins when it transmits requisitions that will be translated into a purchasing schedule.

The procurement always remind the production function of the necessity to accomplish it objectives with the minimum reasonable capital investment since Production is the main user of the selected and negotiated articles by the buyer, thus the relationship between the two function is continuing and coordinative.

2.3.3 Procurement, accounting and finance

The relationship between procurement and accounting is administrative. They concern, on the one hand, the preparation of procurement budgets and, on the other hand, the control and payment of supplier invoices. The buyer must communicate to the accountant or the management controller all the information he needs for the preparation of the procurement budget.

¹⁴Link : <https://procurementmanagement.pressbooks.com/chapter/relations-with-other-functions> viewed 11/04/2017 at 19h30

On the other hand finance is responsible for making funds available for favorable buying opportunities; it may also contribute to good supplier relations by prompt payment.

2.3.4 Procurement and sales

The relationship between procurement and sales became a lot less adversarial when procurement became in the value creation business and not only a reducing cost activity. When the two functions are not properly meshed many leaks in profit can occur, and that is a clear recognition of the direct relationship between the two departments.

2.3.5 Procurement and Quality function

When the company has a quality function, its mission toward the procurement function is to ensure the control of the purchased materials and checking the quality of the raw materials and parts enter the factory before any part is used in a manufacturer of the finished good, and that to ensure that the materials that arrive are of the correct quality specification.

2.3.6 Procurement and marketing

The two functions have evolved into natural allies responsible for delivering optimal value and exchanging data that concern internal and external environment of the company, the teams of the two departments realized that together they can achieve significant cost reductions and performance improvement after that procurement was considered as an “enemy of innovation” and a major obstacle for the marketing objectives. But the modern organization of purchasing department support marketing goals.

2.3.7 Procurement, R&D and Engineering

Nowadays procurement is having a strategic role in the development of the product, working with the engineering department and the optimization of the cooperation of both areas ensures that companies considerably increase their competitive advantage. The combination of the two processes enables the organization to:

- Define preferred parts and suppliers and select the ideal one,
- Do the make or buy analysis,
- Make the best decision for parts and suppliers by considering the technical and economical characteristics.

Figure 6: The many internal interfaces of the Procurement



Source: <https://procurementmanagement.pressbooks.com/chapter/relations-with-other-functions/function>, viewed 14-04-2017 at 11h53

All the functions must work together to realize the ultimate goal which is the customer's satisfaction with an optimal profit, with finance, procurement work to secure funds, with production it ensure timely delivery of materials, and with understanding the goals of marketing, sales and research and development helps improving efficiency.

2.4. The Procurement function's objectives¹⁵:

To achieve a professional level of procurement behavior, the mission of the procurement function is to contribute to the improvement of the company's results through the understanding and globalization of needs, the management of the time of the process by harmonizing the internal processes, the control of

¹⁵KirshnaHavaladar, *Industrial Marketing: Text and cases*, Tata MCgraw Hill, New delhi, 2006, P35.

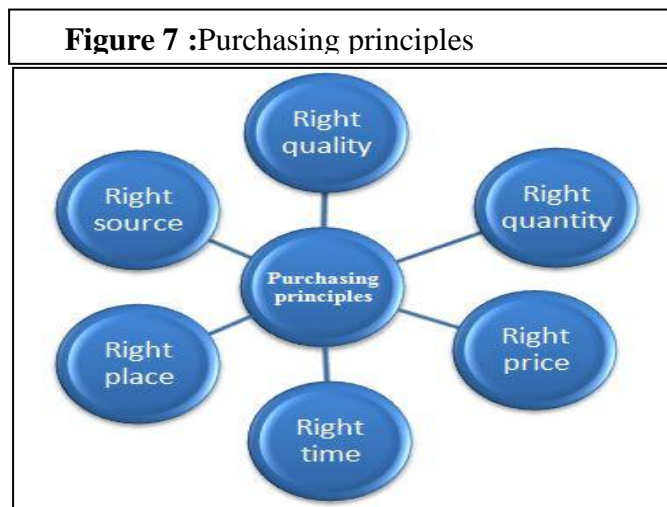
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the information that is indispensable to implement appropriate techniques for reducing direct and indirect costs related to quality and different types of risks. The function is also responsible for guaranteeing the stability of relations with suppliers by making periodic referrals and evaluations and implementing appropriate techniques to be able to set up a monitoring of the operational and financial relations.

These principles can be classified into 4 main objectives:

1) Support Operational Requirements:

This objective requires the function to understand business requirements collected from all departments and teams then by these products and services with the right prices, from the right source. The right price and the right source are obtained after the research done to select suppliers that meet purchases and performance requirements and also comply with engineering and quality standards at the right time which we can call the purchasing principles as shows the figure 7. The received order can be evaluated by the internal customers (Production, R&D, Sales ...).



Source:<https://www.slideshare.net/KabindraPokharel/co-relation-between-purchasing-and-marketing>, viewed 11-05- 2017 at 17h15

2) Manage the purchasing process and the supply base efficiently and effectively:

To support the strategy and the policy of the organization, the process of purchasing should be managed wisely. It must follow the following key steps:

- Identify opportunities: where the purchasing team contributes and adds true value in

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- Managing the supplying base by the identification of new suppliers, and their evaluation, check if the current suppliers are competitive and improve and develop the non-competitive ones.
- Check that all purchases go through the approved purchasing processes, and that engineering and other functional inputs are part of this process.

Further, the contractual agreements of sales personnel should be also allowed by the function then comes the periodic review of requisitions that can allow greater leveraging of requirements.

- Manage its internal operations efficiently and effectively, that includes the :
 - Management of procurement and purchasing staff
 - Developing and maintenance of policies and processes
 - Introducing and leveraging appropriate technology and systems
 - Defining procurement strategy and structure
 - Developing plans and measures
 - Providing procurement leadership to the organization
 - Providing professional training and growth opportunities for employees
- Finally achieve this objective through:
 - Leadership of procurement for the organization
 - Sourcing management
 - Ownership and accountability for sourcing processes
 - Communication of purpose, process and pay off
 - Collaboration and partnering
 - Teamwork

3) Develop Strong Relationships with Other Functional Groups

The transversal role of procurement requires from it to be the interface between the various functions of the company and the suppliers. It has a transverse look at the internal and external of the company and its ecosystem. It represents the link between the needs of each department and the market situation. Its role is decisive for the business; it is also the coordinating element of the relationship with the suppliers. It is a craft that requires a lot of different skills and a mix of hard and soft skills. Since its impact can be enormous, where its weight can sometimes reach 70% of the company's expenses.

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Procurement managers face a number of different challenges directed towards 4 key elements:

- The impact of the procurement strategy and the improvement of product quality, on the operating margin, therefore on profit.
- The management of the risks linked to the supply, the realization of the total quality, the analysis of the value which allows the limitation of the dysfunctions of the processes, and innovation that allows the permanence and secures all the activities.
- Rapid responsiveness, quantitative response to requests, and identification of risks and opportunities related to the act of purchase.
- Lastly, preserve the image of the product and the company through good communication and transparency.

These tasks have certainly got easier with technology that allows the function to focus on important value-added tasks such as pricing pressures and attracting the right talent will rank right at the top of the list. “These issues create a significant barrier performance” confirm Adrian Edwards high head of supply chain and procurement.

Despite its higher profit purchasing continues to be a “Cinderella function” says Jim Aberly, partner, commercial excellence, at Ernst & Yong, and that according to Aberly, is the most occupying challenge.

On the other hand, KPMG research gleaned from a survey of procurement professionals claims that purchasers are currently dealing with five issues:

- Becoming partners with key stakeholders throughout the organization :
The way procurement is viewed depends entirely upon the organization, it serves, and the relationship with other departments is often an antagonistic one.
procurement focuses on suppliers and return on investment without being considered as a strategic function by some companies, Ignoring that joint meetings with purchasers can align its activities to the organization’s strategy.
- Moving beyond a strict focus on cost savings :
Cost savings will always be a component of purchasers missions, but the importance that procurement function acquired during the last years

Chapter I: The procurement function within the company

comes back to the fact that it started to support organizational goals and objectives in developing the strategy, and running the business.

- Achieving an optimal operating model :

This ambition that procurement function has may seem illusionary, but the aftereffect that it can have on the efficiency of the function, and the important added-value throughout the organization makes managers keep trying to set up the most possible perfect centralized procurement process.

- Prioritizing supply chain risk :

The research highlights a concern over supply chain risk that can have a serious impact on the organization as a whole; therefore it is up to the executive sphere of the firm in order to overcome this pressing concern.

- Leveraging new technology :

The information procurement software can provide is really important, it helps to streamline the purchasing process and facilitate communication internally and externally. However companies seem to ignore or sometimes neglect the positive impact that it can have on the management of the teams and departments affecting or being affected by procurement function.

Many firms are unaware of what the decisive role that plays the procurement function in the competitiveness of the firm, even less its challenges. Every company must pay attention to this function and its stakes which have an effect:

- Financially, where the procurement policy contributes to the profitability of the company by influencing the costs of the components and therefore the margin of the company.
- From a commercial point of view, since the supply function makes it possible to provide good quality products while avoiding stock-outs (which are very bad for a company's image)
- At the strategic level, because the procurement function will contribute to the competitiveness of the company in terms of both costs and deadlines.

Conclusion:

By analyzing the impact that the procurement function can have on the company, its relations with the various departments, its stakes, and the objectives it aims to achieve, it is only natural that it should have evolved so quickly, and took a strategic place in an abs of reduced time.

The review of the conceptual framework of the procurement function shows how it has adapted to the evolving economic context in order to constitute an element on which companies have been able to play in order to guarantee the continuity of their activities in a harsh environment.

The strategic position of the procurement function requires a certain number of tasks to be fulfilled both internally and externally. On the one hand, the procurement department is in charge of defining and implementing a precise purchasing policy by coordinating its activities with the department of inventory management and logistics. It also ensures the smooth running of the production process by providing it with the necessary resources, and finally intervenes downstream by contributing to the satisfaction of the final customer. At the external level, it contributes to the image of the company by organizing its relations with a very important stakeholder, which is the supplier.

By gaining a competitive advantage on this aspect, it guarantees the company that it is highly performing and competitive in its strategic field of activity and therefore allows it to have a significant market share.

Chapter II:

Peripherals of procurement function

Chapter II: Peripherals of procurement function

Introduction:

When the procurement function began to acquire a strategic color, remarkable changes within flexible firms and embarrassing shortages were felt within rigid organizations, despite the importance of the two types of business to this prestigious function.

Researches over time and their implementation in the field, on companies of different sizes and activities, has been able to meet a new challenge that accompanies the implementation of the procurement function and its integration into the strategic plan of the company.

Its transversal role has made that the procurement function is the interface between the different functions of the company and the suppliers.

Thanks to its transverse view on the internal and external of the company and is at the crossroads of the ecosystem, and also, so that it can connect between the needs of each and the situation of the market, the other aspects, existing or emerging, which will subsequently become peripherals necessary for its functioning.

This chapter contains two sections:

- The first one presents the function that were already part of the company and the procurement function modified them or added some elements to guarantee its functioning.
- The second introduce functions that are more recent comparing to those treated in the first section. These modern peripherals still ignored and not integrated by the majority of companies.



Chapter II: Peripherals of procurement function

Section 1: Classic peripherals of procurement function:

1.1 Purchasing:

The purchasing function, which is often confused with the procurement function, is in fact part of it, it is up to it to maintain the act of procure, the purchasing staff is responsible for calculating the need, placing routine orders and guarantee the availability of the product in the right place at the right time and in the right quantities¹.

The orders generally placed under the responsibility of the purchasing function are those related to the contracts for a product renewal or its replacement, i.e. it takes control of the contract when the generated flow has already been initiated by the procurement function and where the consumption trend was given.

The purchasing team reduces the quantities to be ordered after having established the quantities to be consumed with taking into consideration the fixed ratios to don't overflow stocks.

In the case where purchasing demands products that are consumed quickly and in large quantities, it will gradually end up well know the suppliers and have useful information that can be used in the process of their evaluation. This relationship will, sometimes, allow the team to take initiatives that go to the procurement team.

Some organizations place the purchasing with and under the responsibility of procurement to ensure a better communication and information exchange. In another case the supply is related to logistics or it is more administrative and technical. In a similar organization, the logistic staff has a certain power to accept or reject the offers presented to the company.

Since the role of the purchasing unit is not negligible, it must use good tools to measure the past and immediate consumption of the product. It must also have the right tools to anticipate demand.

Monitoring the flow of outgoing products is complicated, but it is becoming easier thanks to performance and miniaturization of meters and the capacity of data transmission systems. The purchasing team must have a powerful tool to account for all parameters and use them when constructing an order scenario. Among these tools:

¹Roger PERROTIN, François SOULET de BRUGIERE, « *Le manuel des achats* », Paris, EYROLLES, 2007, p207

Chapter II: Peripherals of procurement function

- The command forecasting :

The purchasing team's experience allows them to choose and select the right tool to establish order forecasts. This tool must meet two criteria: simplicity and configurability. If it is too rigid the results will be unreliable because of the questionable scientific quality, and if it is complex the solutions will not be easy to implement.

- Trackingchart :

It is a second tool that allows the company to control its stock by presenting it with exploitable information to:

- ✓ Acquire the ability to predict the quantities that will be consumed and thus the level of availability of the product that allows the optimization of flows.
- ✓ Improve the quality of the stock, i.e. both its small quantity and its relevance: it is a matter of measuring the level of the stock generated and its obsolescence.
- ✓ Calculate the overall cost of supply and optimize it by seeking compromise based on imperative criteria set by the company.

The missions of the purchasing team can be summarized as follows:

- Participation in procurement studies On the methods of supply
- Choosing logistical conditions and controlling their respect
- Have a direct relationship with suppliers
- Trackorders
- Update the information system on time
- Organize products that have come in disorder
- Manage disputes due to failing quality, poorly passed transport or incomplete documents.
- Arbitrate the special means to be implemented to deliver on time delayed or misplaced orders.
- Contribute to the life of the company's logistics department

1.2 Logistics:

1.2.1. Logistics conceptual framework:

The prerogatives of new technology in 1980 including flexible spreadsheets and map-based interfaces enabled huge improvements in logistics planning and execution technology which marked the beginning of a sea-change in logistics. We can say that 80% of procurement problems are due to logistics troubles and more than 50% of conflicts are about the flow management.

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In marketing complied by the American Marketing Association (AMA):

« *Logistics refers to the enterprise activity expense determined by the flow process of material resources from the producer to the consumer or the consumption location* ».

According to the CPDM (National Council of Physical Distribution

Management): “*So-called logistics is the process of plan, implementation and administration for the efficient and beneficial movement and safekeeping of raw materials, semi-products and related information from production location to consumption location to satisfy customers’ requirements. These activities include, but are not limited to customer service, portage and transportation, warehouses keeping, choosing the factory and warehouses location, stock management, accepting orders, circulation information, purchasing, loading and unloading, accessory supplying and service providing, castoff recycle, packing, return of goods, and requirements forecasting, etc.*”

Logistics uses a lot of techniques and also science to ensure constantly increasing performance, Optimization is about finding the best compromise between all the contradictory demands at a given time, in a given context and taking into consideration the objectives of the organization : there shouldn’t be a stock, but there should not be a breaking either, the products must be delivered promptly, but their delivery must not burden the sale price; It is necessary to have accurate reporting of deliveries to customers, but it should take small staff and simple software so the fixed costs of the company do not increase, This quest for permanent optimization involves three main phases:

- The upstream flows that go from the supplier to the company. It is the flow of purchases
- The internal flows that are generated by the activity of the company in its own premises with generally a large quantity of buffer stocks which allow regulating the activity of the machines.
- The downstream flows which enable the goods ordered to be delivered to customers.

Logistics is therefore to find the best solution that will allow the company to cope with:

- Physical constraints (Cold, hot, perishable, unalterable, wet, dry, etc.)

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- Documentary constraints (complex country from the point of view of the customs or without barrier to the entry ...)
- Customer requirements and the ability of the supplier to meet the requirements of the company

As a result, it can be said that logistics:

- ✓ Optimizes material flows and related information flows.
is responsible for knowing where the products came from, by whom they are made, what is their composition, date of manufacture, for how long they are consumable, how they can be used, and how to eliminate them
- ✓ anticipates the quantities to come, transit time,
- ✓ Ensure that administrative declarations (customs and other) are made in the time, answers the buyer who wants to know where his product is.
- ✓ Ensures that the product is delivered and paid for.



1.2.2. Logistics Segmentation:

There are four segments of logistics:

- Supply logistics, which is the set of activities that allow the optimized management of the upstream flows of the company. In the industrial field, it mainly focuses on making the raw materials, semi-finished products, equipment and small consumables available at the best cost.
- Logistics of production or internal logistics is the set of logistics activities that are generated within the company: warehouses, storage areas, sales areas for a distributor or workshops and production lines for an industrialist. It is a matter of supplying the production tools or the networks of order preparation in the most regular and economical way. It is therefore necessary to optimize:
 - ✓ The transfer times of the products: raw materials, semi-finished or finished products,
 - ✓ The importance and the place of buffer stocks,
 - ✓ The reliability of control operations,
 - ✓ The disposal or recycling of inevitable waste.
- Reverse logistics which aim is to ensure reliably and at minimum cost the returns, recycling or Elimination of goods which the seller undertook to take back either by their own ecological beliefs or under the constraint of the law. This logistics also covers the flows generated by consumers Due to delivery errors or technical problems involving Replacement or repair of defective product.

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Several concepts are related to the logistics and its operation, we present in the following the most used concepts:

1.2.3. Institutional actors:

It is vital for many firms involved in international trade to keep abreast of current events on the increasing number of institutional actors. Today, we find the main following organizations:

– Logistics professionals:

Such as IFWLA (International Federation of Warehousing & Logistics Associations) who was initially established to enable peer national associations from different countries to cooperate and promote best practice.

– Transportation professions:

As: FIATA (International Federation of Freight Forwarders Associations): a non-governmental organization in the field of transportation, CLECAT (European Association for Forwarding, Transport, Logistics and Customs Services) that has a direct impact on the trading environment and competitiveness of European business.

– Business logisticians:

For example: SOLE (The International Society of Logistics Engineers) is a non-profit organization devoted to the development and promotion of logistics, including improvements in technology, education and management.

– Loaders:

Such as: AUTF who defend the interests of all loaders and, AFWP, GIFF that are particularly concerned with loaders of the railway world.

There are many other local and global associations and trade unions that contribute to advancing reflection, cooperation and legislation on logistics in its physical, administrative and technical components or legislation, such as the International Chamber of Commerce (ICC) which prepares documents that make references in most countries of the world in terms of logistics and international payments. (INCOTERMS) and set rules, codes and standards to standardize trade at the global level. Also the UNCTAD (United Nations Conference on Trade and Development) which aim is to formulate policies relating to all aspects of development including trade, aid, transport, finance and technology. With its juridical branch UNCITRAL (The United Nations Commission on International Trade Law) that develops conventions for international transport and ensures that they evolve in line with the progress of the various modes of transport concerned.

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1.2.4. Terms related to logistics:

➤ The stock:

The stock is an accumulation in one place of materials or products awaiting assignment. The role of stocks is to allow the regularization of discontinuous flows in order to serve the consumer of the product without breaking even if the supply is made in discontinuous sessions or if the demand is sporadic.

The quality of a stock is assessed according to the objectives assigned to it: security of supply according to the flow management method used as just in time, fixed capital, risk threshold below a certain amount stored, periodicity of stock rotation, etc.

➤ The warehouse:

The warehouse where the goods are stored can be seen as something other than a place of custody of the goods for future consumption. The products can be prepared to meet the needs of their users:

- Quality Control,
- Packaging, tropicalization if necessary and conditioning at temperature, under vacuum or under inert gas,
- Labeling or addition of information such as documentation in the language of the country of consumption and any operations which make it possible to delay as much as possible the differentiation of the products to conform to the norms and particularities of each consumption area,
- Copacking and other assembly activity for the provision of homogenous bundles or kits.

The reasons for warehousing a product are quite numerous:

- The delivery times are variable and the regularity of the supplier as regards the time of manufacture is low
- Certain products must be purchased in large quantities to be acquired under satisfactory economic conditions.
- A strong seasonal consumption can lead to a need for mass storage.
- The need for extensive quality control can lead to the storage of products on warehouse
- Buy in large quantities to obtain from the supplier an advantage (Rebates, postage, etc.) is the most obvious reason for a buyer to make stocks.

➤ The Transit:

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Transit is duty-free treatment for goods which pass through the national territory to a foreign country without stopping there to unbundle and reassemble with other products going to the same place.

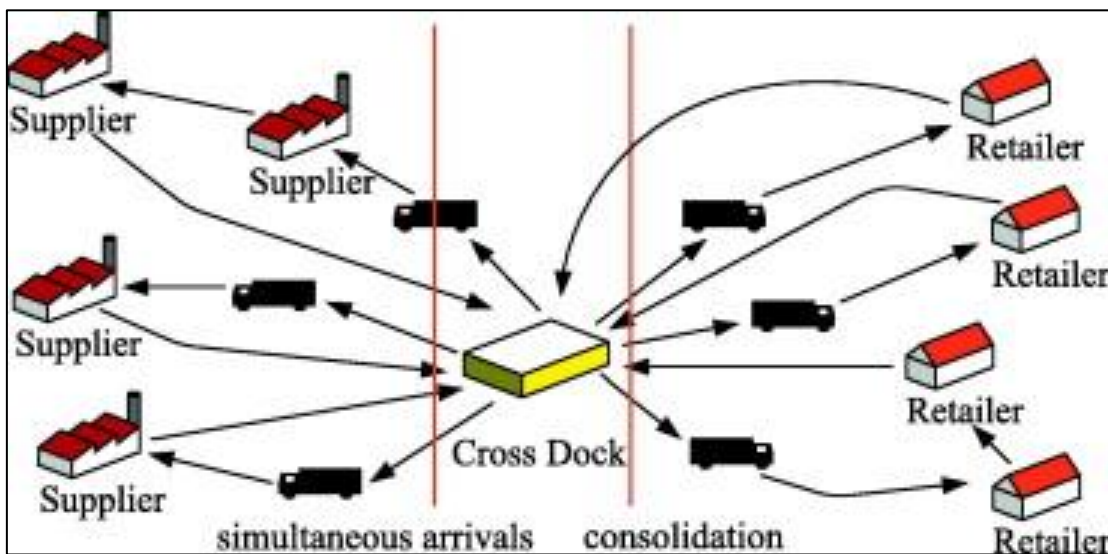
The storage time on the transit platform ranges from a few hours to a few days.

➤ The cross-docking:

Cross-docking is a practice in logistics of unloading materials from an incoming transport unit and loading these materials in outbound transport unit, with little or no storage in between.

This may be done: to change type of conveyance, to sort material intended for different destinations, or to combine material from different origins. This is done directly, with minimal or no warehousing.

Figure9 : Cross-docking illustration



Source : https://www.researchgate.net/figure/272479326_fig1_Figure-1-Cross-docking-transportation-operations-in-a-supply-chain, viewed at 20/05/2017 at 14h40

➤ Direct delivery:

When the quantity available at the point of consumption represents a full charge, there is no less expensive than direct delivery.

➤ Transportations:

The most important element that should be taking into consideration before any transportation operation is the transportation contracts.

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The transportation contract is : is an agreement between a carrier (Called by rail, road and inland waterway: the valet) and a loader to determine the conditions for moving goods or a consignment of goods from an agreed geographical point to another agreed geographical point. The carriers may be road haulers, railway carriers, maritime carriers or air carriers.

➤ INCOTERMS:

The INCOTERMS rules are an internationally recognized standard and are used worldwide in international and domestic contracts for the sale of goods.

The drafting of uniform rules for the interpretation of trade terms was made by the ICC with a view to facilitate international trade.

The first version of incoterms dates back to 1936. The aim was to standardize the commercial terms used for the carriage of goods by sea (FOB: "Free on board", CIF: "cost, insurance and Freight», Insurance and freight).

A second version in 1953 debuted three new trade terms for non-maritime transport. The new rules comprised DCP (Delivered Costs Paid), FOR (Free on Rail) and FOT (Free on Truck).

In 1967 came the incoterms, which dealt with misinterpretations of the previous version, two incoterms were added : DAF ("delivered at Frontier") and DDP ("delivered duty paid"), and on the basis of which the buyer has only a minimum benefit.

In 1980 The ICC takes into account the profound change in the international transport due to the container development and publishes an edition that introduced the trade term FRC (Free Carrier...Named at Point).

In 2000 The "License, Authorizations and Formalities" section of FAS and DEQ Incoterms rules were modified to comply with the way most customs authorities address the issues of exporter and importer of record.

The last version of INCOTERMS in 2010 consolidated the D-family of rules, removing DAF (Delivered at Frontier), DES (Delivered Ex Ship), DEQ (Delivered Ex Quay) and DDU (Delivered Duty Unpaid) and adding DAT (Delivered at Terminal) and DAP (Delivered at Place). Other modifications included an increased obligation for buyer and seller to cooperate on information sharing and changes to accommodate "string sales." (See annexe 01)

INCOTERMS are structured in 4 families according to the point of transfer of costs:

- E: sale at departure,

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- F: main transport not discharged,

- C: main transport discharged,

- D: sale on arrival

EXW - Ex Works:

Seller delivers (without loading) the goods at disposal of buyer at seller's premises. Long held as the most preferable term for that new-to-export because it represents the minimum liability to the seller. On these routed transactions, the buyer has limited obligation to provide export information to the seller.

CFR - Cost and Freight:

Seller delivers goods and risk passes to buyer when on board the vessel. Seller arranges and pays cost and freight to the named destination port. A step further than FOB.

CIF - Cost, Insurance and Freight:

Risk passes to buyer when delivered on board the ship. Seller arranges and pays cost, freight and insurance to destination port. Adds insurance costs to CFR.

CPT - Carriage Paid To:

Seller delivers goods to the carrier at an agreed place, shifting risk to the buyer, but seller must pay cost of carriage to the named place of destination.

CIP- Carriage and Insurance Paid To :

Seller delivers goods to the carrier at an agreed place, shifting risk to the buyer, but seller pays carriage and insurance to the named place of destination.

FAS - Free Alongside Ship:

Risk passes to buyer, including payment of all transportation and insurance costs, once delivered alongside the ship (realistically at named port terminal) by the seller. The export clearance obligation rests with the seller.

FOB - Free On Board:

Risk passes to buyer, including payment of all transportation and insurance costs, once delivered on board the ship by the seller. A step further than FAS.

FCA - Free Carrier:

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Seller delivers the goods to the carrier and may be responsible for clearing the goods for export (filing the EEI). More realistic than EXW because it includes loading at pick-up, which is commonly expected, and sellers are more concerned about export violations.

DAT- Delivered at Terminal:

Seller bears cost, risk and responsibility until goods are unloaded (delivered) at named quay, warehouse, yard, or terminal at destination. Demurrage or detention charges may apply to seller. Seller clears goods for export, not import. DAT replaces DEQ, DES.



DAP - Delivered at Place:

Seller bears cost, risk and responsibility for goods until made available to buyer at named place of destination. Seller clears goods for export, not import. DAP replaces DAF, DDU.

DDP - Delivered Duty Paid:

Seller bears cost, risk and responsibility for cleared goods at named place of destination at buyers disposal. Buyer is responsible for unloading. Seller is responsible for import clearance, duties and taxes so buyer is not “importer of record”.

DAF: DELIVERED AT FRONTIER

The seller, or exporter, is responsible for all costs involved in delivering the goods to the named point and place at the frontier (the border between the two countries). Risk of loss transfers at the frontier. The buyer must pay the costs and bear the risk of unloading the goods, clearing customs, and transporting the goods to the final destination.

If FOB is the customs valuation basis, the international insurance and freight costs must be deducted from the DAF price.

DES: DELIVERED EX-SHIP

The seller, or exporter, is responsible for all costs involved in delivering the goods to a named port of destination. Upon arrival, the goods are made available to the buyer, or importer, on board the vessel. The seller is responsible for all costs and risk of loss prior to unloading at the port of destination.

The buyer, or importer, must have the goods unloaded, pay duties, clear customs and provide inland transportation and insurance to the final destination.

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DEQ: DELIVERED EX-QUAY

The seller, or exporter, is responsible for all costs involved in transporting the goods to the wharf (quay) at the port of destination. The buyer must pay duties, clear customs, and pay the cost and bear the risk of loss from that point forward.

If FOB is the customs valuation basis, the international insurance and freight costs, in addition to unloading costs, must be deducted from the DEQ price.

DDU: DELIVERED DUTY UNPAID

The seller, or exporter, is responsible for all costs involved in delivering the goods to a named place of destination where the goods are placed at the disposal of the buyer. The buyer, or importer, assumes risk of loss at that point and must clear customs, pay duties, and provide inland transportation and insurance to the final destination.

Figure 10: Table of INCOTERMS

Who Pays For What Based on Incoterms													
SERVICES	Ex Works	Free Carrier	Free Alongside Ship	Free Onboard Vessel	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivered At Frontier	Delivered Ex Ship	Delivered Ex Quay Duty Unpaid	Delivered Duty Unpaid	Delivered Duty Paid
	(EXW)	(FCA)	(FAS)	(FOB)	(CFR)	(CIF)	(CPT)	(CIP)	(DAF)	(DES)	(DEQ)	(DDU)	(DDP)
Warehouse Storage	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Warehouse Labor	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland Freight	Buyer	Buyer/ Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Forwarder's Fees	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading On Vessel	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Ocean/Air Freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Charges On Arrival At Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Buyer	Buyer	Seller	Seller	Seller
Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery To Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

Source : <http://www.gotshiplogistics.se/incoterms.php>, viewed at 04/05/2017, 17h20

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1.3 Methods of payment:

1.3.1. Paper Means of payment:

➤ The cheque:

Is a document that orders a bank to pay a specific amount of money from a person's account to the person in whose name the cheque has been issued. It is suitable for one-off and immediate transactions with countries whose currency is convertible and whose anti-money laundering regulations accept this method of payment.

➤ Commercial papers:

The international commercial papers represented in the form of a bill of exchange or promissory note, a commitment to pay a given sum on a given date. It is easily mobilizable, in particular if it is the object of an endorsement issued by the bank of the drawee or the subscriber. This means of payment is not used by all the countries especially certain countries of Northern Europe.

➤ Bill of exchange:

It is a written order to a person requiring them to make a specified payment to the signatory or to a named payee;

Bills of exchange are similar to checks and promissory notes. They can be drawn by individuals or banks and are generally transferable by endorsements. The difference between a promissory note and a bill of exchange is that this product is transferable and can bind one party to pay a third party that was not involved in its creation. If these bills are issued by a bank, they can be referred to as bank drafts. If they are issued by individuals, they can be referred to as trade drafts.

➤ Promissory note:

It is a signed document containing a written promise to pay a stated sum to a specified person or the bearer at a specified date or on demand.

Most promissory notes involve the following elements:

- The Payor of the Promissory Note: This is the person who is obligated and promises to repay the debt.
- The Payee of the Promissory Note: This is the lender, the person or entity that is lending the money.
- The Date of the Promissory Note: The date the promise to repay is effective.

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- The Amount of the Promissory Note: The face amount of the money borrowed by the Payor.
- The Interest Rate of the Promissory Note: The interest rate charged. This interest rate can be simple interest or compounded interest among other ways to calculate interest.
- The Date the First Payment is Due and Subsequent Payments: An example of the first payment date might be the first day of the month and every subsequent first date of the following months.
- The Date the Promissory Note ends: This date could be amortized and paid off in a series of even and equal payments on a certain date or it could contain a balloon payment, which would make the entire unpaid balance due on a specific date.
- Terms of Prepayment Penalties of the Promissory Note: Many promissory notes do not contain a prepayment penalty but some lenders want to be assured of a certain rate of return, which could be reduced or eliminated if the payor pays off the promissory note prior to its maturity date. A common prepayment penalty might equal the sum of six months of unearned interest, for example.

1.3.2. The electronic means of payment:

- The international transfer:

The international transfer is a means of payment in favor of a beneficiary in another country or a transfer in currency to a beneficiary in the same country. It is widely used for import and export operations. It is fast, safe and economical. But it is initiated by the buyer who must therefore be a reliable partner.

- The electronic signature :

The electronic signature allows those who receive information via computer networks to determine the origin of the data and to verify that the data have not been altered. This signature can take many forms: inserting a manual signature on a document or using encrypted codes.

- Documentary letters of credits:

It is a bank-to-bank commitment of payment in favor of an exporter, guaranteeing that payment will be made against certain documents that, on presentation, are found to be in compliance with terms set by the buyer.

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The process is as follows:

1. Conclusion of the contract between the buyer / importer and the seller / exporter: During negotiations, it was agreed that the method of payment is an irrevocable documentary credit
2. Opening instructions: The buyer asks his bank to open a documentary credit which must be notified without confirmation from the seller's bank. In the opening instructions, the buyer completes a form specifying the documents required to import the goods.
3. Solvency of the buyer: The buyer's bank verifies the credit worthiness of its customer as well as the signatures on the application form. It also ensures that instructions are clear and complete.
4. Opening: The buyer's bank issues the documentary credit and sends it via the SWIFT network to the vendor's bank. The buyer then receives a copy of the shipment.
5. Control: After receipt of the documentary credit, the vendor's bank verifies the authenticity of the documentary credit and is subject to the Uniform Rules and Uses. It then checks to see if the instructions contain any errors.
6. Notification: The seller's bank shall advise the customer that he has received a documentary credit in his favor.
7. Control: Upon receipt of the notice, the beneficiary shall verify that the conditions specified in the documentary credit are in accordance with what was established during the negotiations. If the beneficiary disagrees with any clause, he must ask the buyer to change the terms.
8. Shipping of goods: The beneficiary sends the goods and prepares the requested documents according to the instructions of the documentary credit.
9. Submission of documents: The beneficiary presents the documents to his bank.
10. Verification. The vendor's bank verifies that all documents comply with what has been required in the documentary credit. In case of errors, his client is no longer guaranteed to be paid.
11. Sending of documents: The seller's bank sends the documents to the buyer's bank and asks to be paid.

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12. Verification: The buyer's bank verifies all documents in order to determine their compliance.

13. Payment: If all is in compliance, the buyer's bank makes the payment to the seller's bank, minus the applicable fees.

14. Purchaser's debit and delivery of documents: The buyer's bank shall debit the customer's credit for the amount of the documentary credit, less the applicable fee, and give the client all documents. The buyer can then clear the goods and take possession of them.

15. Payment: The seller's bank pays its customer less the applicable fees.

➤ Cash against document:

an international payment technique used for the exporter to deliver to his bank, along with the shipment of the goods, the documents provided for in the commercial contract and proving the shipment of these goods. The bank then delivers the documents to the importer's bank, which delivers them to the customer against the settlement of the goods or the acceptance of an effect. These are the documents that allow the importer to dispose of the goods. It should be noted that banks play an intermediary role in the transmission of documents but have no responsibility for the smooth running of commercial and logistical operations (obligation of means and not of results)

➤ Stand by letter of credit:

SBLCs are similar to Bank Guarantees, in that they sit behind a transaction and are only called upon if the buyer fails to pay in the normal course of business (which is often Open Account). They can be particularly useful to cover an underlying financial risk where multiple payments are to be made, possibly as part of an agreed schedule. However, they do not offer the documentary control of DCs to buyers and, as such they are an unconditional guarantee.

1.4. Insurance of transported goods

Whatever their mode of transport (road, rail, sea, river or air), the goods are exposed to numerous risks (accidents, theft ...). It is therefore important to be well insured and to clearly define the perimeter of the risks covered.

There are two basic type of insurance:

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- Cargo insurance that must be taken by owners.
- Liability insurance that must be taken by carriers

Section 2: Modern peripherals of procurement function:

2.1 Supplier relationship management (SRM)²:

2.1.1. Definition and history:

Supplier relationship management is a comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services it uses. The goal of supplier relationship management (SRM) is to streamline and make more effective the processes between an enterprise and its suppliers just as customer relationship management (CRM) is intended to streamline and make more effective the processes between an enterprise and its customers.

Supplier Relationship Management (or SRM) came into life in 1983 when McKinsey consultant Peter Kraljic called for corporate buyers to grow more proactive in supply management. He argued that buyers should look to understand their categories' risk and profitability impact upon a company and devise supplier management strategies that best meet this need.

SRM is essentially the process for organizations determining the supply categories that are important and creating the strategies that manage these items in an intelligent fashion.

The steps in SRM are essentially threefold:

1. Supplier segmentation. Map suppliers against profitability and risk exposure.
2. Supplier strategy development. Distribute internal resources and plans to meet business needs.
3. Supplier strategy execution.

2.1.2. SRM's process :

SRM solution publishers generally define a process in four main steps:

² Link: <http://searchsap.techtarget.com/definition/supplier-relationship-management> viewed 15/05/2017 at 10h52

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- Collaborative design, integrating procurement issues from the conception of a product by associating suppliers through a collaborative design tool, while ensuring minimal cost of ownership at all levels;
- Sourcing, aimed at identifying potential suppliers and developing a mapping by qualifying them according to their cost, production capacity, delivery times and quality guarantees. At the end of this stage, the best suppliers will be able to compete;
- Selection of suppliers, through a reverse auctions mechanism, where the buyer and seller roles are reversed. SRM tools typically have a bidding interface to make three types of queries (commonly referred to as "Request for x" and rated RFx):
 - ✓ RFQ (Request for Quotation), that is to say a simple price request for relatively common products. The supplier offering the lowest tender is usually retained;
 - ✓ RFP (Request for Proposal), that is to say a request for a commercial proposal addressed to suppliers, including a price, but also information about the company, its solvency, its production capacities, inventory and delivery times, etc. The choice of the supplier is made according to a selection grid allowing to evaluate the offers taking into account the different criteria
 - ✓ RFI (Request for Information) consisting of a simple request to know the products and services offered by the suppliers, without necessarily implying auctions.
- Negotiation, the purpose of which is to formalize the contract between the company and the selected supplier, possibly with specific clauses concerning logistics, payment terms, quality of service or any other specific commitment.

2.1.3. Objectives of SRM:

The objective of the SRM is to enable a company to improve communication with its various suppliers, to share a methodology, business terms and information with them and to have a better knowledge of each one in order to optimize the procurement process. Conversely, it is also necessary to ensure that suppliers are better acquainted with the core business of the company and its different products in order to obtain an adequate supply.

Thus, the SRM allows the company to:

- Obtenir un service de qualité de la part des fournisseurs
- Etablir de bonnes relations avec les fournisseurs
- Définir les fournisseurs clés de l'entreprise
- Examiner la performance des fournisseurs

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2.2. Procurement marketing :

2.2.1. Definition and history³ :

Marie-JosèpheSostènes defines it as a *“Term used to describe the declination of bases of the marketing strategy applied to the procurement function. The objective is then to observe the position of the company in relation to its suppliers and then to seek the best contacts in terms of cost, quality, regularity and security of supply, logistics, payment terms...*

Procurement marketing is a marketing tool that allows him the buyer to actively intervene in the exchange relationship with the upstream market in order to adapt the needs of the company to the possibilities of this market and reciprocally, in the short and long-term interest of his company ”.

From the early 1960s, purchasing professionals became aware of the importance of developing commercial relationships with "active" suppliers. In the 1980s, there was considerable debate about the size of the supplier portfolio. Some advocate a significant, if not extreme reduction, to work with only one supplier (Morgan, 1987). Others are already alert to the dangers of the approach (Newman, 1989; Ramsay, 1990) in the long run. At the same time, Ben Oumlil and Williams (1989) refer to "market-driven" purchases. It was at the end of the 1980s that Leenders and Blenkhorn (1988) used for the first time the term "reverse marketing", translated in French by that of "upstream marketing" or "Procurement marketing». L'Usine Nouvelle offers in 1988 an evocative title: "Buyers enter Marketing".

In the minds of the authors, as quickly as the practitioners who will adopt the concept and especially the associated practices, procurement marketing refers to procurement activities designed to identify potential suppliers and offer partners long-term collaboration prospects.

Barriol (1997) distinguishes three phases of evolution of the marketing concept buying in the literature: Emergence, Growth, maturity.

Emergence is characterized by the emergence of the concept in the literature without any precise definition, whereas the period of growth leads to heterogeneity of definitions accompanied by the multiplication of the work related

³Link : <http://www.cours-gratuit.com/cours-marketing/cours-complet-sur-le-marketing-d-achat> viewed 13/05/2017 at 14h47

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to the purchase marketing. Finally, the phase of maturity marks the convergence towards the same definition and a tendency to a stability of the publications.

2.2.2. Phases of procurement marketing:

A procurement marketing action usually contains ten steps:

➤ Classification of purchases:

Purchases classification is the starting point for procurement marketing, which consists of grouping or segmenting the products to be purchased into segments corresponding to the supplier market segments.

This division of the company's purchases into purchasing families is an indispensable action to be taken before defining the purchasing strategy and hence to commit resources.

➤ Needs analysis:

Knowledge of need is the first necessary input to analyze the company's purchases.

The analysis of the need take into consideration two elements:

- Knowledge of the basic needs of the company:

These are the needs of the company expressed in terms of the quality defined by a standard, the rule of confidentiality with regard to competition, acquisition of a technological advance, etc. And they can also include bonds from the customers of the company.

- Knowledge of the need family by family:

There are several types of families:

- ✓ Standard raw materials and components: From the internal point of view, knowledge of the need is historical. From the external point of view, information is the remaining lifetime of the family's products; the end of the life of one of the products of the same family is considered as a brake of purchase for the whole family.
- ✓ Specific products, equipment and systems: Harvesting information must take account of functionality while respecting specifications. Need is at the origin of the creation of the product and the function represents the link between the two.

➤ Market analysis:

The analysis of the market makes it possible to identify the weight of the buyer and the supplier. This analysis allows the buyer to position his company and his

Chapter II: Peripherals of procurement function

needs in terms of power while determining the objectives and strategy of the SAP (product, activity, service). The procurement marketing approach consists in managing the relationship between suppliers and the customer (client) from the adaptation of the company to its environment.

➤ Visualization of the purchasing portfolio:

This step consists of rationally classifying the procurement constraints in order to prioritize the actions to be carried out. The process of identifying constraints consists of determining the brakes to purchase that are of internal or external origin, and determining the cause that is either commercial or technical.

➤ Riskanalysis: diagnosis:

Make a diagnosis is to make judgments about procurement marketing situation. The diagnosis has several objectives which ultimately result in the choice of the type of actions to be taken to reduce the vulnerabilities of supply:

- It must help the buyer to have better control of internal and external constraints.
- It should serve as a guide to the judicious allocation of resources that the buyer can devote to the study.

➤ Development of the action plan and choice of actions (purchasing mix):

This step is to choose the direction of the actions or the tactics most appropriate to the problems posed. The corresponding tool is called "purchasing mix" which consists of determining the most effective leverage (s) from the four variables:

- Price,
- Product,
- Promotion,
- Place.

➤ Communication plan (internal and external):

The buyer must communicate according to a well-defined plan either internally or externally. This is the main mission of procurement marketing, this stage is the image of the marketing function, often neglected, it is one of the main causes of failure of procurement marketing, well conducted, marketing communication leads to the valorization of the entire procurement function.

Procurement marketing is essentially focused on the first seven stages, while the last three are purchasing techniques, which are:

➤ Negotiation

Chapter II: Peripherals of procurement function

- Drafting of agreements
- Follow-up of actions.

2.2.3. Procurement marketing objectives:

Procurement marketing has several specific objectives:

- Supply the production tool in terms of the quantities needed and the qualities desired by the production managers;
- Monitor the various upstream markets and study suppliers to find out which are the most competitive and innovative on which products;
- Be able to introduce the company in an attractive way to potential suppliers and show them the different productions of the company;
- Give suppliers the incentive to work with the company, based on the company's purchasing potential, on the commercial advantage of working with the company (prestige, benchmark in its sector) ;
- Provide a competitive advantage to the company by flushing out a more efficient supplier, leading it to develop a product that best meets the needs of the business.



2.3. Procurement's performance:

2.3.1. Conceptual framework of procurement's performance:

According to Walker and Rowlinson (2008), the measurement of procurement performance is the primary step in being able to comprehend the weaknesses and strengths of a given system and put into place corrective actions.

The performance of purchases can be linked to several complementary dimensions:

- The economic performance of the purchase; i.e. adaptation to needs and the search for budgetary levers
- The performance of the supplier; that is to say the quality of the contractual relationship and the service provided
- The legal security of acts, contracts and practices

At a time when the weight of purchases in the cost price keeps increasing; companies are looking to more accurately measure the performance of this function.

The measure of procurement performance is to determine its effectiveness as well as its efficiency:

- Efficiency is the measure of the degree to which the objectives of this function are fulfilled,

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- Efficiency is related to measuring the resources used to do so,

Thus, the procurement performance measure must not only verify that purchases made and contracts concluded with suppliers have been met, but also that they have mobilized a minimum of human, financial, time and space resources.

2.3.2. The indicators measuring procurement's performance:

An indicator can be defined as a quantitative data that can be used to characterize an evolutionary situation, an action or the consequences of an action, so as to evaluate them and compare them to their state at different dates; it can also be a form of or perception, that is to say a qualitative element.

The indicators that can be used to measure this performance are numerous and can be classified as follows:

➤ Economic indicators:

Annual Purchase Amount

Average purchase amount per order, per person

Number of orders processed per person

Discount rate per person

Negotiable payment condition

Shipped products (tonnes, units and / or value)

Total inventory value

ABC Stock Analysis

Inventory turnover rate

Inventory deviations

➤ Physical Indicators:

- Activity indicators:

Number of references

Number of Purchase Requisitions

Number of tenders

Number of Negotiations

Number of orders

Number of orders less than x francs

Number of orders placed in emergency

Number of accounts payable, number of suppliers active

New suppliers, turnover suppliers

Share of imports in purchases

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Tones shipped, received

% of Dead Stores

Storage area used (units of stock / m²)

Number of carriers

Number of references managed in inventory

- Quality Indicators:

Average processing time of an order (from request to dispatch)

Number of raises

Number of assets, litigation

Supplier Performances

Quality of Negotiations

Needs coverage rate

Average delivery time to customers

Average time to supply / suppliers

Average vehicle loading time

Delays in deliveries (in days, in value)

Number of stock shortages (raw materials semi-finished products, finished product)

Number of transport disputes, dispirages

Number of holdings

Filling rate

- Cost indicators:

Wages

Functionnary costs

Average order processing cost

Average search cost

Total transportation cost

Cost per carriers, per m³ transported

Average cost of routing (total per supplier)

Cost of stocks (total per m³, dead stocks)

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- Indicators of orientation:

Supplier market studies

Evolution of market

Purchase

Order Book Backlog (customers, suppliers)

- Human indicators:

Effective hirings

Absenteeism

- Project follow-up indicators.

Chapter II: Peripherals of procurement function

Conclusion:

Today, globalization and the economic situation based on new technologies and means of communication have made each organization linked to another, and all its internal functions influence and influence other functions.

The procurement function as any evolutionary system, during its evolution has revealed certain practices and requirements peculiar to it, which has become indispensable to its functioning.

Today, in order for the company to work better for its procurement department, it must take into consideration any external or internal element related to its operation.

Therefore, the company should not concentrate on this strategic function and treat it as a separate division, but must join it with all its peripherals and ensure a better coordination between it and the peripherals mentioned above.

Chapter III:
**Presentation of internal and external
environment of LLC FAMAG**

Chapter III: Presentation of internal and external environment of LLC FAMAG

Introduction:

The Algerian economy depends on more than 98% of hydrocarbon revenues; to this end, the State has decided to invest and give priority to the agricultural sector by developing agricultural research and mechanization.

Much effort has been made to improve the production of agricultural equipment in Algeria. In 1976 the Constantine tractor engine produced the first Algerian tractor. In 1978, the first Algerian combine harvester came out of the agricultural machinery complex of Sidi Bel Abbès. MAGI in Rouiba Algiers, UMD in Mostafa Ben Brahim and HBH in HammamBouhdjar are also public enterprises specialized in the manufacture of trailers, cisterns, plows and tillage equipment. We also have private companies like MAG in Blida and FAMAG in Sidi Bel Abbès.

During the last decade, the main objective of the Algerian government was to reduce the country's dependence on food.

The necessary intensification of agriculture means that the need for machinery, crop and harvesting equipment, buildings and equipment for livestock farming will increase greatly over the years in order to promote this agricultural revival.

The objective of the first section of this chapter is to give an overall idea of the agricultural machinery sector in Algeria, specifically the agricultural tractor. Then present LLC FAMAG and its internal organization.

Section 01: External environment of FAMAG:

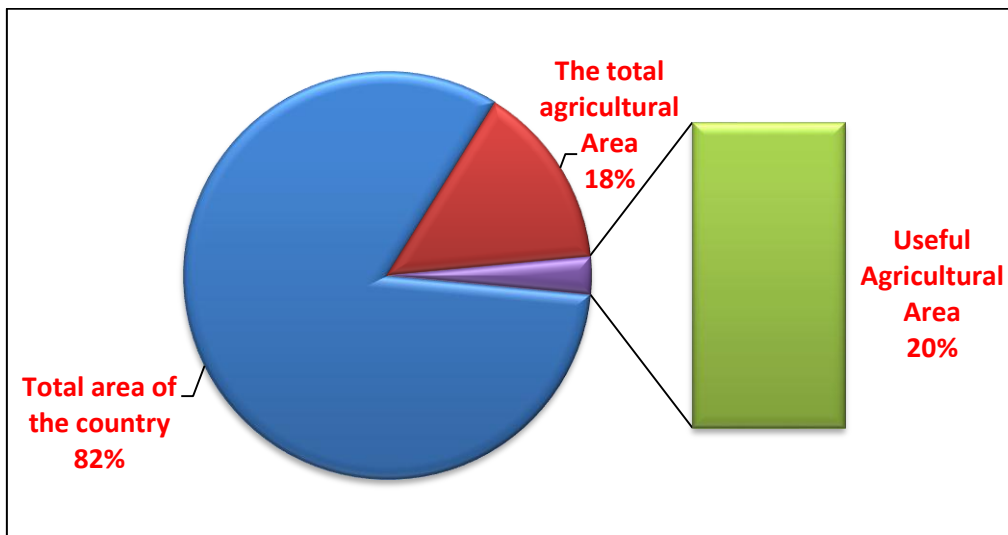
1.1Agricultural Machinery in Algeria:

1.1.1Presentation of the agricultural sector in Algeria:

Agriculture in Algeria is one of the most important activities after the hydrocarbon sector with a share of 10% to 12% of GDP and 3.5 million agricultural workers in the rural population, i.e. 9% of the population, Hence the attention paid by the State to this critical sector which is indispensable for food security and the national sovereignty.

The useful agricultural area in Algeria is about 8.4 million hectares (figure 1), i.e. 3.5% of the territory and 20% of the total agricultural area, divided as figure 2 shows:

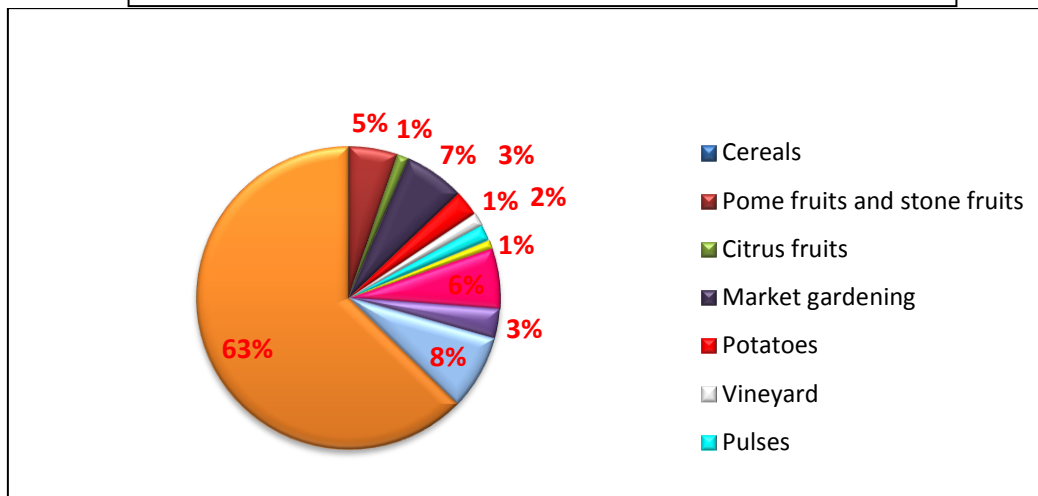
Figure 11: The total agricultural area



Source :Personal elaboration from <http://terangaweb.com/reformer-lagriculture-en-algerie/>, viewed 20/05/2017 at 15h15

Chapter III: Presentation of internal and external environment of LLC FAMAG

Figure 12: Distribution of the useful agricultural area



Source :Personal elaboration from <http://www.algeria.cropscience.bayer.com/Qui-Sommes-nous/L-agriculture-en-Algerie.aspx>, viewed at 21/05/2017, 12h17

Despite this the country still suffers from:

- Dependence on imported food products,
- Poor management and dilapidation of irrigation systems,
- Degradation of infrastructure,
- The shortage of large-scale consumption,
- The distress of agriculture due to inadequate management of public policies,
- Under-utilization of resources.

In addition to food self-sufficiency, prices of fresh agricultural products are one of the main sources of the inflation that reduces the purchasing power, which influences directly the economy of the country.

The economic and financial crisis of 2007 alarmed the Algerian authorities about the risks involved in the adopted importing logic (EUR 5 billion in 2008) making, thus, the development and modernization of the agricultural sector a priority.

Indeed, since the launch of The National Agricultural and Rural Development Program (NARDP) , Agricultural production is constantly increasing, requiring better management

Chapter III: Presentation of internal and external environment of LLC FAMAG

through the improvement of the following factors:

- Irrigation
- Mechanization
- The use of controlled seed, plant protection products of fertilizers.
- Better harvesting and storage conditions.

1.1.2 Agricultural machinery:

Importation and production of agricultural machinery is essential for an effective boost of the agricultural sector, it requires particular efforts. At present, 95% of the agricultural machinery needs come from imports, which pushes the government to find particular solutions, since it intends to reduce its import bill, In light of the decline in oil prices, the major source of the country's incomes.

1.1.2.1 Different types of agricultural equipment¹:

- Tractors :

Tractors are used for towing, drawing and pulling heavy objects and other pieces of farm machinery, such as tillers. There are many different types of tractors, as specific tractors were designed for specific jobs. The compact utility tractor is used for land management and landscaping. The backhoe loader has many uses, though it has a loader assembly on the front and a backhoe on the back. This tractor can be used for loading trucks, construction, digging and tasks that require very precise control. Garden tractors are small types of agricultural tractors that are used to cut grass or for tilling, fertilizing and other tasks.

One of the major markets in Algeria today is tractors. The fleet, estimated at 150,000 tractors in 2014 of which 50% must be renewed. Made of small and medium power tractors (25-75 HP).

In the coming years, the demand for renewal of small and medium-sized tractors will increase and demand for higher power tractors will increase as farm size increases.

¹Link : http://www.agroligne.com/IMG/pdf/Agroligne_No82_taille_reduite.pdf viewed 03/05/2017 at 13h44

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- Combine harvester :

It is a versatile machine designed to efficiently harvest a variety of grain crops.

The Algerian stock of combine harvesters will have to be largely renewed. Given the low local production capacity, some of the existing machinery will have to be modernized. This demand has to be covered by local production since the company EPE-CMA -Sidibelabbés in joint venture with SAMPO, produces 1000 combines per year.

- The ancillary equipments:

Demand for ancillary equipment (such as trailers) will also increase. Standard equipment will be produced in Algeria. The more special models will be imported. With potato production increasing steadily (Algeria targets 4 million tonnes in the medium term), farmers are demanding small machines for planting and harvesting the potato.

- Breeding equipments :

In the livestock sector there is an increase in demand (in terms of quantity and quality), and hence the appropriate equipment is in great demand with a very wide variety: material for raising broilers and chickens Laying hens, material for the beef and dairy industry.

- Irrigation equipments :

There are several different machines that can be used for irrigation on the farm. Sprayers, pumps and tubing are used. Irrigation water will require pumps to transfer the water through the system to the desired field. There are several types of sprinkler systems to provide water for irrigation. These sprinklers can be fixed in place or portable, normally towers on wheels that carry the sprinkler system to different fields. Watering cans can even be used for smaller farm land where manual irrigation is used.

1.2. Market overview²:

This sector, in which operates the company where we have carried out our internship, suffers from the use of derisory means and a local production which does not subsist the needs of the country. However, with some good partnerships, notably with Turkey, Italy, Germany, France ..., Algeria has been able to take a step forward and export some products to North Africa as

²Link : <https://www.slideshare.net/princesssania7/agriculture-market-report-in-the-mena-region> viewed 05/04/2017 at 06h36

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well as a Part of black Africa trying to explore new markets deemed profitable.

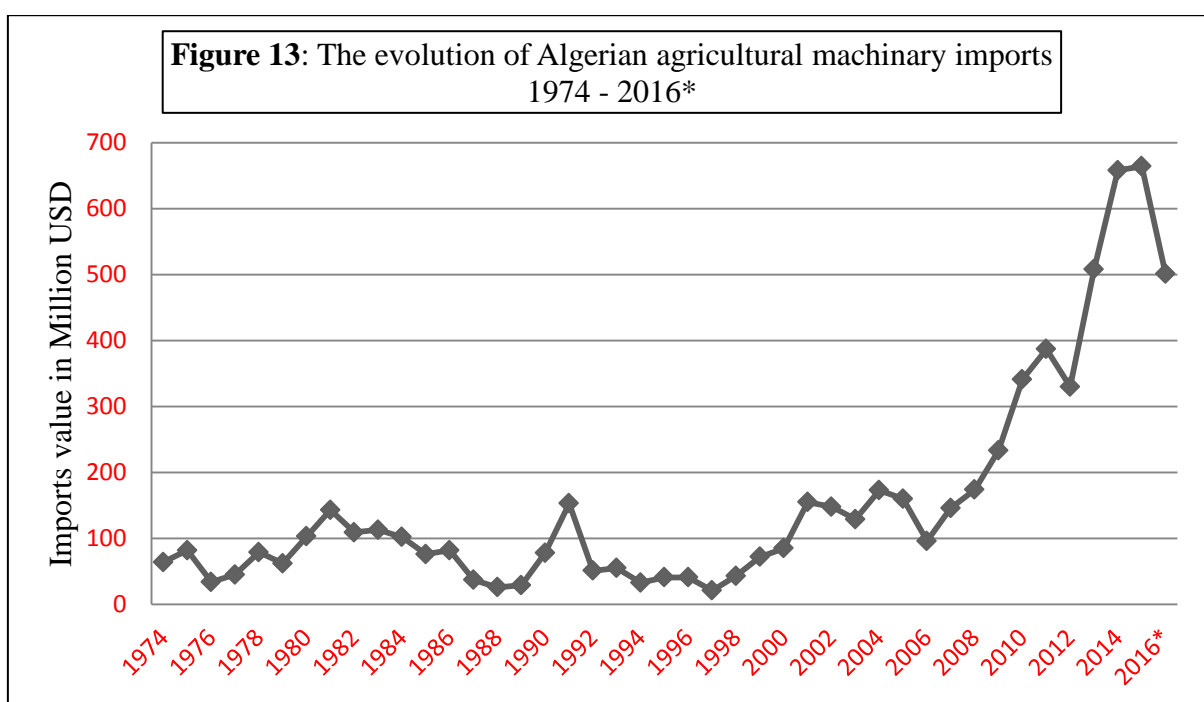
As needs in this sector are high and more diversified, it is obvious that demand grow.

Algerian farmers are attracted by the new models of machinery, fast, reliable, economical, comfortable and easy to handle. This demand for modern and efficient equipment, but more expensive, is partly explained by the payment facilities offered by the various support schemes for farmers. There is therefore a growing demand for imported equipment.

1.2.1. Evolution of imports:

The under-mechanization of the Algerian agricultural sector is largely due to the land reform of 1987-1988, which prevented the indebted farmers from investing.

However, the law of 19th August, 2010 introduced the system of mortgage and transferable concessions that allows farmers to borrow – i.e. investing - These investments firstly involved cereal and dairy production, thus stimulating the need for crop, harvest, Stocking, livestock and irrigation, and increasing demand in the agricultural machinery sector, which has led to the progressive development of mechanization as shown in the following graph:



*First six months

Source: www.douane.gov.dz, viewed 06/06/2017 at 16h00h

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Imports of agricultural machinery fluctuate between 1974 and 2006 where it reached its higher level in 1990 marked by the end of the Algerian government's monopoly on foreign trade that encouraged private importers.

There is a 13% increase in Algerian imports of agricultural machinery and equipment between 2005 and 2010. Where Finland took the first place traditionally occupied by Italy, following the partnership between the Finnish SAMPO and the Algerian EQUIPAG, which enabled Finland to acquire a market share of 21% and 30% of European exports to Algeria, thereby increasing the market share of the European Union in the field of agricultural machinery from 50% to 70% in 2007.

Since 2007, the value of agricultural machinery imports kept raising because of the increasing need in the sector

Two thirds of Algerian imports in the machinery and equipment sector are mainly in the form of combine harvesters (imported 87% from Finland in 2010), tractors (imported from India, China and Belarus) and machinery and equipment for Agriculture, horticulture and forestry (mainly imported from Italy, France and Spain).

2-Evolution of local production

Algeria, which seeks to improve its domestic production to create locally employment, wealth and reduce imports, has been trying since independence to start a few industries in different fields as well as in the sector of agricultural machinery. Important partnerships have been established in this domain:

With the Finnish SAMPO in 2010 aiming to produce 1,000 combine harvesters in order to renew the park which has 8,500 combines, whose age exceeds 20 years, thus to reduce the losses of grain during the harvest-threshing campaigns valued at 25% on average per machine, i.e nearly 15 million tonnes per campaign.

As well as with the American AGCO / Ferguson whose mission is the manufacture, the after-sale service, the maintenance of the equipment and the spare part of the agricultural tractors. And the Portuguese Galucho, which will manufacture, at the industrial site of the EPR CMA of Sidi Bel Abbes, a complete range of agricultural tillage and agrarian transport equipment (plow plows, disc plows, tooth plows, trailers Agrarian transport, etc)

All these partnerships are carried out within the framework of the further development and modernization of the agricultural machinery industry, with the aim of boosting local production, which is still behind expectations and aspirations.

As a result, the sector currently has public companies:

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- CMT Constantine in joint venture with Massey Ferguson (AGCO), produce 5000 Tractors per year. Today, they assemble 250 tractors a month.
- EPE-CMA -Sidi Bel Abbes in joint venture with SAMPO, produce 1000 Combine harvesters per year. Now they produce 500 units per year.
- UMA in Algiers, UMD in Sidibel abbes and HBH AinTemouchent, small units to produce agricultural tools.

And private companies:

- FAMAG in Sidi Bel Abbes, produces trailers, tank trucks and agricultural tools.
- MAG in Blida, produces only agricultural tools.

1.3.Tractors industry in Algeria :

We will see in this part statistics concerning the agricultural tractor in Algeria, which represents the main activity of the company FAMAG

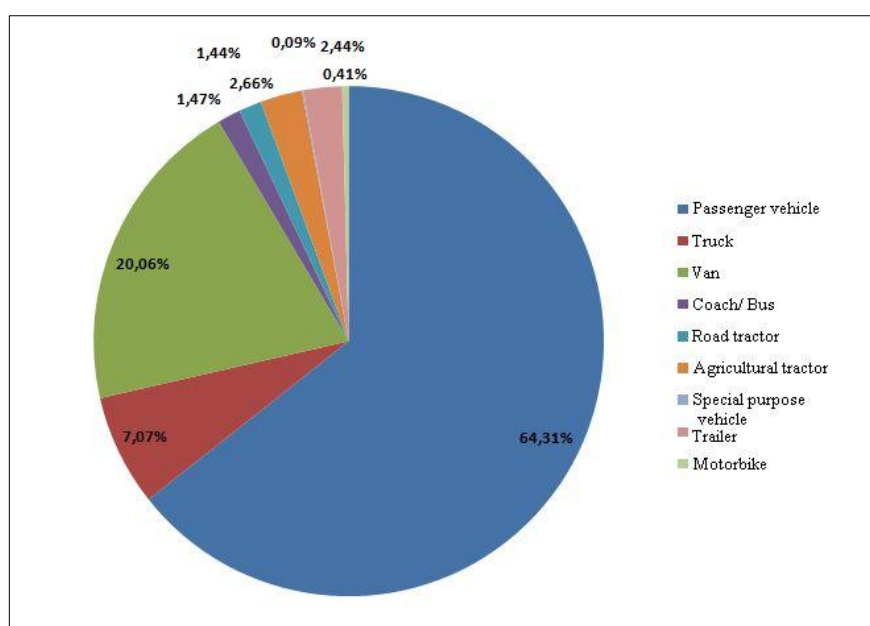
1.3.1.The Algerian fleet of agricultural tractor:

Table III-3: The share of agricultural tractors in the car fleet

Total fleet car	5683156	100%
The share of agricultural tractors	151538	2,66 %

Source : ONS 31/12/2015

Figure 14: Distribution of the national automobile fleet by type in the first semester of 2015

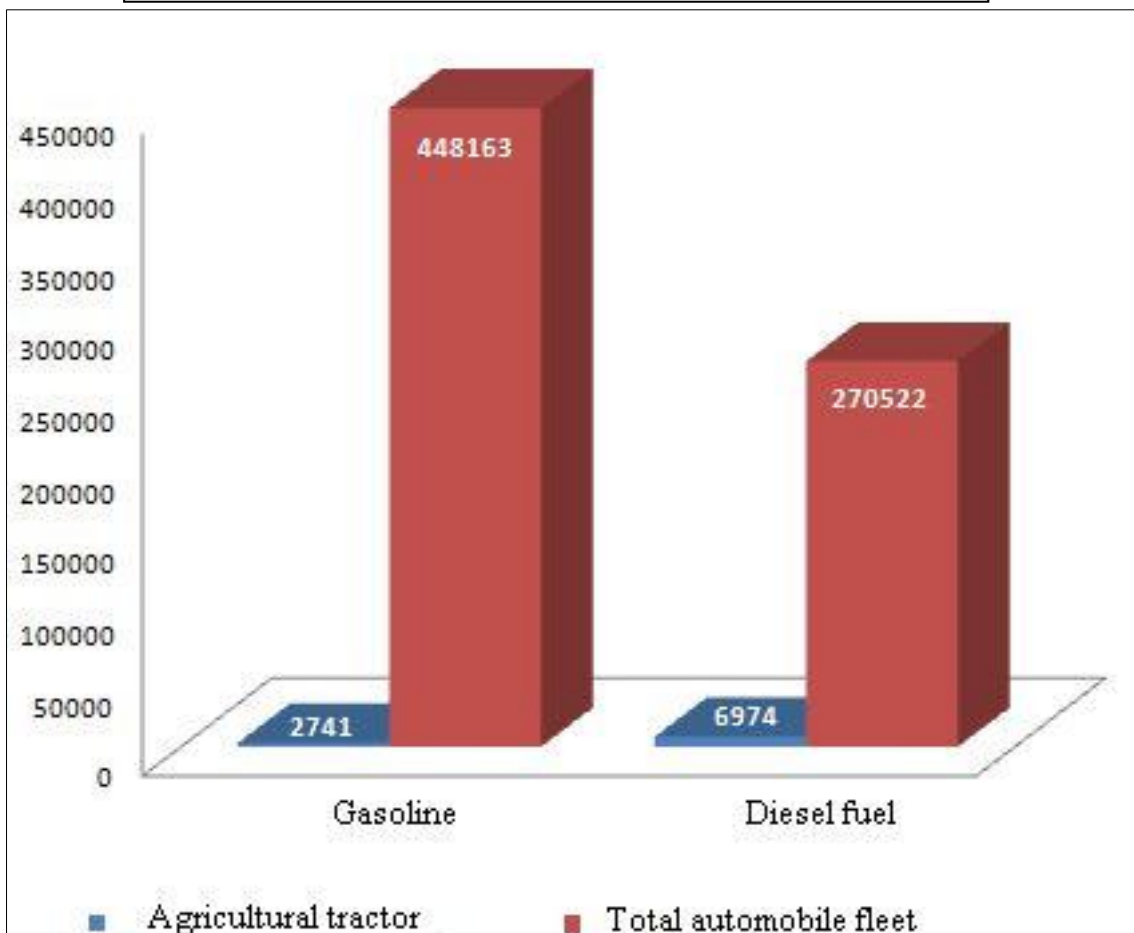


Source: Personal development based on statistics published by the Office for National Statistics (Distribution of the national automobile fleet by type in the first semester of 2015)

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There is 151538 tractor in Algeria, it represent 2.66% of the fleet, these statistics allow the actors in this sector to estimate the importance of this product regarding the Algerian car fleet.

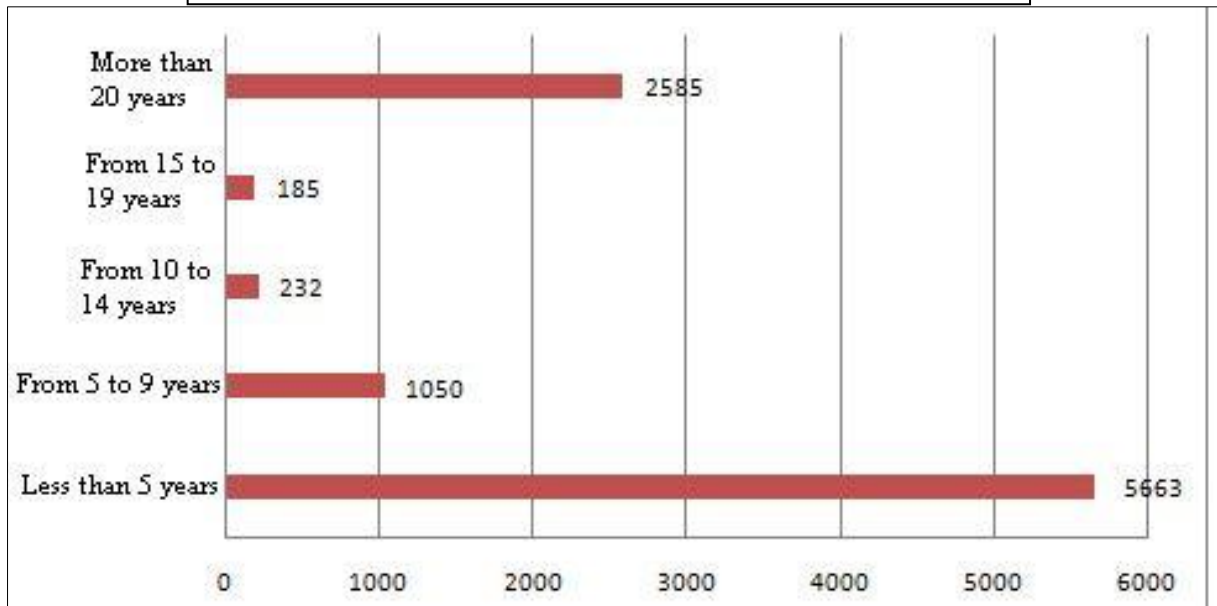
Figure15: Agricultural tractor energy source regarding the car fleet for the first semester of 2015



Source: Personal development based on statistics published by the Office for National Statistics (Agricultural tractor energy source regarding the car fleet for the first semester of 2015)

It is noted that the energy source "Diesel fuel" is consumed by 97.55% of agricultural tractors.

Figure16: Distribution of the national agricultural tractor fleet by age groups in the first semester of 2015

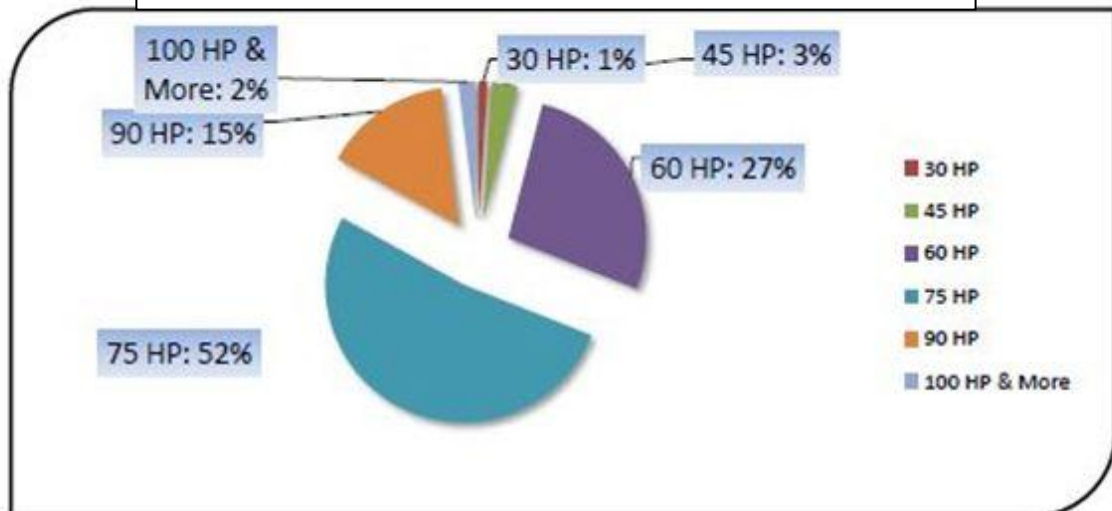


Source: Personal development based on statistics published by the Office for National Statistics (Distribution of the national agricultural tractor fleet according to age groups in the first semester of 2015)

It is noteworthy that old tractors belonging to the age group of more than 20 years constitute an important part which requires a renewal; this represents an advantage for the Algerian producers to invest in this sector.

1.3.2 Sales of tractors according to power (HP) in Algeria:

Figure17: The distribution of the national fleet of agricultural tractor according to the power band



Source: Internal documents of the company, logistics department, 12-04-2017

The tractors used for agriculture in Algeria are mostly in the power range of 75 and 60 HP.

75 HP tractors account for 52% of tractor sales in Algeria.

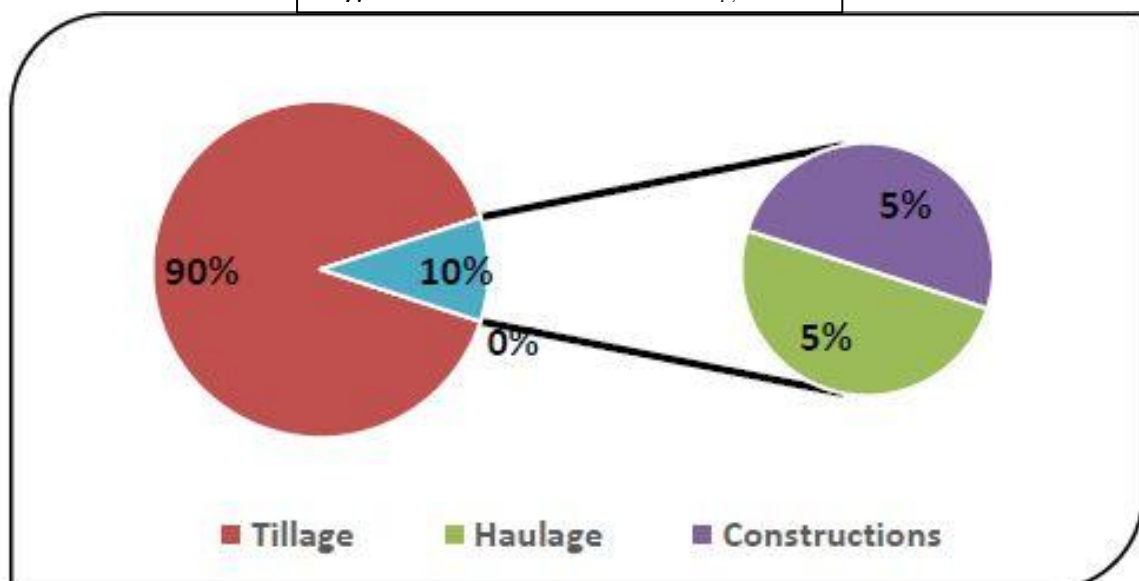
60 HP tractors account for 27% of total tractor sales in Algeria.

1.3.3. Use of tractors in Algeria:

Tractors are mainly used in Algeria for the following purposes in the indicated proportions:

- Tillage - 90%.
- Haulage - 5%.
- Constructions - 5%.

Figure18: Use of tractors in Algeria



Source: Internal documents of the company, logistics department, 12-04-2017

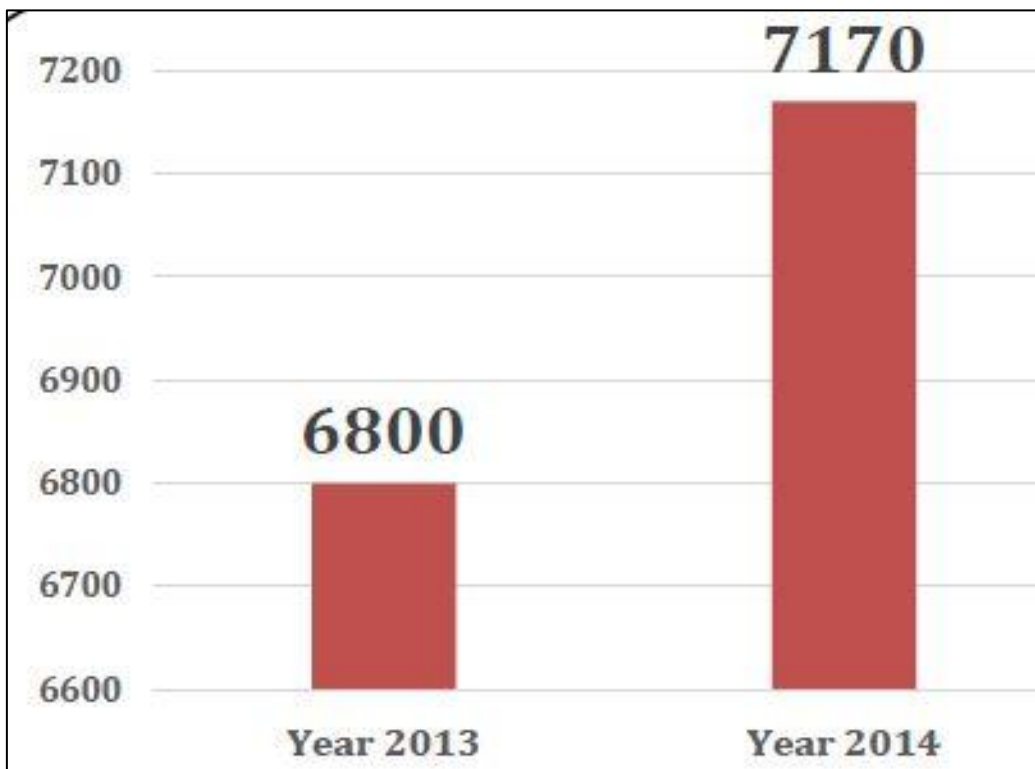
Chapter III: Presentation of internal and external environment of LLC FAMAG

Agricultural machinery represents all the doctrines not only industrial but also economic and political, whose development is paramount in order to increase productivity and revive the sector of activity.

The market of agricultural tractor, which captures the lion's share of the agricultural machinery industry in Algeria, has grown on average by 15% per year over the past five years according to Indian Customs; In this section, we are particularly interested in increasing trade in agricultural tractors between Algeria and India, which is a leader in this field at national and international level and the country of origin of the company ITL who is a major player in FAMAG's environment.

The diagram below shows the increase in trade between India and Algeria over the two years: 2013, 2014.

Figure19:Total Tractor Imported from India by Algeria



Source: Internal documents of the company, logistics department, 12-04-2017

In 2004, ITL and FAMAG decided to bring in the SONALIKA tractor in Algeria. FAMAG was the only private company at that time importing tractors.

Chapter III: Presentation of internal and external environment of LLC FAMAG

Currently, there are more than 20 competitors and the market has grown to over 7,500 imported units per year with 4611 SONALIKA tractors per year.

ITL and FAMAG had enough time to develop a good sales strategy based on:

- Many dealerships and more than 40 showrooms throughout Algeria.
- An excellent relation quality/price,
- The non-stop development of products,
- Good training for the managers of FAMAG, engineers, dealers and Mechanical.
- Make sure that at least one SONALIKA tractor exists in each village,
- Good stocks of spare parts

1.3.4. Algerian imports of tractors by brand:

More than ten brands of Indian tractors were imported into Algeria in 2014 with the following proportions:

Table III-4: Tractor industry (import from india) 2014

Year 2014 - Tractor Industry (Import from India)			
Brand	Country of origin	Total	% Share
Sonalika	India	5130	72%
Mahindra	India	1034	28%
Tafe	India	396	
Fram Trac - Escorts	India	258	
Powertrac - Escorts	India	12	
Indo Farm	India	46	
Preet	India	42	
Tiger - Deutz Fahr	India	132	
SAME - Agrolux	India	68	
New Holland	India	12	
John deere	India	40	
Total		7170	

Source: Internal documents of the company, logistics department, 12-04-2017

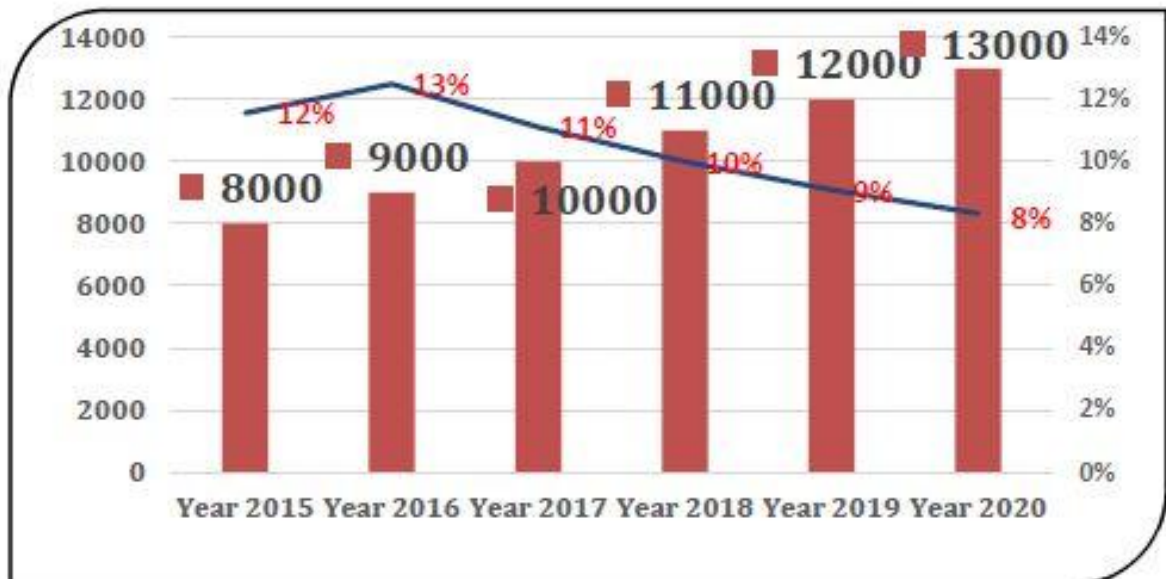
By marketing the Indian tractor, SONALIKA maintains its leading position and contributes with 72% of the total tractors imported from India.

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1.3.5. Projections of the Indian Tractor Industry in Algeria:

According to Algerian market studies, made in 2013 in India, and referring to the trend of the past 5 years, it is expected that the tractor industry grows on average from 8% to 10% annually in the coming years.

Figure 20: Projections of the tractor industry in Algeria



Source: Internal documents of the company, logistics department, 12-04-2017

It is expected that the tractor industry in Algeria will continue to grow on average by 8 to 10% per year to reach about 18,500 imported tractors in 2020.

Figure 21: Projections of tractor import in Algeria



Source: Internal documents of the company, logistics department, 12-04-2017

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The expected figure of 18500 tractors per year in 2020 is based on the following parameters:

- The need to achieve food self-sufficiency because Algeria continues to import a large quantity of its food needs each year mainly from cereals.
- The need to increase the yield per hectare, mechanization can help improve this yield.
- Government efforts are focused on supporting farmers through various credit schemes.
- The growing interest of youth in agriculture, many young people are encouraged to choose their career in agriculture.

Chapter III: Presentation of internal and external environment of LLC FAMAG

Section 02: Internal environment of FAMAG³ :

2.1.Presentation of the company:

FAMAG is a limited liability company specializing in the manufacture and assembly of agricultural equipment, with a registered capital of 1,500,000,000 DZD, its partners and its main managers are former managers of agricultural machinery.

Since 1996 FAMAG has evolved as a supplier of agricultural equipment; an Algerian production company that has maintained a leadership position for more than 5 years, its objective is to offer sustainable, economical and appropriate solutions in the framework of mechanization, in particular in order to increase productivity and help farmers find the means of increasing production and consequently improving the economy of the country.

2.1.2. Technical data sheet of the company

FAMAG: is a limited liability company (LLC)

Capital: 1 500 000 000 DZD.

Address:Head office and production unit, industrial zone of Sidi Bel Abbas.

Area: 40 000 m² of which 14 000 m² covered

Employees: 315 direct workers and 285 indirect employees at the 53 distributors' level. Constituting the commercial network of FAMAG.

The partners and principal managers of FAMAG:

- Mr. Omar Terrah – Mechanical Engineer / USA.
- Mr.MekhalefBenhafsaHabib –Business Law / France
- Mr.BenniniDjamal- Mechanical Engineer/ Germany
- Mr.OuramAbdelhafid – Mechanical Engineer / USA
- Mr.TeyarMohamad – Economist Finance / Algeria

³This section about the company presentation is mostly based on internal information (Standard company presentation document provided for interns.) provided by the company.

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2.1.3. The company's specialty:

FAMAG is specialized in the manufacture and assembly of agricultural equipment and intends to give this activity a Maghrebian influence.

Since its creation to date, FAMAG manufactures a wide range of tillage equipment (plows, cover crops, cultivators) as well as transport equipment (trailers, tanks) in its workshops.

In 2004 and in partnership with the Indian firm ITL SONALIKA, FAMAG started the SKD / CKD assembly of tractors of different powers (20, 30, 45, 60, 75 and 90 HP) in two and four wheels with the approval of the Ministry of Industry and the SMB. (See Annexe 02)

2.1.4. Presentation of the partner: International Tractors Limited (SONALIKA) – India:

International Tractors Limited manufactures and sells tractors under the SONALIKA & SOLIS brand, whose turnover amounts to approximately USD 1 billion.

The company has achieved an annual growth rate of 20% over the last five years and it is present in more than 72 countries.

It is ranked among the leading tractor manufacturers in India, with a production capacity of 150,000 tractors per year and is characterized by extensive expertise in the manufacture of tractors, agricultural machinery, engines, diesel generators, and utility vehicles Multi-purpose. SONALIKA was founded in 1969 in New Delhi; with one goal, is to understand the needs of the customer, it was a modest beginning by specializing in the manufacture of farm equipments.

It was only in 1997 that SONALIKA decided to diversify its products by switching to the manufacture of tractors and then the company entered into joint venture agreements with RENAULT AGRICULTURE (France) and CLASS (Germany) in 2000.

In 2001, SONALIKA switched to the manufacture of tractor engines, while in 2004 the company started to build international cars and limited engines.

In 2005 SONALIKA became the 4th largest tractor producer just after YANMAR Japan. From 2008 to 2011, the company diversified its products by increasing the power of the engine and also settling in the north of the country to manufacture the supplements accompanying the tractors.

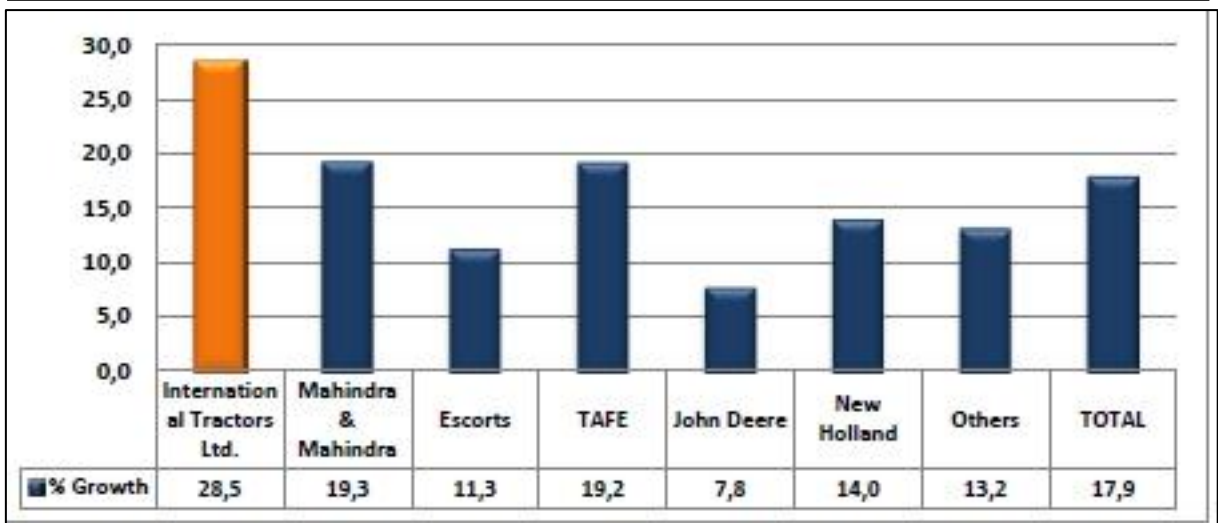
In 2012, ITL SONALIKA has established itself in 60 countries around the world and in 2013, the company invested in the modernization and expansion of tractor manufacturing sites.

Chapter III: Presentation of internal and external environment of LLC FAMAG

In 2014, the company reached the third place in the tractor industry, it also signed a financial agreement with L & T and PNB for a loan to launch a new range of tractors even more powerful and adapted to the different requirements of farmers. Finally ITL SONALIKA has expanded to 75 countries (Annex 03).

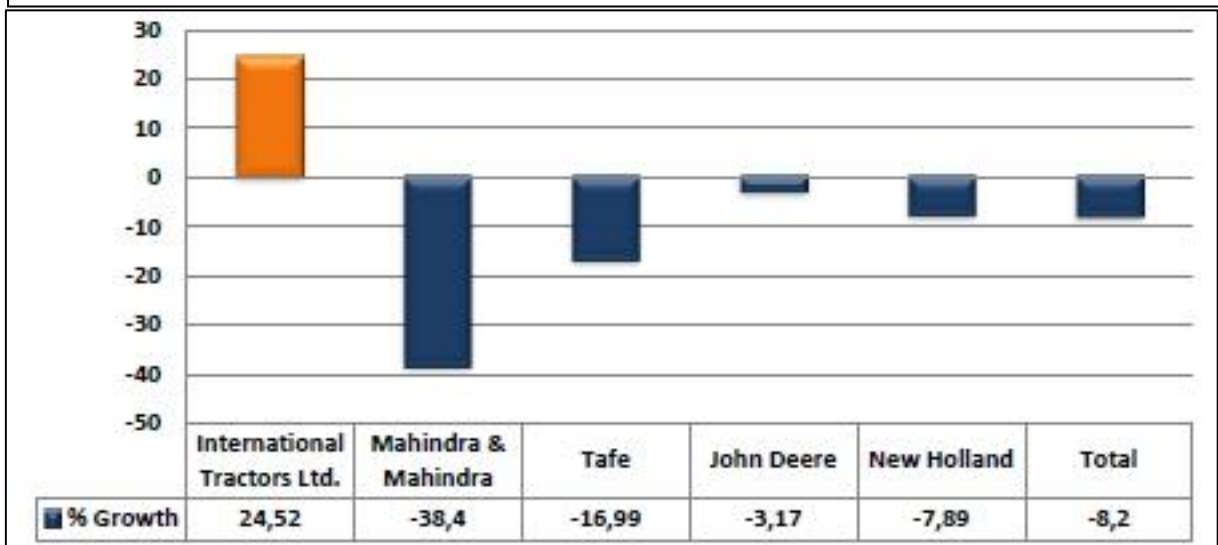
ITL has experienced remarkable growth in the Indian and global market, especially between 2013 and 2014 as show the following figures:

Figure22: The growth of ITL in the Indian market April 2013 –March 2014



Source: internal document of the company – Imports department – 04/05/2017

Figure 23:The growth of ITL in the global market April 2013 –March 2014



Source: internal document of the company – Imports department – 04/05/2017

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The main aims of the company are to become the leader in the production of tractors, its components and the services offered, and the creation of yield with the creation of innovative products, of high quality and with a competitive price. The only mission is to translate the aims into a concrete reality.

The elements that serve as the company's main slogans representing the company's roadmap are:

- To serve the customer with passion
- To establish trust
- Promote teamwork
- And to provide quality.

ITL manufactures various SONALIKA brand tractors between 30 hp at 90 hp and CLASS between 70 hp at 90hp. Their traction power is maximum and their fuel consumption is minimal and low emission.

ITL employs about 3,500 employees, forming a well-structured and multi-departmental company, and each department of divisions has a certain organization in a well structured hierarchy as shown in appendix 04; each employee of each structure has a specific task that he passes to the following to ensure the continuity of the work and above all to optimize the time given the increasing production is increased of 700 tractors / day.

2.1.5. Partnership between FAMAG and ITL SONALIKA:

FAMAG and SONALIKA maintain a long-term fruitful association since 12 years.

SONALIKA provides a wide range of powerful, easy-to-use tractors with low maintenance costs and the best price / quality ratio in power categories from 20 hp to 90 hp. FAMAG assembles tractors and markets them to Algerian farmers through its 53 points of sale in Algeria.

FAMAG and SONALIKA are committed to developing and supplying tractors and other agricultural equipment that meet the requirements of Algerian farmers by providing them with better mechanization and greater productivity that will increase the value added and development of the agricultural sector.

In line with the requirements of Algerian farmers, SONALIKA and FAMAG are working on the development of new tractors in the 110 to 140 hp power classes and a new series of narrow tractors in the 75 and 90 hp categories.

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FAMAG and SONALIKA have already set several important milestones during their first decade of association and contributed to the improvement of the farmers living conditions and to the development of the Algerian agricultural industry.

The main goals of this partnership are:

- Making a local tractor :

FAMAG has reached the leading position in the sales of agricultural machinery in Algeria in 2011 with the highest number of tractors sold under the SONALIKA brand.

FAMAG and its main partner SONALIKA have signed an agreement for assembly of CKD units in Algeria and plan to achieve a 30% integration in manufacturing tractors in Algeria .FAMAG and ITL are committed to manufacture locally the tractors SONALIKA in Algeria.

- Export of tractors by Algeria

FAMAG and ITL plan to create a regional production center in Algeria, to meet the local demand of Algerian farmers and to export the surplus to neighboring countries.

Regional free trade agreements will allow for the export of tractors without customs duties. These exports will also contribute to the improvement of trade balance of Algeria with substantial foreign currency because FAMAG aims to develop the manufacturing capacities of 10,000 tractors of which about 50% will be reserved for export.

2.1.6. Other Partners:

The following table resumes the main partners and activities of FAMAG

Table III- 5: The main partners of FAMAG									
Equipments	Partners		Industrial integration rate				1st year of production	Sales	
	Company	Country	2013	2014	2015	2016		2012	2013
Tractors	SONALIKA	India	14,01%	18,49%	36,16%	-	2004	3297	5000
Combine harvester	SONALIKA	India	14,40%	20,60%	33,60%	-	2013		50
Press collector	ERKAYA	Turkey	22%	35%	47%	60%	2013		100
Haulage	SONAMIA	France	Local manufacturing				1997	1674	3270
Plowing	SONALIKA BELLOTA	India Spain	Local manufacturing				1997	1193	2400
Giro mower and rakes	FPM	Serbia	Assembly				2011	403	550
Sprayers	HMS BADILLI	Turkey	Assembly				2012	51	460

Source: Internal documents of the company, logistics department, 12-04-2017

Chapter III: Presentation of internal and external environment of LLC FAMAG

2.2. History & development of FAMAG:

2.2.1. The company's growth phases:

Stagnation phase 1997 – 2008:

The project started with the resale and manufacture of spare parts and the resale of CLAAS combine harvesters (high quality products and high prices for the Algerian market).

The turnover did not exceed 270 million dinars then.

- In 2005, product and partner change: From the combine harvester CLAAS / Germany to the tractor Sonalika / India
- In 2006/2007, launch of the production line for tank trailers and tillage equipment.
- In 2008, FAMAG weaves a distribution network and after-sales service.

Growth phase 2009 – 2013:

- Tractors: from less than 100 in 2008 to more than 4600 tractors sold in 2013 which is 65% of the national demand.
- Transport equipment: from less than 200 units in 2008 to more than 2,300 tanks and trailers in 2013 which is 30% of the national demand.
- Agricultural equipment: from less than 100 units in 2008 to more than 2,000 tools in 2013 which is 30% of the national demand.

Reinvestment part 2014 – 2018:

FAMAG launched its tractor assembly line and is investing in the manufacture of sheet metal parts, negotiating the integration of other parts and components with national subcontractors.

The goal is to achieve more than 40% Algerian integration.

FAMAG decides to build a new plant for the production of harvesting equipment, this factory will manufacture annually with a minimum 40% of integration rate:

- 500 combine harvesters.
- 500 Pick-up presses.
- 700 Mowers and 500 giroswaters.

This production will cover 50% of the national demand i.e. 20% of the Maghreb market.

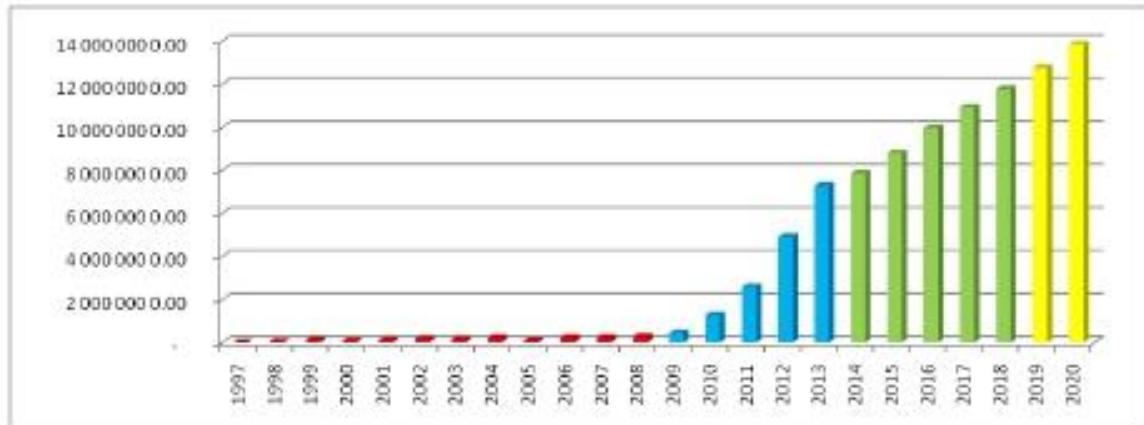
Post-2018 export phase:

FAMAG aims to leave the Algerian borders to acquire new markets in order to maintain annual growth of 6 to 8%.

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2.2.2. Growth in turnover:

Figure24:Growth in Famag’s turnover 1997-2020



Source:Internal documents of the company, HR department, 22-04-2017

FAMAG closed its first year of activity in 1997 with a total turnover of 200 million Dinars (2 million USD), it continues to multiply its turnover from year to year and in 2014 its turnover was 8.5 billion DA (85 million USD).

According to its business plan, FAMAG aims to achieve a global turnover of 20 billion DA (200 million USD) in 2020.

FAMAG has succeeded in multiplying growth since 2004 and achieved the highest growth rate of 208% in 2009 compared to 2008.

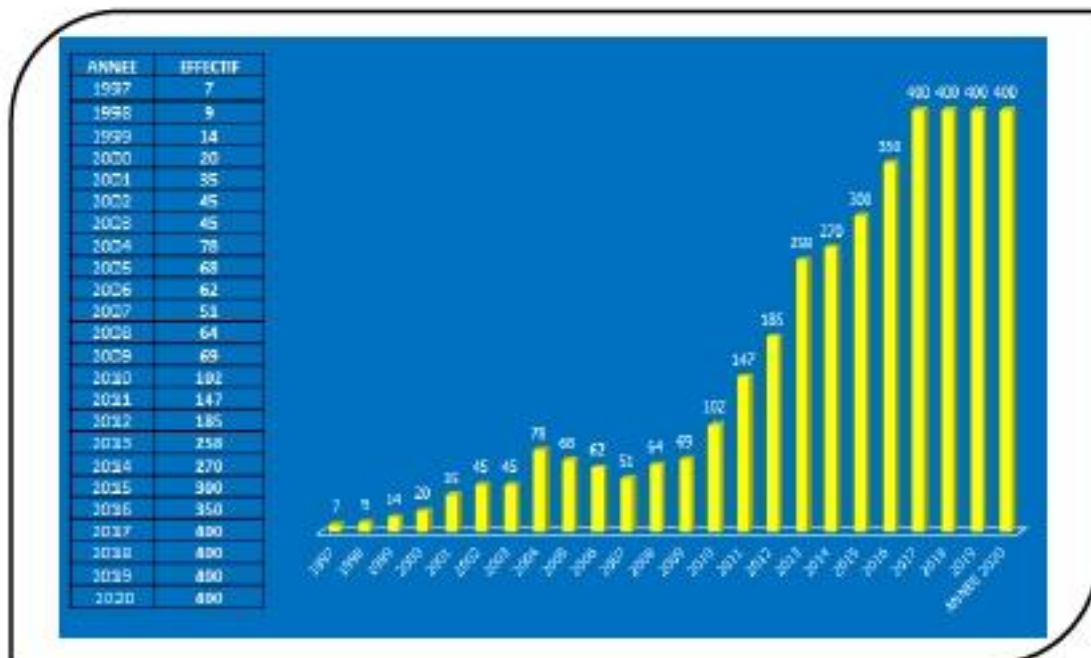
FAMAG successfully maintains an average growth rate of 85% over the last 5 years.

2.2.3. Workforce growth:

FAMAG has a recruitment strategy based on the employment of new graduates, which allows for new and innovative ideas; The company has faced a very significant change in the workforce and is still planning to expand it, especially that it considerate its evolution a main concern.

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Figure25: Workforce growth 1997-2020



Source: Internal documents of the company, HR department, 22-04-2017

FAMAG has created a considerable number of employment opportunities in Algeria during the last decade divided in a well-structured organization (See annex 03)

- Total direct employees:

- Research & Engineering: 18;
- Trade negotiation: 5;
- Sales: 14;
- Services: 15;
- Logistics: 4;
- Administration: 40;
- Finances: 8;
- Manufacturing: 219;

-Total indirect employees (the reseller network): 320.

2.3.Current capacity of FAMAG:

FAMAG has made substantial investments in its production chain since 1996 and installed the following main equipment:

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EQUIPMENT:

1. Laser cutting machines; CNC plasma cutting machines;
2. CNC lathes (numerically controlled);
3. Numerically controlled bending machines;
4. Cutting machines with suction table;
5. Paint booth;
6. Component washing machines;
7. Drills;
8. Portal cranes;
9. Roller test benches for tractors
10. Quality control station.

Manufacture of tractors:

FAMAG began the assembly in CKD of 02 important models of tractors in July
And today the models tractors are manufactured locally:

1. SONALIKA DI 60 RX 2WD;
2. SONALIKA DI 75 RX 2WD Turbocharger;
3. SONALIKA DI 75 RX 2WD without turbocharger.

The above models represent about 70% of FAMAG's sales; the company plans to include other models to be assembled locally in the near future.

Manufacturing of agricultural machines:

FAMAG is actively dedicated in the manufacture of the following machines and equipment:

1. Trailer (capacity 4 and 5 tons);
2. Tanks for water;
3. Disc plow;
4. Disc harrow;
5. Sprayers;
6. Moulboard plow;
7. Mowers.

FAMAG has an agricultural equipment production capacity of 18,000 units per year.

Manufacturing of tractor parts:

FAMAG has the internal capacities to manufacture all metal sheets and parts for tractors and agricultural machinery.

Chapter III: Presentation of internal and external environment of LLC FAMAG

Conclusion:

In conclusion, this chapter gives us a good identification of the agricultural mechanization sector, the environment in which FAMAG operates, as well as an internal identification of its organization.

FAMAG, which markets the Indian tractor SONALIKA and takes the lead in the Algerian market, is the best case to study the procurement function, given its significant trade in finished products or raw materials at local, national or international level.

Chapter IV:

Diagnosis of the procurement function within FAMAG

Chapter IV: Diagnosis of the procurement function within FAMAG

Introduction:

As part of our research, and in order to answer our problem, it is necessary to study a business case.

Our choice was made on the company FAMAG, through this study we will try to understand how the department of purchases is organized.

Before starting the analysis of the procurement process within FAMAG, we must present the department for the proper execution of this process,

Finally, to realize the main lines of this research, the second section will be devoted to the presentation and conception of the practical study, the analysis of its results with, at the end, recommendations and suggestions, within the framework of our topic, to help solving the dysfunctions that we have observed within the company.

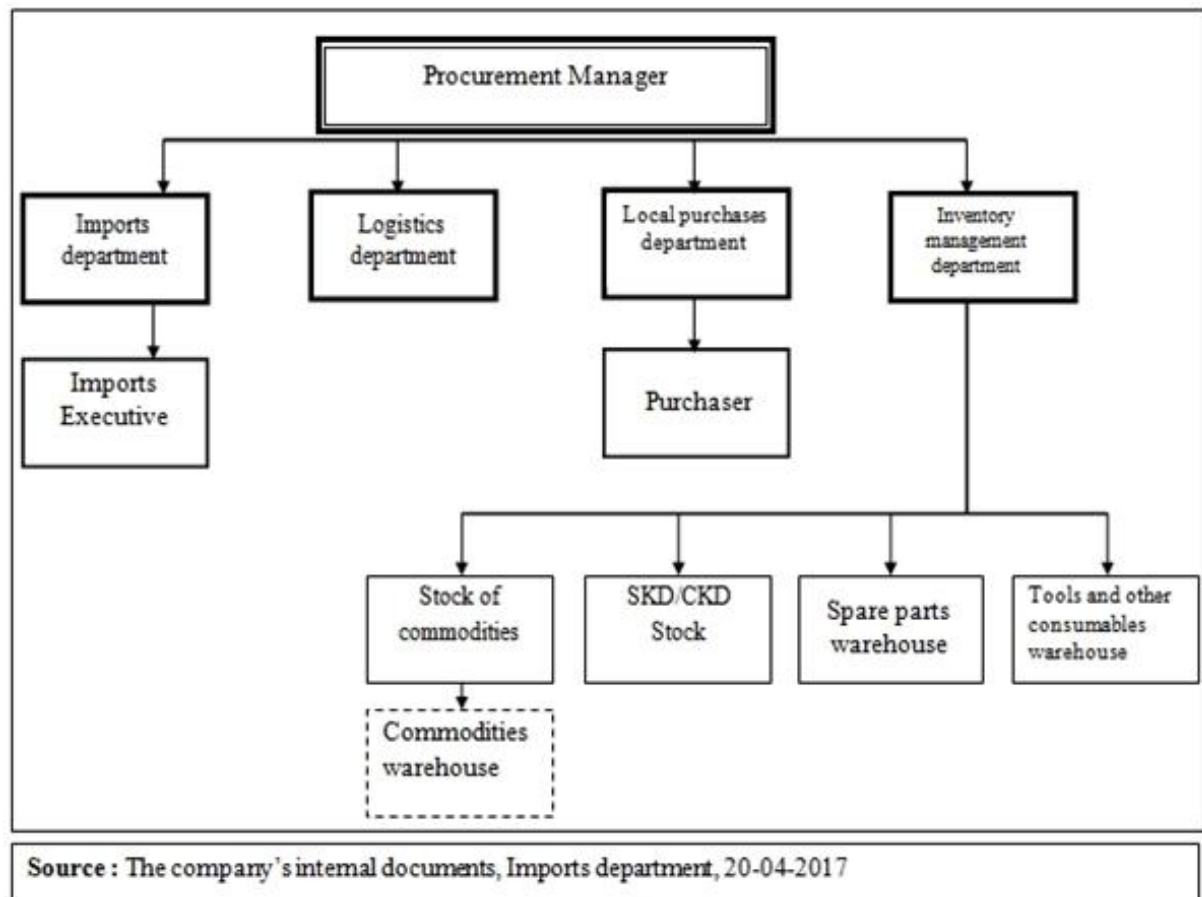
Section 01: Study and Description of FAMAG's procurement function:¹

1.1. Organization of the procurement function within FAMAG:

FAMAG is one of the companies that have understood the importance of the purchasing function and its cohesion with the objectives of the company, as well as its contribution to the continuous improvement of the entity's overall performance through the answers it brings on the relevance of the organization and its management. As a result, FAMAG dedicates a whole division to make sure the function is well executed.

The purchasing function within FAMAG is organized as follows:

Figure 26 : FAMAG's procurement function organization



¹This section about the procurement department presentation is mostly based on internal information (Standard company presentation document provided for interns.) provided by the company.

1.1.1 Procurement manager:

As all functions within FAMAG, the Procurement division has a clear procedure and responsibilities defined in job descriptions designed to implement correct methods and good purchasing, logistics and stocks management practices.

As the figure shows, the procurement manager is at the top of the division, her mission is to regularly monitor new products and suppliers, and set up key indicators and dashboards to assess the purchases performance.

The Procurement manager shall establish, in coordination with the stock management service, the quantitative requirements for raw materials, provisions and consumables. With the imports and local purchases departments, she establishes the specifications, prospects new markets, she establishes and analysis comparative tables of the tenders and analysis, negotiates prices, and time frames. She oversees also the establishment of contracts and / or purchase orders.

With the logistics department, the procurement manager organizes the shipment of products and controls the movement of goods according to the legal, contractual and fiscal rules of the transport, while supervising the costs of routing the goods.

1.1.2. Imports department:

The import service is responsible for the conditions and the process of purchasing and supplying imported goods and / or services, necessary for the production, processing, equipment maintenance or service, i.e. all the materials and supplies required for the production activity, the maintenance of equipment and the supply of after-sales service in spare-parts.

This includes:

- Raw materials

- Spare part for after-sales activity

- Spare parts and consumables required for operation and maintenance

The import executive receives the requirements for tractors and tillage equipment issued by the commercial department and the stock monitoring reports issued by the stock management

service. He then summarizes the quantitative requirements and concludes the orders to be launched.

After notification and agreement from the line manager, the import executive receives confirmation of orders from the manager and establishes the orders and / or the contract and then proceeds to consult the suppliers dealing with, two different cases can be faced:

- In case of approved suppliers:

The import executive requests pro-forma invoices which will be confirmed by the manager in case of agreement and then proceeds to verifications of prices, delivery times, and payment terms.

- In case of other suppliers:

The import executive receives a set of offers that meet the need after having launched a prospecting of suppliers of goods and / or services sought. It shall draw up the comparative table of tenders in order to select the best-selling supplier and subsequently negotiate the methods, time-limits for delivery and the terms of payment.

The import service forwards the confirmed orders to the finance department, which will start the procedures of payment by a letter of credit or documentary collections or cash-in-advance, depending on the chosen method of payment.

After completing a folder that contains the confirmed order and the documents relating to the selected payment methods (SWIFT of the letter of credit, documentary collections or free cash-in-advance), the imports service transmits it to the logistic department responsible for the follow-up of the shipment of the goods which will start as soon as the SWIFT is transmitted to the supplier.

In addition to what it precedes, the service is responsible for:

- The preparation of statements summary of letters of credit, documentary collections and cash-in-advance, and the statements of monitoring unit prices of the purchased tractors necessary for the internal follow-up.

- The preparation of contracts for the supply of goods and / or services to be transmitted to the logistics department, inventory management and production departments for monitoring and validation of receipts.

1.1.3. Logistics department:

The logistics department monitors the routing, transit and customs clearance of imported products, materials and supplies necessary for the production, maintenance of equipment or after-sales service of the company.

Chapter IV: Diagnosis of the procurement function within FAMAG

The purpose of the service is to organize the shipment of imported products together with the imports service and the receipt by e-mail of the scanned copies and by DHL the original documents relating to the shipment to start the verification and classification of files.

The folder relating to the shipment shall contain:

- Commercial invoice
- Packing list
- Bill of lading or LTA (Air Waybill)
- Certificate of conformity
- Certificate of origin from the Chamber of Commerce.

The service insures goods and remotely pilots its routing and coordinates with the freight forwarder for its receipt and to whom it sends the following original documents:

- Original bill of lading endorsed by the bank.
- Commercial invoice domiciled by the bank.
- Packing list.
- Certificate of conformity.
- Certificate of origin.
- Check in the name of the collector of customs for clearance upon receipt of the amount.

On the basis of the manual receipts on the SYLOB system, the logistics department controls the reception of goods together with the warehousemen.

One of the main missions of the department is to check the costs of routing imported products on the basis of the freight forwarder agent's invoice. And transfer it to the finance and accounting structure documents on the basis of an internal folder that contains:

- Freight forwarder agent invoice
- Requests for payment of customs duties and other costs of approach and transit accompanied by a copy of the commercial invoice and an e-mail mentioning the amount of customs clearance.
- Complete import folder contains:
 - D10 + release of customs duties.
 - Commercial invoice.
 - Freight forwarder invoices
 - Proof of approval fees
 - Receipts of imported products.

The logistics department receives from the area managers, the sales department, the production department, the assembly and PDI department:

Chapter IV: Diagnosis of the procurement function within FAMAG

- Inventory tracking reports of finished tractor
- Inventory tracking reports for CKD-SKD work in progress
- Statements of follow-up of dealers

And issued statements of stocks of tractors and pipeline to the manager and mentioned files to the finance and accounting department.

1.1.4. Local purchases department:

In the case of procurement of goods and services in a local market, the local purchasing department ensures that the process is properly carried out in order to provide the company with its needs in terms of:

- Materials and supplies necessary for the production, processing, maintenance of equipment or after-sales services of the company, according to the needs issued by the production and / or commercial departments, including:

- Rawmaterials (steels, sheets,).
- Consumable materials and tools (gas, paint, gas oil, consumable welding, clothing,)
- Purchase parts (screws, bolts, wheels, axle, rounded bottoms, lid, hooks,)
- Integrated plotter parts (counterweights, batteries, lubricating oils,)

- Materials and supplies of goods and services required for general support activities, as required by the administrative department:

- Hygiene and safety products.
- Office supplies.
- Consumables of computer hardware.
- Various studies and technical assistance.
- Acquisition of fixed assets (computer equipment, office furniture, security equipment, etc.)

The local purchases department receives from the inventory management service a quantitative statement report of the requirements for raw materials, supplies and consumables to be acquired in a local market, necessary for the production forecasts, and proceeds then to the consultation of suppliers by e- Mail and start comparing the bids that meets the company's needs.

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On the basis of three offers, the local purchases department establishes the comparative table of offers and analyzes the price, quality and delivery times of each of the tenders in order to choose the best one and start negotiations with accepted or approved supplier in respect of:

- Planned quantities and qualities of products.
- Prices and terms of payment.
- Delivery schedule.

The local purchases department establishes the order form or the contract and carries out the conformity check in terms of quantity and quality, by comparing what is received and what was ordered. He shall subsequently transmit the supplier's request for payment in two copies, of which:

- A copy is to be sent to the accounting department together with the commercial documents (original and 01 copy) composing the commercial package.
- A copy is classified in the department.

Finally, it transmits to the finance and accounting department the commercial package that contains the following original documents:

- The request for payment.
- The request for supply from the applicant department.
- Purchase order, endorsed by the supplier and possibly accompanied by a delivery note.
- The receipt of SYLOB system.

1.1.5. Inventory management department:

The main task of the inventory management department is to organize the movement of inventory assets, in particular:

- Inventory inputs managed at the purchasing department level:
 - Stocks of raw materials.
 - Inventories of purchasing parts.
 - Inventories of consumables and tools.
 - Inventories of accompanying equipment in SKD and / or CCKD (Mower, Giro, sprayers, balers,) (Inventories of implements).
- Internal movements of inflows and outflows (intra-company)
- Permanent Inventory

This involves monitoring inventories of materials and supplies related to the production and processing cycle, including:

- Raw materials (steels, sheets ...)

Chapter IV: Diagnosis of the procurement function within FAMAG

- Consumables and tools (gas, paint, gas oil, consumable welds, clothing,).
- Purchasing parts (bolts, bolts, wheels, axle, rounded bottom, lid, hooks,).
- Integrated plotter parts (counterweights, batteries, oils and lubricants,).

The role of the service can be divided into three main tasks:

❖ Reception management:

The department must manage the quantitative and qualitative receipt and establish a manual receipt form signed upon physical receipt of the goods. On the basis of this form a receipt will be drawn up, signed and subsequently transmitted to the purchasing department to constitute the package of commercial documents to be transmitted to the accounting department.

❖ Output management:

The requesting department of the production division presents itself to the store with a SYLOB production order in 2 copies which includes:

- The designation and codification produced.
- The expected quantity of finished products to be manufactured.
- The quantities of materials and supplies required by manufacturing order.
- Signature boxes of:
 - Requesting service.
 - Warehouse.
 - Inventory Manager

Where the storekeeper starts:

- Physical delivery of the requested products.
- Storage of the requested product on manual stock record;
- Returns a copy of the production order, signed by the applicant / production department, together with the products requested.
- Transmit all the documents to the inventory manager at the end of the day.

The inventory manager:

- Performs the validation on SYLOB of delivered products during the day (Clearance)
- Updates inventory movements valued on the BCSI program (Input and outputs with weighted average costs)
- Performs the daily / BCSI draw of the valued exit bills for each SYLOB production order.
- ❖ The management of internal stock transfer vouchers:

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Organizing the internal movements through the creation of purchase orders and SYLOB delivery vouchers, as well as the updating of the inventory file on BCSI (purchases and consumables management).

1.2. Study of FAMAG's procurement process :

After describing the organization of the procurement function, its actors, and the missions of each department, we can say that the procurement procedure is based on the following points:

- Extensive prospecting with suppliers.
- Request for samples.
- Request for offers of services.
- Negotiation of prices, quantities, deadlines.
- Establishment of comparative table of offers (CTO) and filtering of suppliers according to the quality of products and services rendered.
- Decision of the choice of the supplier.
- Confirmation of the pro-forma invoice or a purchase order.

This procedure is applied both to local purchases and foreign purchases.

1.2.1. In case of imported purchases:

Foreign purchases represent 75% of total purchases of FAMAG. Procurement from a foreign country is more complex than the local, that's why FAMAG follow the next process in order to streamline its purchases:

1.2.1.1. Preparation of a provisional schedule:

The procurement process in the company begins with the expression of the need arising from one of the company's departments (sales and production departments most of time), compared to the sales and production objectives that are established.

A preliminary planning is therefore drawn up based on:

- The need expressed:

The need expressed here represents the demand for purchases from one of the company's cells, which must be satisfied by the acquisition of the product or service on the market.

- The sales plan:

This program is based on previous year's sales taking into consideration market demand and competition. The Determination of the forecast sales program is also based on an in-depth survey of all the national territory carried out by the area managers, giving an accurate idea on how the SONALIKA tractor performs, and also the company's other products. Every month.

- The production plan:

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Once the plan or sales program has been established, and once the stocks of finished products have been analyzed, a monthly program of production is traced to meet the demand. It shall be drawn up jointly with the production responsible. This production program remains flexible according to demand. It should be underlined that the market for agricultural products in Algeria is unstable due to the current economic situation as well as the high risk of regulation.

1.2.1.2. Launching a purchase tender:

The purchase tender also known as call for bids is used to drive competition between several suppliers in order to get the best offer for a list of needed products that meets the terms of the specifications previously established by the company. Purchase tender is made up of:

- A specification of general clauses: all the clauses binding the buyer and the seller (legal and regulatory clauses).
- A specification of raw materials and packaging materials.
- An official request: it is an official correspondence established by the general manager of the company.

1.2.1.3. Analysis of technical and commercial offers:

After receipt of different offers the import service analyzes the technical and commercial offers, and in some cases the samples and the technical files, according to the request.

The import service check the conformity of the offers and prepares the comparative tables of the offers that it will send to the procurement manager in order to select the best offer.

1.2.1.4. Placement of purchase order:

The import service sends a purchase request to the supplier, and the supplier sends it back a pro-forma invoice in order to receive an order confirmation. The pro-forma invoice contains:

- A number and a date.
- Details of the supplier (company name, address).
- Contact details of the client "FAMAG" (company name, address and NIF).
- Description of the goods, quantity, unit price and total amount in foreign currency.
- Terms of payment.
- "INCOTERM" delivery mode: FCR, FOB...

After the supplier selection process and verification of the pro-forma, a letter of credit will be open with the company's bank by preparing the following documents:

- Request for the opening of letter of credit in 2 copies.
- Application for bank direct debit in 1 copy.
- Commitment (operation) or direct debit (resale).

- Pro-forma invoice

1.2.1.5. The payment:

The issuing bank delivers documents to the buyer that will make the payment.

As soon as it arrives to destination port – usually Oran’s port - , goods will be unloaded and handed over to the shipping company after having handed over the bill of lading and other documents received by "ship’s bag ".

1.2.1.6. Goods shipment:

As soon as the seller receives the settlement, he carries out the shipment of goods with ship’s bag which contains:

- The original bill of lading
- The original Commercial Invoice
- Certificate of origin
- TrafficCertificate
- The packinglist

The logistics department ensures the good shipment of goods and ensures the smooth progress of all the steps that follow.

1.2.1.7. Receipt of the goods:

At this moment the freight forwarder intervenes according to the ship’s bag, after that the shipping company provides the notice of arrival of his goods to the port. After receiving the notification of arrival of the merchandise of the shipping company, it is necessary to send the following file to the forwarder:

- Commercial invoice.
- BL.
- Packinglist.
- Certificate of origin.
- Certificate of conformity.
- EUR1 (if goods of EU origin).
- EXA (if goods of EU origin).
- 02 Legal copy of the RC.
- 02 Legalized copy of the NIF.
- Legal copy of the parent company financial statements (if resale).

1.2.1.8. Insurance of goods:

FAMAG deals with the Algerian Insurance Company (2A) in Oran to determine the insurance of its purchases; the cost of the insurance is borne by the transit logistics department, after receiving a copy of the BL and the commercial invoice, the department must:

- Fill out the Food Notification.
- Print it in 4 copies.
- Have it signed by the manager.
- Send it by fax with copy of the BL and the commercial invoice to the insurance company.

1.2.1.9. Establishing the order of transit and customs clearance of the goods:

Transit operations begin upon receipt of documents relating to the goods (BL endorsed, identity of the customer, bill of lading - purchase invoices - customs valuation certificate - insurance certificate ...) expressly followed by a transit order.

1.2.1.10 Quantitative and qualitative order receipt:

When the order arrives at the company's headquarters, the receptionist ensures that the goods received correspond to the delivery order and then checks the quantity and quality of the order received.

In this way, the process of acquiring goods from the foreigner ends, by notifying the requesting department of the arrival of his order and then proceeds to an internal transfer.

1.2.2 In case of local purchases:

Local purchases are purchases made with local suppliers. They represent 25% of total purchases of FAMAG and are simple in their execution, compared to foreign purchases.

According to the occurrence of purchases and what type of suppliers to purchase from, three types of purchases can be distinguished:

- Forecast purchases: purchases are established by tenders, where an evaluation and selection of one or more suppliers is carried out.
- Current purchases: are purchases that are repeated with the same suppliers,
- Occasional purchases: purchases of materials rarely used.

On another side if we classify purchases according to their nature, they can also be divided into three main parts:

- Raw material: sheets, round, tubes, profiles...
- Parts to buy: bearings, chains, belts...
- Various services: transport, repairs...

Chapter IV: Diagnosis of the procurement function within FAMAG

As in the case of imports, sales program - hence of production - is established and sent to the local purchases department which announces the order to an approved supplier or to other new suppliers depending on the nature of the purchases. Suppliers shall communicate offers from which one will be selected.

After placing the order, the supplier requires a VAT exemption certificate, the check, and the order form; other suppliers require only the purchase order to justify the customer's commitment, and then send the goods with the delivery note.

After receiving and verification of the goods, if it is in conformity, it will be transferred to the storage areas for consumption by the requesting service and, if not, it will be returned to the supplier pending the sending of other conforming goods.

This process ends with settlement of the supplier's request for payment.

Section 02: Methodology, process and results of the study:

2.1. Presentation and objective of the study:

In order to achieve our research goal and answer our central question: “How does an Algerian company organizes its procurement function?” We have extracted the needed information from the field of study and conducted some interviews with a methodological approach that we adapted to the nature of our research.

2.2. Tools of research:

2.2.1. Survey overview:

We chose to conduct a survey to uncover answers to our main question for two main reasons:

- To get a snapshot of the attitudes and behaviors (thoughts, opinions, and comments) related to our theme of research that represent a valuable feedback.
- To evoke discussions that allowed us eventually to dig deeper into our survey and collect the most accurate data.

The study depends on information extracted from the field survey, in addition to the participative observation during the six months period of internship in FAMAG, no documents were acquired in relation to the identity of suppliers or the amount of purchases which is due to the strict confidentiality policy followed by the company to protect its development plan. This however shows the strategic importance of the procurement function considered as a key asset by FAMAG and as a competitive edge that differentiates it from its competitors.

During the execution of the survey and the whole period of internship, we had a positive feedback from many executives and managers, and a willingness to help extracting different barriers and challenges that the function faces, and which prevents it from developing.

2.2.2. Qualitative studies: The interviews:

2.2.2.1. Purpose of the run interviews:

In-depth interviews can be defined as a qualitative research technique which involves “conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program or situation”².

It is “The verbal conversation between two people with the objective of collecting relevant information for the purpose”³

²Boyce, C & Neale, “*Conducting in-depth Interviews: A Guide for Designing and Conducting In-Depth Interviews*”, Pathfinder International Tool Series, 2006, P3.

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In our case we chose to conduct semi-structured interviews with different actors in the procurement division within the host company because it was considered the most appropriate tool to:

- Collect detailed information and answers to our research question,
- Control over the flow of primary data collection process,
- Clarify certain ambiguities and contradictions during the research process.

2.2.2.2. Drafting the interviews:

Our interview guides are structured as follows:

- A presentation of the purpose of the interview guide and our research project followed by a form of politeness, in which we ensure that all provided information are used only for scientific purposes,
- The body of the interview guides containing semi-directive questions aimed at a single objective.

2.2.2.3. Running the interviews⁴:

Our questions were addresses to the:

- Procurement manager
- Local purchases executive
- Imports executive
- Head of logistics department
- Head of inventory management department

The interview guides were conducted face-to-face through individual interviews. The first interview guide with the procurement manager on May 7th 2017, at 10h45 contains 20 questions structured in four axes: the importance of procurement function within the company; relationships with suppliers, the role of the function within the strategy of the company, the measurement of the function's performance.

³Link: <https://fr.slideshare.net/VinayKumar49/interview-method-in-research> viewed 01/09/2017 at 12h45

⁴The questions we have asked during the interviews were to clarify or confirm what we noticed on the ground, the course of the process or the organization of the function within the company have already been explained during the period of the internship, it is for this reason that we have considered it useless to ask questions about what has already been explained to us beforehand.

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The second interview was held the same day at 13h30 with local purchases and at 15h30 with imports executives. It contains 4 questions. The third interview with head of logistics department on May 8th 2017 at 11h00 and contains 5 questions. The fourth interview was held on May 9th 2017 at 9h00 with head of inventory management department and contains 9 questions. These interview guides aim to confirm and get deeper in explanations given by the procurement manager, the questions were previously sent by e-mail to the interviewees in order to enable them preparing the right amount of information, yet for reasons of a crowded schedule they only reviewed the guide moments before the meeting and still have given adequate information in relation to the research.

All the interviews were audio-recorded with the consent of the interviewees in order to permit later for content analysis.

2.2.2.4. Analyzing the interviews:

The recorded speech was transcribed word by word into a document, having the support gave the chance to do a more detailed keyword analysis, in addition to a word by word analysis, in order to check and confirm the obtained results.

2.2.3. Main results of the study:

2.2.3.1. Presentation and analyses of interview guides results:

- First interview guide: « with procurement manager »

Q01: We have seen during our internship that the procurement manager works in coordination with all departments attached to purchasing function, can you tell us about your main tasks with each one of them?

The answer of this question confirmed what was noticed during the period of internship, the procurement manager missions are to regularly monitor new products and suppliers, and set up key indicators and dashboards to assess the purchases performance with top management.

In coordination with the stock management service, she should establish the quantitative requirements for raw materials, provisions and consumables.

With the imports and local purchases departments, she establishes the specifications, prospects new markets, establishes and analysis comparative tables of the tenders and

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analysis, negotiates prices, and time frames. She also oversees the establishment of contracts and / or purchase orders.

And with the logistics department, the procurement manager organizes the shipment of products and controls the movement of goods according to the legal, contractual and fiscal rules of the transport, while supervising the costs of routing the goods.

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Q02: We also noticed the importance of the procurement function within the company, why do you think the function has such an importance?

The procurement manager explained that the role played by the procurement function made it a key asset on which the company relies on to differentiate itself from its competitors, she confirms that the opening up of the world on different market makes that the profit margin can be realized only on purchases, since sales prices are dictated by the law of the market and the raw materials are available for everyone.

Q03: And what about the structure and organization of your procurement division, does it evolve according to the objectives set by the company?

This question allowed us to realize the major importance of the function within the company even more, the managers of the department develop the procedures, the teams and the qualifications of its members –if needed- in function of the objectives that the company sets.

Q04: The decision-making core differs according to the type of purchases or other criteria?

We found out that the decision-making core is not the same for all types of purchases, and that it changes according to their contents, value and origin.

Q05: Who makes decision in each type of purchase?

In the case of raw materials and CKD/ SKD tractors, which are the most important part of the finished product, the process is often triggered by the procurement manager or the CEO. This is because it is made up of 75% of imports that come with large quantities to save costs and time.

On the other hand, the purchasing of spare parts is, in most cases, started by the technical function but always with the participation of the general management.

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With regard to purchases of tools and consumables the task is delegated to local purchases department in case it is provided from a local market, or to import executive if it is imported, it will only be controlled in case of necessity.

Q06: What are the office equipment that procurement function has and uses in prospecting different offers?

The procurement department has all the necessary office equipment for its good functioning, in particular:

- A dedicated telephone line and fax
- Photocopiers and printers
- Mobile phones for the whole team
- A laptop and an e-mail for each executive and head of service

The company therefore makes use of the IT, in order to ensure the smooth running of different operations.

In addition to office equipment, and to carry out its prospection, the procurement department uses websites, directories, and the database of its own.

Q07: And apart from these equipment, how do you stay informed of new developments that may be of interest to the company?

The company tries to follow all the news that can influence its activity from near or far through by using the equipment previously mentioned highlighting websites (ONS, CNIS ..), directories of companies, as well as national and international fairs in which she often participates, in particular: SIMA SIPSA, the national agricultural fair ... where the company has direct contact with all stakeholders related to it.

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Q08: And do you think this way you have sufficient knowledge of the main sources of supply?

The procurement manager admits that these means help to do a business intelligence but are certainly not enough to have complete and reliable information, especially when it comes to local markets, the information is very rare or does not exist. This has pushed the company several times to import products that may exist on the local

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market just because of the non-availability of information, unlike foreign products and suppliers that we found helpful details on the web databases, which saves a lot of time and money.

Q09: We noticed that you use the comparative table of tenders for the selection of the majority of your offers; can you tell us more about this tool?

The comparative table of offers facilitates the comparison between several offers that is often a difficult task, FAMAG's procurement team considers this tool as a masterpiece in the procurement process, it is a very flexible tool that is modeled and adapted according to the specificities of the company's purchases, and which is completed according to the different offers received as the process proceeds. This allows for weighted assessments. The result of this table is a ranking of suppliers, where those who have submitted the best offers are kept for the final stages of negotiation.

Q10: Speaking of suppliers, how do you judge your relationship with them?

The importance of the relationship with suppliers, according to FAMAG procurement department depends on the nature of purchases, the more important is the purchase, the closer was the relationship with the supplier.

For the main raw material which is the CKD / SKD tractors FAMAG considers its supplier ITL SONAIKA much more a partner than a supplier, this is due to agreements between the two companies to increase the integration rate to 47% by 2018.

For spare parts or tools and consumables supplies, this differs from one product to another; the procurement department chooses its suppliers according to the price/quality ratio, which guarantees to the company the best product with the least cost.

Q11: Do you establish a vendor file?

The procurement manager recognizes the crucial importance of suppliers' management and considers it as one of the company's major concerns. As a result, both of local purchases and imports departments establish the vendor file which allows them to properly manage their relationship with this important stakeholder. The file has been required on executives of procurement in order to master the suppliers contact details and specifications of their products, as well as their essential conditions for successful purchasing operations.

Q12: Is your procurement strategy part of the overall strategy of the company?

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According to the procurement manager, during the development of its strategy, the general management first reviews the strategy adopted by the purchasing department. She confirms this by saying "*For a company that is aware of the major impact of the procurement function on its performance, it is quite natural that its overall strategy takes into account the strategy adopted by the purchasing team*".

Q13: How do you integrate this strategy in the overall development plan of the company?

The responsible of procurement division underlined that the general policy of the company is in permanent iteration with the choice of the procurement policy; in fact it is the procurement function which helps and contributes to the development as well as the implementation of the corporate strategy. Once defined, it is integrated, for example: in budgeting, in the continuous research of innovation and improvement of current products, as it can set objectives which will subsequently be the overall objectives of the company.

Q14: And who are the procurement actors involved in implementing this strategy?

We asked this question in order to know the degree of involvement of the internal stakeholders in the procurement strategy, and as expected, according to the reply of the procurement manager, despite the dedication of the executives and the application of the procurement procedure, they remain mere executors of orders even if they help defining the department's policy, so we can say that the managers are always the most involved, namely the CEO and the procurement manager, and sometimes the heads of department of local purchases, logistics and imports.

Q15: Do you measure the performance of your procurement function?

The answer to this question allowed us to know that the function is continuously evaluated by the measurement of its performance.

Q16: And is this performance part of the company's strategic dashboard indicators?

The procurement manager invalidated the use of procurement performance measurement as an indicator in the company's strategic dashboard.

Q17: What types of procurement performance are measured and by whom?

Mostly, the performance of procurement function in FAMAG is measured by the department itself – the procurement manager most of the time – which evaluates what it seems related to the activity of the department and reflects:

- The costs that demonstrate the monetary value of the consumed resources
- The quantitative or qualitative assessment of the finalized objectives

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- The individual and collective yield of the members of the function

Q18: And after having measured it, how the results are concretely used and by whom?

Since performance is measured by procurement department, it is the same department that uses the results, or if requested, it reports them to the CEO.

These results are used in:

- The evaluation of the procurement team,
- Defining the department's ability to achieve the objectives set for it,
- The comparison of these achievements with the consumption of the resources allocated to it.

All this makes it possible to carry out corrective actions -if needed- "*to catch up before it is too late*" according to the procurement manager, as well as reward individual and collective performances.

Q19: Does this evaluation help you discovering the constraints that compel the smooth running of the procurement process?

"*Absolutely*" confirmed the procurement manager, that once the function evaluated through the measurement of its performance, every noticed dysfunction is taken into consideration and analyzed in order to know its origins and its impact on the progress of the purchasing process and on the company in general.

Q20: And what are the constraints you may have considered of a major impact on your business?

The constraints encountered are especially at local purchases and imports level. For local purchases, it is often the uncontrolled order processing time that is a problem, due to the lack and unavailability of information on the product sought at the national market.

In case of imports, the non-stability of the laws and regulations on imports damages the activity of the company. The vagueness and lack of concentration around the criteria governing the choice of products subject to import makes it difficult to make forecasts or to draw up sales and production plans, which can cripple the production of the company or put it in critical situations.

In addition to this, the disruptive administrative procedures cause the company to have a certain inability to manage upstream logistics delays and storage space, which in turn influences the delivery of orders, dealer satisfaction and thus the satisfaction of the farmers who are the company's final customers.

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Q21: Thank you very much Madam for your enriching answers, to conclude, according to you, what is the major strength and weakness of your procurement function?

The procurement manager considers his team and their skills as his major strength, and their inability to find the right local supplier at the right time the weakness that affects the department the most.

➤ Second interview guide: « with Imports and local purchases executives »

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Q01: Are the available resources sufficient to carry out your prospecting as well as the main tasks of the job?

The two procurement executives confirm that the function is equipped with the necessary equipment to ensure its good functioning.

Q02: What are the main constraints do you encounter during the procurement process?

For the local purchases department, the executive considers that the constraint which often represents an obstacle to its service is the short time required by the company to find a certain product with certain conditions, all in an environment where information is not easy to obtain, and sometimes delays due to non-compliance by some local suppliers, especially with which the company does not deal often.

Concerning the import service, which can represent a serious obstacle, is the binding regulation, more precisely the customs system, which causes often delays and surcharges on purchases, thus give an image of non-performance on the service.

Q03: Did you identify the source of each constraint and carry out actions against them?

According to the local purchases executive, the main problem that constrains its purchasing process is due to the poor communication between the top management and the local purchases executives, which causes the general director to impose delays inconsistent with the nature of the order.

For the imports executive, the non-stable regulatory environment is the source of obstacle that constrains the smooth running of the procurement process.

Q04: What are your main goals as a procurement executive?

According to the answers of both executive, we noticed that their main aim is to negotiate and conclude purchases of any product or service necessary for the production of the company and its proper functioning at the best quality, price and time. In order to contribute increasing profitability and efficiency of production department.

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➤ Third interview guide: « with head of logistics department »

Q01: Your task almost encompasses the biggest part of the procurement process, what phase do you think is the most critical throughout the logistics process?

For the procurement function within FAMAG it is the transport that requires big attention and special efforts to ensure it well.

Q02: Does the company have its own means of transport?

FAMAG does not have its own means of transport upstream contrary to the downstream level. It prefers to use the services of a logistics provider.

Q03: Does the function have plans to acquire these means in the future?

According to the actual situation, the company does not need to have its own means of transport because it will be just a source of overhead since it is another division to be managed with all its internal and external relations, time and quality of service, as well as difficult management of this equipment in terms of its maintenance and the responsibility of the drivers.

Q04: And when necessary, the company always calls out the same suppliers?

The company adopts the same behavior with carriers and suppliers of raw materials. For CKD / SKD tractors and spare parts purchased from abroad, the company only deals with one logistics provider. And for other purchases, it depends on the nature of the purchase and its occurrence. Sometimes a supplier, with which the company deals, provides the transport itself that is why the department aims to build strong relations with its carriers just as it does with suppliers.

Q05: Beside your missions, what are the objectives you are aiming to achieve?

According to the head of department, logistics service aims to:

- Optimize logistics and international transport costs
- Reduce the customs invoice
- Monitor global logistics practices and monitor changes in freight rates
- Avoid delays in delivery
- Integrate CSR criteria into the company's international purchasing practices and procedures.

➤ Fourth interview guide: « with inventory management head department »

Q01: How important is the store surface comparing to the company's?

The stock surface represents about 70% of the total area of the company.

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Q02: To store its purchases the company uses a store independent of that of the finished products?

In most cases, the company tries to separate its purchases from its finished products to ensure flexibility in the movement of physical flows within and outside the company, however in the case of CKD / SKD tractors it is difficult to keep the two stores separated because of inadequate control of received orders and deliveries to dealers.

Q03: What type of store is used?

The company uses two types of stores for CKD / SKD tractors and raw material: a naked hanger and uncovered space. And for spare parts, they are stored in a hangar with shelving.

Q04: Do you think the storage area is sufficient?

According to head of inventory management department, the store's surface is sufficient in some cases, but when the demand and the production is at its high level, the company starts to use any free space, which is why a project to acquire another storage space is in progress, to avoid this anarchy.

Q05: What storage means does the procurement function have?

The company has the necessary means for the smooth running of the storage and handling operations, namely: pallets, pallet trucks, forklift trucks and material handlers.

Q06: The Company has an ERP connected to all departments; do you think its use makes it easier for you to manage the store?

SYLOB, the ERP which the company uses to control its internal and external flows is "an indispensable tool" according to head of inventory management department. Through the linking of the company's different functions, it allows an important exchange and storage of information and therefore contributes immensely to the capacity of the function to optimize and automate the whole of its process as well as the procurement process, it also contributes in the fitting between the performance of the company and the adaptation to the needs of customers.

Q07: What are the constraints do you encounter often?

Like any other department, inventory management encounters problems while performing its missions, but the constraint that has a major and direct impact on the function, according to the head department, is the frequent technical modification of production that aims to increase the integration rate and develop the product, sometimes this modification is not communicated in a time which allows the

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department take precautions, which can subsequently lead to an anarchy of storage and sometimes even an unmanageable overload.

Q08: Have you discussed these problems with the concerned departments?

According to head of department, the encountered problems have always been communicated to the top management; however taking corrective actions against some of them may take some time.

Q09: What is the goal you want to achieve?

In addition to the accomplishment of its missions, the head of department aims with his team to always ensure a free storage space for delivered products, as well as availability of goods for all services at the time they are requested.

2.2.3.2. Conclusion of interview guides analysis:

Our interview with the procurement manager allowed us to enrich our description of the procurement function within FAMAG, as regards its administration, the means at its disposal as well as the degree of its independence and its contribution in the strategy of the company. The role of the procurement manager extends to touch the internal and external aspect of the function, in addition to ensuring the smooth running of the procurement process; it ensures the proper flow of information between the department and the other departments.

The company's awareness of the major role played by the procurement function in its development plan has made the top management ensure its independence concerning the used means, contradictorily the function does not have the same degree of independence and autonomy in its operation, this may be due in FAMAG's case to the fact that the function is directly attached to the general direction. This link made decision-making strongly centralized and the degree of delegation of power relatively weak.

The procurement decision before it is made, the decision-maker - according to the nature of the purchase – collect useful information in the comparison of offers that is often facilitated by the tenders' comparative table. However the lack of information at the appropriate time (which has been confirmed by local purchases and imports executives) pushes the procurement responsible to act as soon as he feels a minimum of satisfaction towards purchasing conditions.

Questions we asked about decision-making and their origins have led us to conclude that two criteria control the level of complexity of purchases:

- The content of the purchase: whether the purchase consists of raw materials, supplies or other.

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- The origin of the purchase: whether the purchase is provided from local, national or international market

The suppliers of a company are necessarily integrated into the strategic choices. Through our interviews we try to understand how FAMAG manages its relations with its suppliers which are far from being a passive element without influence on the behavior of the procurement function or that of the company.

The procurement team uses the vendor file to make its choices and complete its various purchasing operations successfully; it considers it an indispensable tool to manage its relationship with this important stakeholder. We also noticed a certain preference for the foreign supplier because of the availability of information that sometimes reduces supply costs and increases the productivity of the company. What reminds us what PERROTN said "foreign products can be technological innovators and pave the way for an internationalization of the client company", which is part of the main objective of the company, which is the export of its tractors to the African countries.

At the national and local level, the company prefers to work with the same suppliers in the case of repeated purchases in order to become a best client to some of them and acquire some advantages, price reduction, and negotiation power while trying to avoid dependence to suppliers that can affect negatively its activities.

Of the reactions of our interlocutor we concluded that the relation with the suppliers is considered as crucial and of great importance in FAMAG, and considers it not only as a part of the organization, but also a very important source of strategic information.

Another very crucial element in the procurement process that was evoked by head of logistics department is the transport, contrary to our expectations; the company despite its important physical flow has no means of transport proper to it. Unaware that the fact that a few suppliers ensure transportation of their goods does not negate the fact that the company is often obliged to call out another service provider. In spite of this, the company does not at all consider the idea of integrating this function and intends to maintain its outsourcing, which confirms what Rouvier said 1996 "the functions strongly and formerly outsourced are the different forms of transport ". This, according to us, is due to our lack of competence and executives capable of managing this function on the labor market, and the inability of the company to ensure material or human resources in order to integrate it.

Our analysis of procurement function could not be done without going through the organization of its store, knowing that its weight can weaken the financial situation of the

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company; managers must give it special attention. After the presentation of the results of the interview with head of inventory management we noticed that there is not a clear classification of the types of stores used and certain anarchy in their organization. However, the use of an ERP (SYLOB) by the company for the management of its flows is an advantage for the department by enabling it to ensure traceability of stock movements.

In addition to the process of the procurement function our interviews comprise questions to know the different constraints that the actors of the function meet. These constraints come from the internal environment (the department of stock management suffers from the limited timeframe that the top management imposes) as may come from the external environment (logistics and imports departments suffer from heavy administrative procedures and volatility of laws and regulations organizing foreign trade). However, the common problem between the two components and the reason why these contracts represent serious problem is the passivity of the top management and its slowness in searching for solutions to its obstacles which can impact the activity of the company and the performance of the procurement function.

In order to know if the latter represents a concern of the managers, we included questions in our interviews, whose analysis did not only allowed to know whether the performance of the function is measured or not, but also to initiate another aspect, which is the degree of integration of the procurement strategy into the overall strategy of the company.

What has been noticed is that measuring the performance of this function, within LLC FAMAG, focused only on cost and financial returns. So the purpose was to evaluate only the financial performance. However, "the performance defined in financial terms is no longer sufficient" (KAPLAN and NORION, 1996) in an era where competition is exerted on several other factors, and the types of risks affect the activity of the company are also numerous, the proper functioning or not of the procurement process, must also be concluded from a study and a measure based on several criteria.

In addition to pure focusing on the financial aspect, the answers of the procurement manager on the use of the results of measurements show that in some cases it is used to implement remedial actions but which still operational actions related to operational management. The same results show a complete and unfounded integration of the procurement strategy into the overall strategy of the company. Even if it is taken into consideration in the entire decision-making or development plans, the fact that its results are used only to evaluate the performance of the function in general or that of its actors confirms that no action is oriented through objectives that are consistent with the company's strategy in a logic of continuous

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improvement, and the impact of purchases on the overall performance of the company is not highlighted in the reasons that drive the company to ensure or measure the performance of its procurement. Thus this strategic tool not used as an internal or external means of communication as it should be.

2.2.4. Synthesis and recommendations:

2.2.4.1. Synthesis:

Through the obtained results, we were able to conclude the set of strengths and weaknesses of the procurement function within FAMAG, which can be summarized in the following table:

Strengths of procurement function	Weaknesses of Procurement function
<ul style="list-style-type: none"> - The negotiation power with suppliers - Ability to control the budget allocated to the department - The satisfaction of all departments regarding to the quality of orders. - A relatively large supplier portfolio - The perfect coordination between the various departments within the procurement deviation. - The perfect coordination and communication between the procurement department and the other departments - The existence of an important network (servers, laptops, software ...) which allows a continuous exchange of information. - Building up a competent procurement team by recruiting executives graduated from best business schools and who have a rich academic background. - Independence toward local and foreign suppliers. - The sophisticated material means 	<ul style="list-style-type: none"> - Difficulty finding the right suppliers and products at the right time for local purchases. - Difficulty in managing transport delays and handling foreign purchases. - The complexity of the procurement process of some products, such as chemical products and tractors engines. - Lack of information when it is needed. - The slowness of the negotiation process which can influence orders deadlines. - The fact that the procurement function is attached to the general management despite the large size of the company - Dependence on suppliers to transport products (does not have means of transport) - Unclear classification and organization of stored materials - Top management slowness in solving the constraints of procurement function. - Measured performance is oriented towards a financial aspect. - The limited purpose of the performance

dedicated to the department. - Establishment of good relations with its suppliers and gain a lot of technical experience thanks to these relations.	measurement on staff rewards - Lack of a management control function which brings out a lack of harmony between the adopted strategies and what is being implemented. - The non-specialization of purchases which leads to the non-professionalization of the function and a non-capitalization of skills.
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2.2.4.2. Recommendations:

According to us, these are some practices that can help the company to take corrective actions against its weaknesses, and maintain its strengths:

- Segmentation and specialization of the company's purchases: not only according to their origins but according to different criteria that affect the purchasing process, this can be done by answering the following questions:
 - Who buys what?
 - Whose?
 - At what price?
 - What is the recurrence of the purchase?
 - Why?

Purchases segmentation links the market to internal needs. Segment identification is essential to define buying levers and adapt the strategy to each of the categories.

- Intelligent organization of information: Data collection is not enough; for this purpose, it is necessary to establish the criteria of the strategic information and the right methods of its protection and use, one of the least costly tools that is useful in gathering information about purchasing which is to request reporting to its suppliers.
- Establishing a reference framework for purchasing families: this will be adapted to the context and the activity of the company.

This reference should contain:

- Purchasing family or category: functional classification representing a homogeneous set of activities;
- Subcategory: technological trade detailing a unit of products or services;

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- Segment: supplier market to classify each purchase in a specific and restricted market.

It will allow the procurement function and the company in general to:

- turning a complex problem into several more affordable problems;
- visualize purchasing segments which are homogeneous and as relevant as possible in terms of technologies, sources, risks or constraints;
- have logic of management of the need not to undergo the internal hazards.

- Mapping its purchases: this allows to audit all the expenses of the company and to prioritize its purchasing actions with high potential.

Procurement mapping is the only guarantee of efficient results in the short and medium term and is essential for a procurement department wishing to contribute effectively to the growth of its organization.

- Integrate the procurement marketing: which allows to observe the position of the company regarding its suppliers, then to seek the best contacts in terms of cost, quality, regularity and security of supply ...
- Develop the company's logistics department to a SCM department: given the importance of procurement within the company the SCM (Supply Chain Management) is essential to improve and automate supply by reducing inventory and delivery times to characterize the minimization of stocks throughout the production chain and which is one of the challenges of the inventory management department and the procurement function in general.
- A good management of procurement, whether local or international, must go through the Deming wheel, namely planning, execution, verification and adjustment, which is not applied within the company.
- Decentralization of the procurement decision which will allow a better integration of the responsible team and a better control of the procurement process.
- Rapid responsiveness to the problems raised by the various departments.
- The use of indicators for different criteria, i.e. non-financial indicators in order to have a clearer picture on the health of the procurement department.
- The use of performance measurement results in a continuous improvement objective, and a complete integration of the procurement strategy into the overall strategy of the company.

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- Creating a technology and prospecting of suppliers watch cell to stay always in touch with the evolutions of the environment to remedy the lack of information, especially regarding local suppliers.
- Provide employees with time management training to improve their time management.

Conclusion

General Conclusion:

Through the conceptual framework of procurement function, we have seen in the theoretical part the interest given by many works of researchers to this function which has succeeded in winning its letters of nobility quickly. The theoretical notions related to the procurement function that we discussed, demonstrated the preponderance of the function in the strategy of the company, its strategic role, and how to purchase today has become a profession that requires a specific know-how.

The theoretical part approached in our study also allowed us to note that to meet the cyclical needs; the missions consolidated by the procurement function make it possible to set the objectives with the setting up of organizations, strategies, material and human means to reach them, and therefore peripherals indispensable for its operation. Peripherals must be able to adapt continuously to the different evolutions affecting the function in order to better contribute to its performance.

Thus, we have been able to award the importance of the procurement function which can be apprehended at several levels. From a financial point of view, procurement policy can improve the profitability of a structure by optimizing costs and delays. On the commercial side, it also provides a competitive advantage by supplying quality products and avoiding stock shortages. Finally, we conclude that by mastering the procurement function, a company can develop its sales and differentiate itself from the competition by an informed choice of the materials constituting the finished product.

Then, the description of the analysis of the economic context in which the host organization operates, has enabled us to demonstrate its strategic macroeconomic importance and thus to conclude its competitiveness and the requirements it imposes on the company to be and develop any element relating to its functioning in order to guarantee its market share.

The study of the internal and external environment of the company has enriched our research in the side where it has framed the context in which the procurement function is analyzed, for little generalization of the results obtained and to not project them on a function active in a different context.

The analysis of the degree of centralization of the procurement decision, and despite the degree of awareness of its importance among the personnel and managers within the Algerian company, we showed that the procurement function remains purely classical and far from being professionalized, or where it was called by COUSINS PD, SQUIRE.B and LAWSON.B (2006) "an underdeveloped function: that is a function with possibly a good expertise, and

weak internal recognition ", which confirms our first hypothesis. This drives to, even if the performance is measured, it remains used for a solely operational purpose and not integrated into the development of the company's strategy, which confirms our second hypothesis.

Contrary to what we have supposed, according to the results of our study, it is the regulatory constraints which slow down or flourish the procurement process and not the logistical constraints which are in some sort controlled by the results of our investigation.

The results of our study open the field to several other research tracks: the first track concerns the organization of international purchases in Algerian companies, their impact on the competitiveness of the company and the constraints that constrain their development. The second track can be about procurement performance measurement and its strategic importance. And finally carry out a procurement audit on an Algerian company to demonstrate the latter's contribution to improving the performance of the function and thus the overall performance of the company.

As all scientific research, our work has theoretical and empirical limits.

The theoretical limitations of our work are due to the lack of publication available to the student about the procurement function, this function, despite its importance, remains poor in scientific books and articles.

The main empirical limit is the non-identification of the opportunities and threats to the procurement function. Due to lack of time, we didn't identify, consider nor analyze the elements of the external environment affecting the function during our which made our diagnosis focused only on the internal aspect.

Another empirical limitation is the lack of numerical demonstrations due to the confidentiality of any numerical data relating to the procurement function of which the host organization exercises and which prevented us from measuring its performance.

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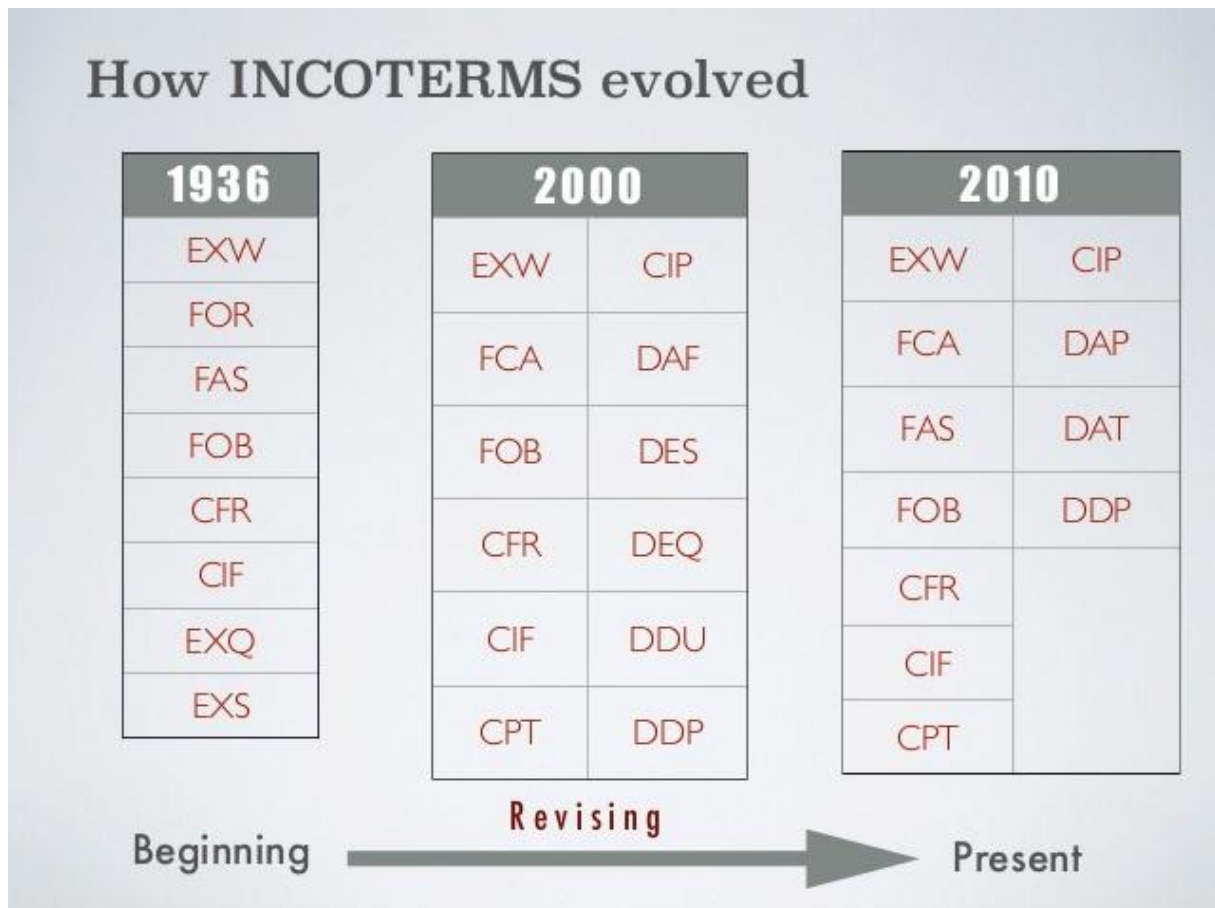
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Appendixes

Appendix 01 :

INCOTERMS Evolution :



Appendix 02 :

Products of FAMAG :



Appendix 02 :

Products of FAMAG :



Appendix 02 :

Products of FAMAG



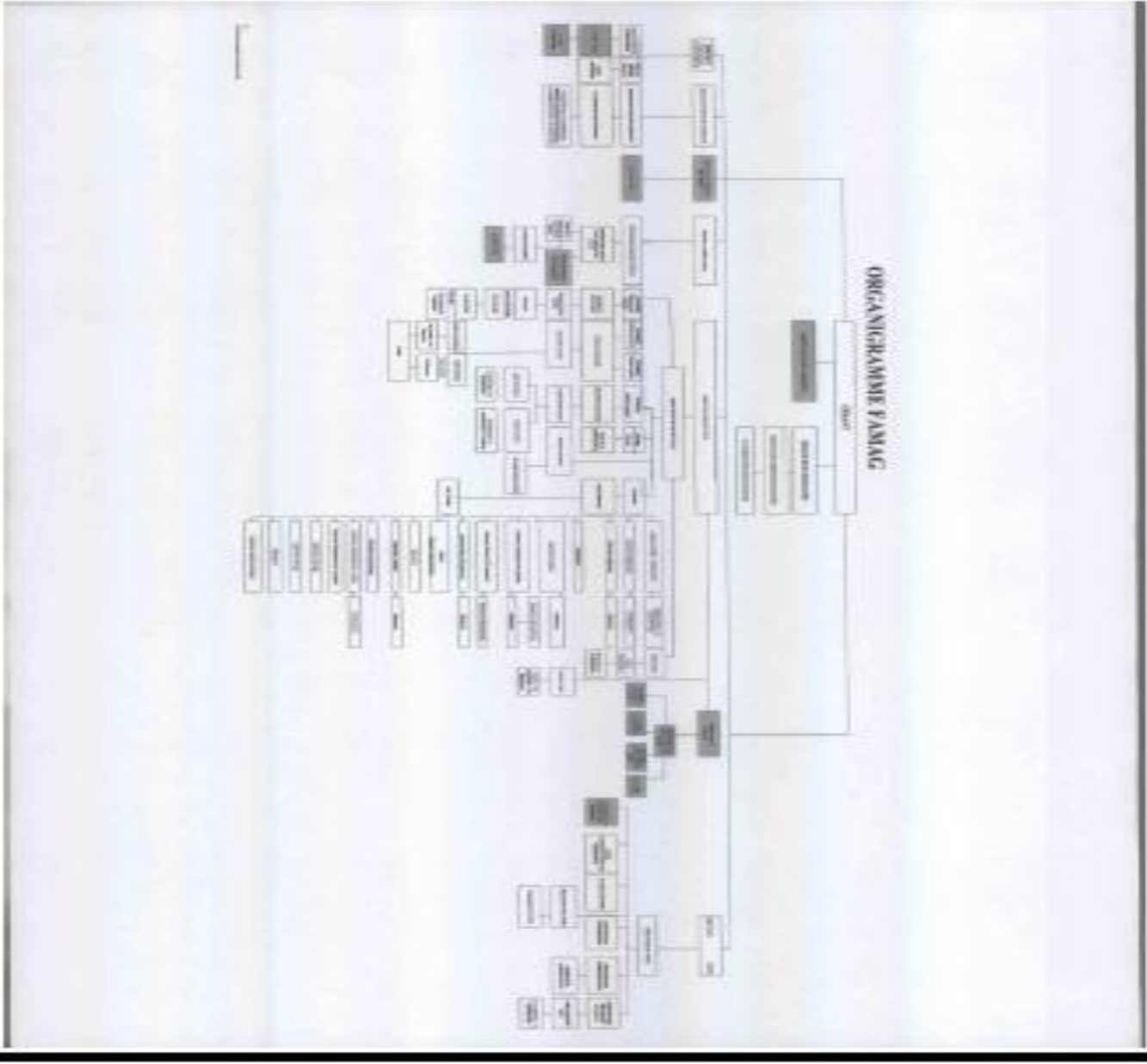






Appendix 03 :

Organigramme of FAMAG :



List of Appendixes :

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