

Internship Report

On

*Financial and critical analysis of Vendors Management in
Banglalink Telecommunication LTD*

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2/13/2015





Letter of Transmittal

February 07, 2015

Sayla Sowat Siddiqui

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Submission of internship report.

Dear Madam,

I would like to take the opportunity to thank you for the support and guidance you have provided me during the course of this report. This report would have been impossible to complete without your help. With deep gratitude, I also acknowledge the help provided by the CM team of Banglalink Digital Communication Limited for providing me utmost supervision during my internship in the organization.

To prepare the report, I collected what I believe to be the most relevant information to make my report as analytical and reliable as possible. I have concentrated my best effort to achieve the objectives of the report and hope that my endeavor will serve the purpose. I believe, the practical knowledge and experience gathered during my report preparation will immeasurably help in my future professional life.

I would be grateful if you enlighten me with your thoughts and views regarding the report. Also if you wish to enquire about an aspect of my report, I would gladly answer your queries. Thank you again for your support and patience.

Yours sincerely

Ferdous Lamisa Moinudddin

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Letter of Endorsement:

This internship report entitled 'Financial and Critical analysis on Vendor management Of Banglalink Telecommunication Ltd' has been submitted in partial fulfillment of the requirements for the degree of Bachelor of Business Administration, Major in Finance and Marketing, BRAC Business School on 7th February, 2015 by, Ferdous Lamisa Moinuddin, ID: 11104115. The report has been accepted and may be presented for evaluation.

.....
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Acknowledgement

The preparation of this report involves invaluable assistance and cooperation of a number of people, without capitalizing on whose knowledge, the formidable task of completing this assignment could not have been accomplished. To start off with heartiest thanks to Mr. Ezajur Rahman Head of CM, Muhammad Maher Noor, Senior Assistant Manager of CM for allowing me to steal a portion of their valuable time and catering to my barrage of questions. In addition, I must acknowledge the contribution of my dear parents for their support and encourage. Last but not the least; my gratitude extends to my course instructor, Sayla Sowat Siddiqui, why not only relentlessly guided and advised me throughout my journey of analyzing the financial and critical analysis of vendor management of Banglalink.





Executive summary:

Banglalink is the second largest cellular provider in Bangladesh after Grameenphone. In September, 2004, Orascom Telecom Holdings purchased 100% of the shares of Sheba Telecom (PVT.) Limited (Sheba). Afterwards it was rebranded and launched its services under the 'Banglalink' brand on February 10, 2005. When Banglalink entered the Bangladesh Telecommunication Industry in February 2005, the scenario changed overnight with mobile telephony becoming an extremely useful and affordable communication tool for people across all segments with innovative and attractive products and services targeting the different market segments, aggressive improvements of network quality and dedicated customer care; and effective communication that emotionally connected customers with Banglalink. The objective of the company is to ensure telecom facilities for all people of Bangladesh with minimum cost. Therefore, they are trying to minimize this cost by improving their supply chain department by implanting new strategies to overcome their faults. On this process they have opened a whole new department for just to improve their contract management system inside the company as well as to maintain a good relationship with their vendors by ensuring that both the product quality and delivery date was maintained while receiving the goods from their vendors. Here, the report will discuss about their vendor management system while focusing on the contract management department to show how they have utilizing their resources to ensure that their vendors not delaying in delivering their goods, even if they do so, how much penalty Banglalink is actually getting due to their vendors mismanagements in delivering the goods on time. Besides, a SWOT analysis have been provided to show their opportunities and threads while recommending them the changes they can think of while working with their vendors in Future. All the information used for this report was approximate.



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Chapter 1

Introduction



1.1 Introduction:

The telecom sector of Bangladesh, after its liberalization began with small steps in 1989 with the issuance of a license to a private operator for the provision of inter alia cellular mobile service to compete with the previous monopoly provider of telecommunications services the BTRC (Bangladesh Telecommunication Regulatory Commission), has since never looked back. Significant changes in the number of fixed and mobile services deployed in Bangladesh occurred in the late 1990s and the number of services in operation has subsequently grown exponentially in recent years.

The incentives both from government and public sectors have helped to grow this sector and it is now one of the biggest sectors of Bangladesh. As a populous country, its huge market has attracted many foreign investors to invest in this sector- and Banglalink is only the most recent one to step into the market.

The project was about how efficiently vendors are being managed by the company and by this, how it has an important effect on finance and profitability of Banglalink. Much of the work has been based on first hand experiences and data was collected from the financial report are also looked and studied upon with much importance.



1.2 The Industry:

Background of the Study:

Growth of Customers:

Bangladesh, with its burgeoning population, has an enormous need for telecommunication services. Such high population means that the telecommunication sector can really play a big role to boost and improve the economy and social level of people. This has been further brought to fore through the emergence of cellular phones, that has quite drastically changed the lives of businesses and individuals alike.

The rise in the number of village people changing their professions and occupations has meant that the importance of mobiles far supersede the requirements of only the affluent and well-offs. Following the government's decision of deregulating the telecommunication sector, the overall efficiency of business has increased tremendously- a feat that was previously missing since the sector functioned only as a state monopoly since 1980.



The telecom industry, only one of the technical industries to have benefitted from the introduction growing business needs. This is one of those industries that has intense competition among the players in the market and the fact still remains that majority of the players in the market are multinational subsidiaries- with vast finances at disposal. The Bangladeshi people's plan intent of caring more than one subscription (in most cases, catering to subscription from different service providers), coupled with huge population (roughly around 200 million) have always given the service providers a strong base to provide for. While the early years saw the domination of Pacific Bangladesh Telecom Limited (Citycell), primarily because of the failure of Sheba Telecom to gain market share because of poor infrastructure, customers were denied of benefits as Citycell ran a monopoly market, with the sole intention of profit maximization. However, the introduction of Grameenphone and Aktel into the scene meant that call rate experienced drastic falls- with Grameenphone acquiring a greater market share through improved coverage and better customer service. The introduction of Orascom (which brought off Sheba Telecom) followed soon after and the company was then renamed Banglalink- triggering a price war never seen before in the Bangladesh telecom market. This resulted in huge drop in registration and call rates. December 2004 saw the introduction of Government owned Teletalk BD Ltd. While its





slogan to ‘Keep your money in your country’ created some buzz, it waned soon after.

The company was the first to give BTTB (now BTCL) facility to its subscribers. Later, Warid Telecommunication International LLC, an Abu Dhabi based consortium, entered the market- the sixth entrant- and since its introduction, it has sold a majority 70% stake in the company to India’s BharatiAirtel Limited. A look at the competitors in the market will reveal the following companies-

The Players:

Company	Brief Introduction
	<p>This is the leading telecommunication service provider of Bangladesh, widely known as GP. Grameenphone is the largest mobile phone operator in the country with more than more than 40.33 million subscribers (as of January 2013). It is a joint venture enterprise between Telenor and Grameen Telecom Corporation, a non-profit sister concern of the internationally acclaimed microfinance organization and community development bank Grameen Bank. Telenor is the largest telecommunication companies in Norway, owns 55.8% shares of Grameenphone. Grameenphone owns 34.2% and the remaining 10% is publicly held. Grameenphone promises its customer to bring the best of communication technology with the slogan ‘Go Beyond’ so that they can go beyond.</p>
	<p>Banglalink is the second largest cellular service provider in Bangladesh after Grameenphone. As of April 2012, Banglalink has 1.03 million connections until December, 2005. The number of Banglalink users has increased by 257% and stood at 3.64 million at the end of 2006, thus Banglalink became the fastest growing company to provide free incoming calls from BTTB both for prepaid and postpaid connections. On August 20, 2008, Banglalink go past the landmark of 10 million subscriber based on September 2014 Banglalink go past the landmark of 30 million subscriber base.</p>
<p>Robi</p>	<p>Robi, formally known as Aktel, is a joint venture between</p>

	<p>Axiatagroup Berhad, Malaysia (70%) and NTT DoCoMo Inc, Japan (30%). This is the third largest mobile phone operator of Bangladesh with more than 20 million subscribers as of 2012. Connecting over 500 operators across 207 countries, Robi boasts of the widest international roaming services in the market. Robi introduces GPRS first in the country. Robi uses GSM 900/1800 MHz standard and operates on allocated 12.8 MHz frequency spectrum.</p>
<p>Airtel</p> 	<p>Airtel, a GSM-based cellular operator, is the sixth mobile phone carrier to enter the Bangladesh market. It firstly launched its commercial operations under the brand name ‘Warid Telecom’ on May 10, 2007. Warid Telecom international LLC, an Abu Dhabi base consortium, sold a majority 70% stake to India’s BhartiAirtel Ltd for US\$300 million. BharatiAirtel Ltd, rebranded the company’s service under its own Airtel brand from December 20, 2010. BharatiAirtel made a fresh investment of USD 300 million to rapidly expand the operations of Warid Telecom to have the control of management and board. It was the largest investment of an Indian Company in Bangladesh. Dhabi group continues as a strategic partner retaining 30% shareholding and some nominees on the board of the company.</p>
<p>Teletalk</p> 	<p>Teletalk is a GSM based state-owned company in Bangladesh, started operation on 29 December 2004. It is a state owned Public Limited Telephony Company of Bangladesh. It provides GPRS and EDGE internet connectivity and also HSDPA/3G from 14th October 2012 which is the largest cellular information service. Teletalk is the sixth largest mobile phone operator in Bangladesh with more than 1.879 million subscribers as of May 2013. This is the first operator in the country that gave BTTB (now BTCL) incoming facility to its subscriber.</p>
<p>Citycell</p>	<p>It is the first mobile communication company and only CDMA network operator of Bangladesh. Citycell total subscriber base is 1.57 million as of 1 March, 2008. Citycell is presently owned by Singtel with 45% stake and the rest 55% is owned by Pacific Group and Far</p>



East Telecom. Citycell has 1.801 million subscribers as of April 2012.

The Total number of Mobile Phone Active Subscribers has reached 100 million at the end of JApril, 2014. The Mobile Phone subscribers are shown below:

Operators	Active subscribers
Grameen Phone Ltd (GP)	42.63m
Orascom Telecom Bangladesh Ltd (Bangladesh)	26.3
RobiAxiata Limited (Robi)	20.55
Airtel Bangladesh Limited (Airtel)	7.45
Pacific Bangladesh Telecom Limited (Citycell)	1.4
Teletalk Bangladesh Ltd. (Teletalk)	1.8
Total	100m

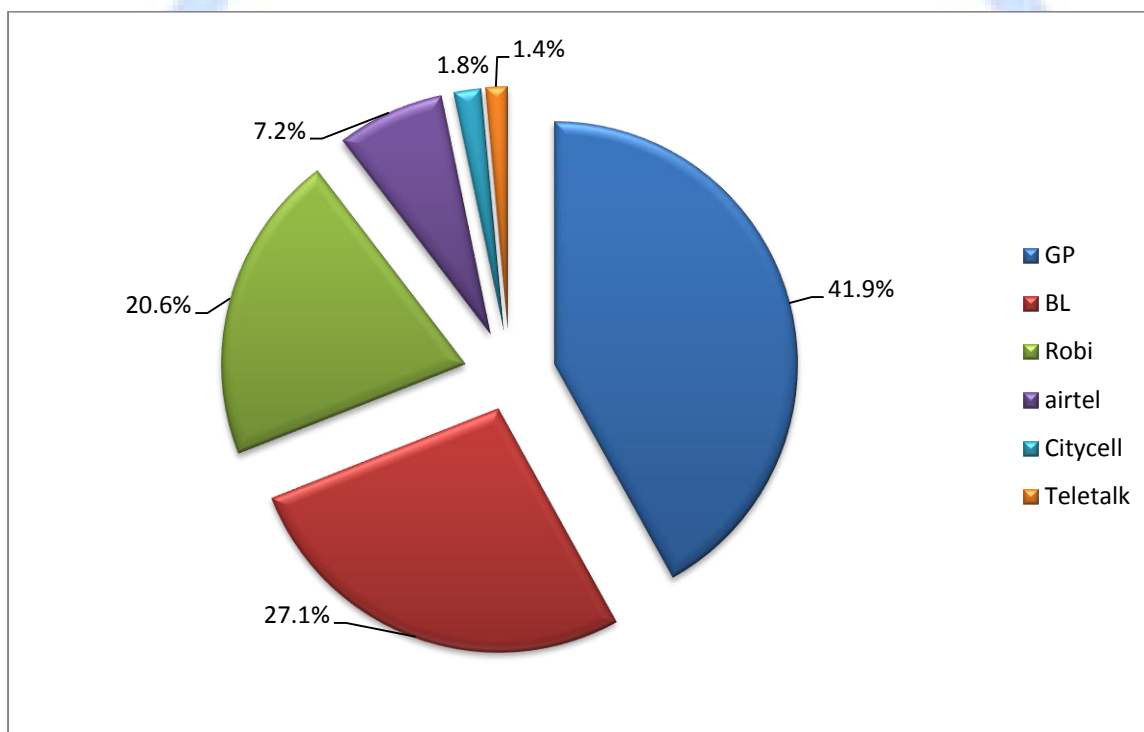
Market Share Analysis:

In starting of the analysis of the companies in the telecommunication sector in Bangladesh, Let's take a look of the percentage of the market share of each of the company. The market share of the various mobile phone operators are displayed in the following figure, based on the information provided by the 'Bangladesh Telecommunication Regulatory Committee (BTRC)'.

Brand	Market Share
GP	41.93%
Banglalink	27.1%
Robi	20.6%

Citycell	7.2%
Teletalk	1.8%
Airtel	1.4%

Graphical Representation:



1.3 The Organization:

Company Overview: Banglalink Digital Communication Ltd.

Banglalink Digital communication Ltd is fully owned by Telecom ventures Ltd of Malta which is a fully owned subsidiary of global telecom holding s.a.e (formerly known as Orascom Telecom Holding s.a.e). Between Vimplecom Ltd and wind telecom s.p.a,



Vimplecom owned 51.92% shares of global telecom holdings in April 2011. Vimplecom is one of the world's largest integrated telecom service operators providing voice and data services through a range of traditional and broadband mobile and fixed technologies in Russia, Italy, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, Armenia, Georgia, Kyrgyzstan, Laos, Algeria, Pakistan, Burundi, Zimbabwe, Central African Republic, Canada and Bangladesh. Vimplecom is headquartered in Amsterdam, the Netherlands and listed as an ad on the New York stock exchange under the symbol 'VIP'

Before the inception of Banglalink, Sheba Telecom (Pvt.) Ltd. was granted license in 1989 to operate in the rural areas of 199 upazilas. Later it obtained GSM license in 1996 to extent its business to cellular mobile, radio telephone services. It launched operation in the last quarter of 1997 as a Bangladesh-Malaysia joint venture.

Banglalink Digital Communications Ltd.

Type	Subsidiary
Parent	Vimpelcom-Russia
Founded	1999
Headquarters	Tiger House, House #
	SW(H)04, Gulshan Avenue, Gulshan Model Town, Dhaka, Bangladesh
Area served	62 districts and 447 thanas
Industry	Telecommunication
Products	Telephony
Slogan	Start something new
Website	http://www.Banglalinkgsm.com

In July, 2004, it was reported that Egypt based Orascom Telecom is set to purchase the Malaysian stakes in Sheba Telecom through a hush hush deal, as Sheba had failed to tap the business potential in Bangladesh mainly due to a chronic feud between its Malaysian and Bangladeshi Partners. An agreement was reached with Orascom worth US\$25 million was finalized in secret. The pact has been kept secret for legal reasons, considering financial fallout and because of the feud.



Since Banglalink's launch in February 2005, its impact was felt immediately. Mobile telephony became an affordable option for customers across a wide range of market segments overnight. The success of Banglalink was based on a simple mission 'bringing mobile telephony to the masses'. With this strategy, Banglalink changed mobile phone status from luxury to a necessity and made a place in the heart of the general people by this positive change in Bangladesh.

'Change' that is correctly attributed to Banglalink, became the corporate positioning of Banglalink and was translated in their slogan 'making a difference' or 'din boodle'. The corporate stance of 'making a difference' has been reflected in everything Banglalink does.

Banglalink attained 1 million subscribers by December 2005 and 3 million by October, 2006. By December, 2007, Banglalink overtook Aktel to become the second largest operator in Bangladesh with more than 7.1 million customers. Representing a market share of 25.7%, Banglalink presently has 30 million subscribers as of September 2014.

Banglalink's growth over the preceding years has been fuelled with innovative products and services targeting different market segments, aggressive improvement of network quality and dedicated customer care, extensive distribution network across the country and a strong brand value that has emotionally connected customers with Banglalink.

1.4 Vision & Mission:

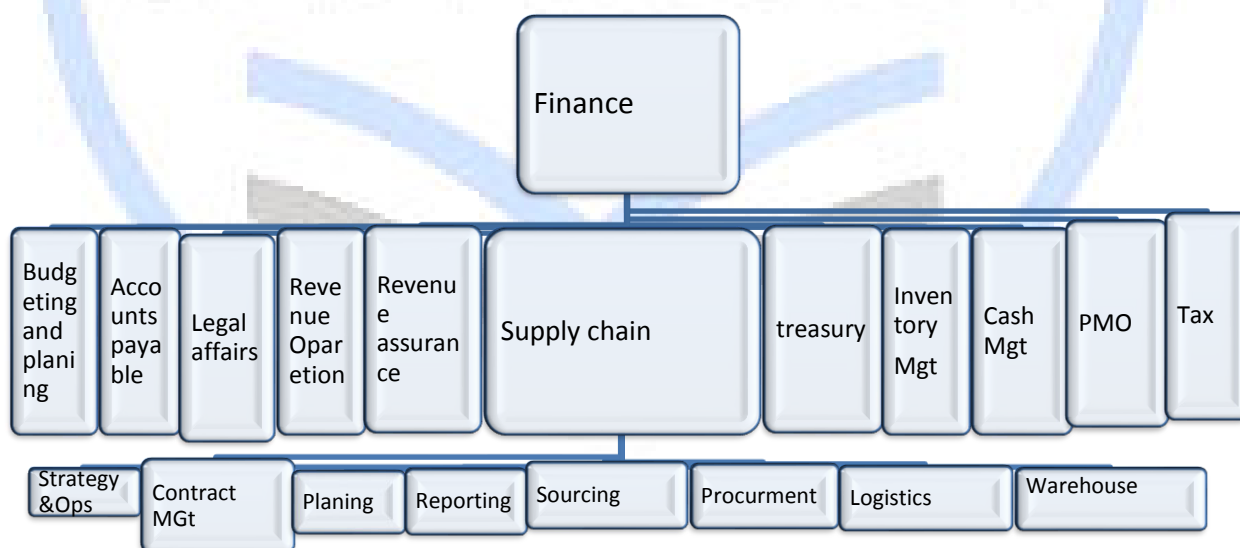
Mission	Banglalink understands customer needs best and will create and deliver appropriate communication services to improve people's lives And make them easier.
Vision	To become one of the world's leading telecom operators providing The best quality services to our customers.

Core Values:

All employees of Banglalink demonstrate the following values in their day-to-day activities to ensure “making a difference” in every area of operations

Straightforward	We say what we do & we do what we say
Reliable	A promise made is a promise kept
Innovative	Whatever we do will be useful and useable
Passionate	We always deliver with honesty and passion

1.5 Functions of Marketing Department:





1.7 SWOT Analysis

Here, we can see the SWOT analysis has many strength and opportunities that Banglalink can use to build more innovative and strategies for the stability of the company's operations. From these points, many strategies can be introduced-

Strength	Weakness
<ul style="list-style-type: none">• Low call rate• Aggressiveness• Large network coverage• Large investment• Low SIM rate• Good number media partner	<ul style="list-style-type: none">• Bad reputation (Sheba)• Network Coverage
Opportunity	Threat
<ul style="list-style-type: none">• Good amount of reinvestment• Good support from mother company• High technological networking system• Large number of customer• Can develop new product• Possibility of having good profit margin• Ability of getting deals from good suppliers	<ul style="list-style-type: none">• Existing competitors• Impact of legislation• Increase of SIM tax• Risk of existing core business distribution



1.8 The Job Description:

As an intern of Banglalink Digital Communication, I worked under the supervision of Muhammad Maher Noor Associate Manager of Value Contract Management Team.

Contract management:

Good contract management signifies the administrative activities associated with handling of contract representative, monitoring contract relationship, addressing related problems, incorporating necessary changes or modifications in the contract, ensuring both parties meet each other expectations and actively interacting with the contractor to achieve the contract's objectives (Else, 2007).

Function of contract management:

The functions are- 1) invitation to bid, 2) bid evaluation, 3) the penalty calculation, 4) managing the relationship between vendors and users, 5) monitoring the contract, 6) risk management, 7) legislative and audit compliance, 8) creating a contract which is value for money and 9) maintain probity and transparency (Else, 2007).

1.9 Duties and Responsibilities:

Internship Details:

Company	Department	Joining Date	Exit Date
Banglalink Digital Communications Ltd	Finance Department under Supply Chain	14 September, 15	14th December, 15
	Unit: Contract management		

🐾 Facilitated vendor management through penalty calculation and documentation:

Banglalink contract management team has to maintain the shipment schedule of vendor according to the contract term. CM team has to calculate the penalty on the bases of the penalty term written in contract. Monthly basis for every shipment if any delay occur from vendor side the penalty calculation was done by the intern and also maintain the track of the penalty report, calculation and SCCAR report.

🐾 Prepared the vendor management database:

Contract Management team is a new unit under supply chain unit in finance department because of that, they are preparing a master database to keep record of their vendors information along with the Contract details and other necessary date so that they can get all the information regarding any vendor and their current status at one point solution. So, as an intern, I was assigned to collect all the data from different sources and also develop the database for the unit.

🐾 Supported CM team to drafting simple contracts:

I had to get raw data from Contract Management (CM) team along with the vendor and user department and procurement team. Then, I had to use the data and compile the report in MS Word. Preparing this report, I had to send that to high management every day. As an intern of the Contract management Department of Banglalink Digital Communication Ltd, I had been given the responsibility to prepare Daily contract draft for different vendor and user department. I was given access in SAP (or BO, a Banglalink source), from where I used to download the raw data on usage of all the services and based on vendor and procurement contract agreement, I had to calculate pricing of the product or service which will provide by the vendor and also the penalty term and so on in MS Word. After that, I had to send that draft contract to the top management everyday so that they can take right decision by properly checking the contract term.

🐾 Assisted Contract Management (CM) team to calculate contract value:

Like penalty report, I had to get raw data of a week from BO (a Banglalink Source) and calculate the value of the contract on the basis of payment term and mode of the contract. Then, I had to input the data and compile the report in MS EXCEL. Then the report was sent to high management.

🐾 Maintaining relationship with the vendor:

I had to communicate with the vendor on the daily bases and had to make sure about the product delivery schedule and document regarding the contract. Here I had to arrange meeting between the vendor and the procurement and contract management team. At the same time also maintain information flow with among the unit of supply chain and maintain transparency of information.



A large, light blue watermark of the BRAC logo is centered on the page. It consists of a circular arc at the top, the letters "BRAC" in a serif font in the middle, and a stylized, downward-pointing chevron shape at the bottom.

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Chapter Two

Background of the study

2.1 Background of the study:

The report focuses on the contract management activities because Banglalink is trying to establish a new process of system to upgrade their vendor management style in the company. I am interested to do my report on this topic as it deals with the contract management process, their task assortment & employee satisfaction towards the offerings. It requires focusing on the employees choices regarding contract management assistant. It also finds out new array for supply chain. That's why I am really encouraged to do research on this theme.

Contract management process is very important part of an organization. There are several part to of an organizations contract management process. So I am doing my report on vendor management process by focusing on the contract management particularly.

2.2 Objectives of the study:

2.2.1. General objectives of the report:

General objective of the project is to fulfill the internship requirement for BBA program. In order to make students more competent BRAC University requires the student to take an internship course, BUS401, as a BBA program requirement which helps us to get accustomed to the business environment. To complete the course students need to spend three months at an organization and submit an internship report.

2.2.2 Specific objective of the report

From the broad objective stated above we can bring out the following specific objective:

- 🐾 To understand and analyze the contract management process in the Banglalink.
- 🐾 To identify the strategies & policies for contract management Process.
- 🐾 To find out their key unique features.
- 🐾 To analyze the methodology of Contract management Process in a simple way
- 🐾 To find out their problems through SWOT analysis with effective solution to overcome the limitation.
- 🐾 To know about the challenges and time loss of their process.

2.2.3 Significance of the study

Other than determining the key Contract management process for management, it will also be useful to employees, management practitioners, competitors, industry and the society as a whole. Employees can find out how well or how bad the contract management process is doing based in their satisfaction towards the organizational environment. Management practitioners can gain important insights regarding the areas for improvement or adequate spheres. Competitors can also benefit from the outcomes of this study by getting an indication of where to focus its resources.

2.3 Methodology:

2.3.1 Framework

The whole report has been arranged with four specific parts. Part one named as introduction part which includes the introduction of the about the Banglalink and their competitors. Part two, methodology of the study, limitations and significance of the study are introduced. Part three includes the main project part and part four contains the analysis & conclusion.

2.3.2 Target

The target populations for the study are-

- Internal employees.
- Vendors of the organization.
- Key executives.

2.3.3 Study area:

The study will be conducted within the organization to represent the contract management process of Banglalink Limited.

2.3.4 Data source:

For the information of the report both primary and secondary sources of data have been collected. But mostly the primary data are used. Primary sources of data consists various data collected by informal interview with the employees.

Secondary sources including several studies on Banglalink Limited of the website publications have been used for this purpose.

2.2.5 Phase of the study:

Data will be collected from different executives, inter employees & company vendors through formal interviews. Besides, several websites publications will be studied as it is a descriptive study of the contract management process with short financial analysis of their improvements through investment and research will be done to see how they have done this so far with this has done. Besides, It is just an analysis of the critical contract management process of the company. This descriptive study includes study includes information collected from the population through informal interviews. The information collected for this topic is objective as they are collected from the company's internal employees which are very much genuine.

2.3 Scope & Limitations:

The scope of the study was the supply chain management in Banglalink Limited. But due to lack of access to sources of information, the study mainly focused on the Contract management process of the company. From this point of view their report could be a new contribution in the study of knowledge, Attitude & Practice in urban Bangladeshi concerning telecommunication. And this can be said as an empirical study.

2.3.2 Limitations:

While doing this project I had to face some limitations. These are as follows-

- 🐾 This study has kept limited on analysis. There is no formal test on any hypothesis base as it is a contract management theme.
- 🐾 Time is the key constraints of this report.
- 🐾 To perform employee survey became impossible because of limitation in number of employee in Contract management team.
- 🐾 All the Information is not easily accessible or not permitted to disclose

"This is according to the company policy, rules and regulations on the disclosure of confidential information"

2.4.1 Approaches towards the problem

2.4.2 Literature review

I focus on identifying the key factors for the contract management process and analyze each and every task in this department in an obvious manner. The different number of task and their organizing need to be analyzed. Contract management is a small units but it has tremendous categories of work. I need to analyze the activities & offerings of each work category of the unit. Thus through analysis of these issues, I make an approach to the problem. I have identified some process and some faults that might be correlated with the contract management process. This unit needs to conduct its tasks through some software to make it easier for them. Their development I quite incredible and they have already added a new diversion to this industry by giving more attention to this department of their company.

2.4.2 Cost and time:

For the analysis of the report, it required no cost as I completed the entire analysis through interview & discussion with the respondents and also through studying related materials regarding the contract management process of this organization.

The time frame of the study can be divided as follows:

Events	1st Month	2nd Month	3rd Month
Information Collection			
Analysis& Report Generation			
Findings&Result Generation			



Chapter Three

Main parts of the project

3.1 Vendor Management:

This is the most common procedure of any company that is to manage and procure staffing services – temporary, and, in some cases, permanent placement services – as well as outside contract or contingent labor. Like other companies’ Banglalink is also following procedures to maintain a healthy relationship with their vendors as well as to ensure the quality of the service they are getting from their suppliers or vendors (Perelman, 2007). Beside, Vendors are the major part and parcel of any companies that we will try to talk about because they are providing the raw materials or services that companies are required to produce their products or service that they are willing to provide for their global or local customers. This is the reason why Banglalink goes with a process of vendor’s selection in their company before going for any contract.

3.2 Vendors selection process in Banglalink:

In the Banglalink they are following 5 easy steps before selecting the vendors for their company (Annual report, 2009). This process is helpful to keep a healthy relationship with their vendors while maintaining their own interests. So basically the process goes like:

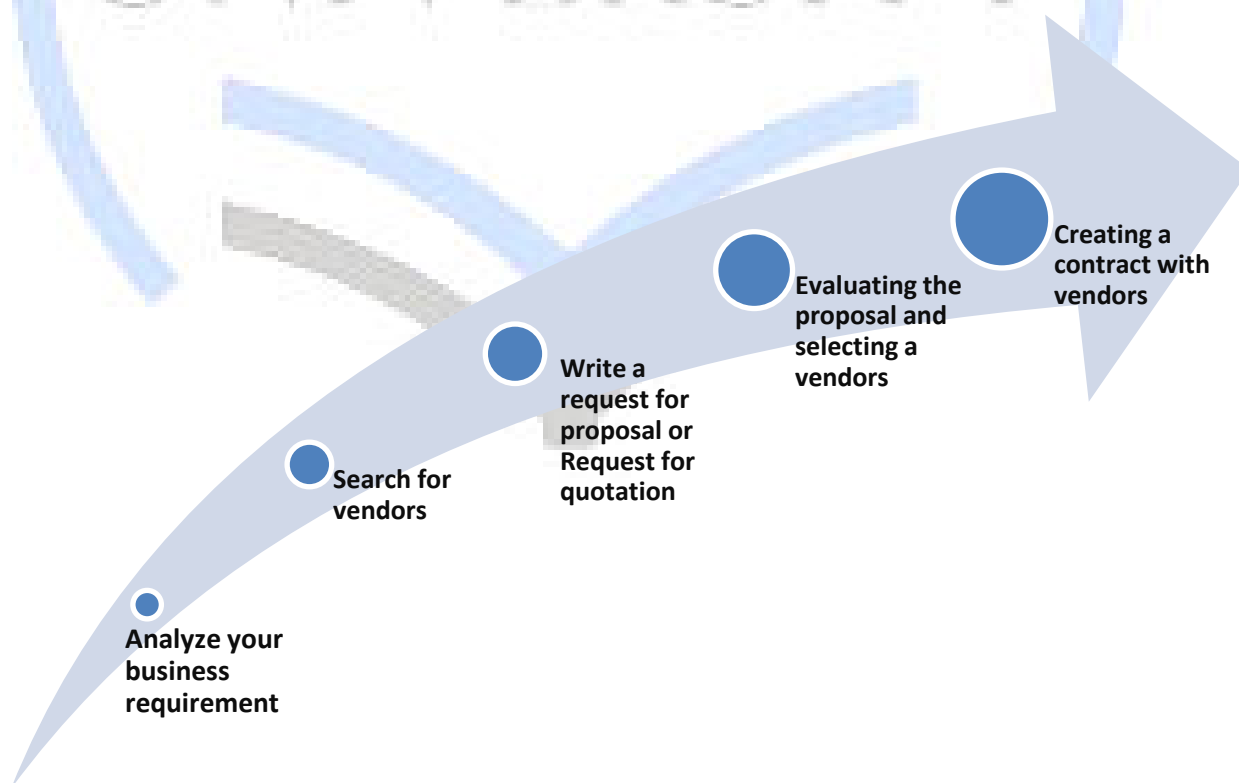


Figure 1: selection process of vendors



3.2.1 Analyze your business requirement

Banglalink first analyze their business before even selecting or searching for their vendors. Sourcing team has been given this responsibility of sourcing vendors for the company. Moreover, they will discuss with the management about what company wants to outsource and the price range they are currently looking from their vendors. Basically, they have to analyses the company requirements before even selecting the vendors.

3.2.2 Search for vendors

After analyzing the business requirements, it become easy for the sourcing team to find a suitable vendors for Banglalink, who can deliver the service/product that the management wish to outsource. At first they compile a list of possible vendors, but the procurement team will only select those vendors that meet their management's requirement, after researching on suitable vendors' background, procurement team will have to select a few vendors from them.

3.2.3 Write a request for proposal or request for quotation

After short listing from all those vendors, procurement team asks them to write a request for quotation or request for proposal. The request for proposal should contain sections, such as, submission details, an introduction and executive summary, an overview and background of the business, detailed specifications, assumptions and constraints, terms and conditions and selection criteria.

3.2.4 Evaluating the proposal & selecting the vendor

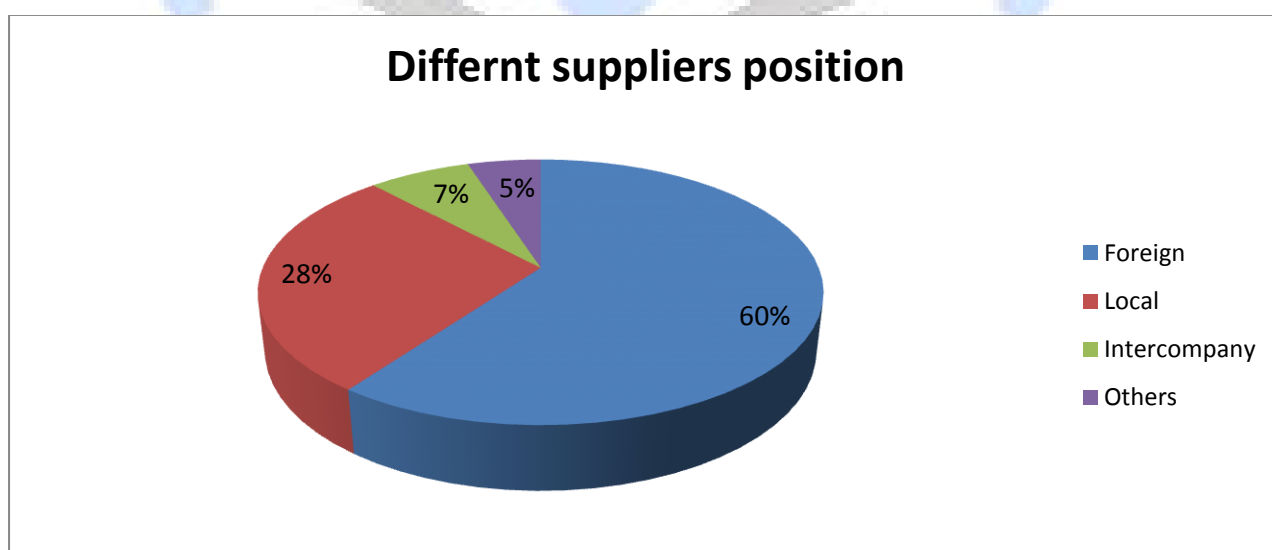
To begin with, the procurement team conducts a preliminary review of all vendors' proposals. The next step would be to compare both the business requirements and the vendors' requirements before selecting the vendors. They have to communicate with the management about their selection to justify their selection before going for any contract with the vendors. Moreover, they have to rank their priorities along with alternatives. Clearly define benchmarks and time constraints. Evaluate the risks and liabilities. Also state the level of confidentiality required. They also need to remember the changes in the requirements before going for the selection. Understanding the difference between what management wants and what the vendors need, from the outsourcing contract, actually help them to create a better strategy.

3.2.5 Creating a contract

Creating a contract is the final step in the Banglalink vendor selection process. After making all the negotiations, the contract management team has to make the contract between Banglalink and the vendors by safeguarding both parties' interests and also by following up its progress in the future. Procurement team has to give all those selected vendor's information to the contract management team so that the contract management team can ensure that the contract policies and requirements were followed while selecting those vendors for Banglalink.

3.3 Different types of Vendor:

A multinational company like Banglalink uses different sort of vendors who can help them to keep up with their competitors as well as to standardize their services for their consumers (Gartner, 2015). For instance, they have both foreign and local suppliers who are providing them the services and materials that they are required to keep up the competition as for Example "Huwai" is the major foreign suppliers who is providing them with the technical supports to maintain their network capacity and also improve the quality of their voice call servicers. On the other hand they are using BTCL and Mango telecom to provide internet services in Bangladesh. Besides, they are also doing inter-company transition between their parent company and subsidiary companies to upgrade their quality of services. However, they are still not able to get the M2M services which have been used by Vimplecom in Russia to provide network support for their customers. A pie chart has been given to show the percentages of different vendors' involvements.



However, Banglalink vendor management system has described about the vendors in a different way because their point of view about suppliers was how critical or important they are for the company management. This is why they have divided the suppliers in to three kinds and they are

- Critical
- Regular
- Irregular

Critical vendors are the major part of any company because they are the heart of any company. Without their support company services for the customers can collapse at any time (Gartner, 2015). This is because there is no other option to go for if those vendors stop supplying their goods on time and they are also giving the company the major credit facility for the company. Therefore these vendors are controlled by the top level management to ensure that they are getting the proper support from their company to provide the products on time (Perelman, 2007). Moreover, these are the technical vendors that will provide services from foreign countries to the mother company. Banglalink has some major critical vendors like that and they are

- Huawei Bangladesh Ltd
- Ericson Bangladesh
- Nokia simians Bangladesh Ltd

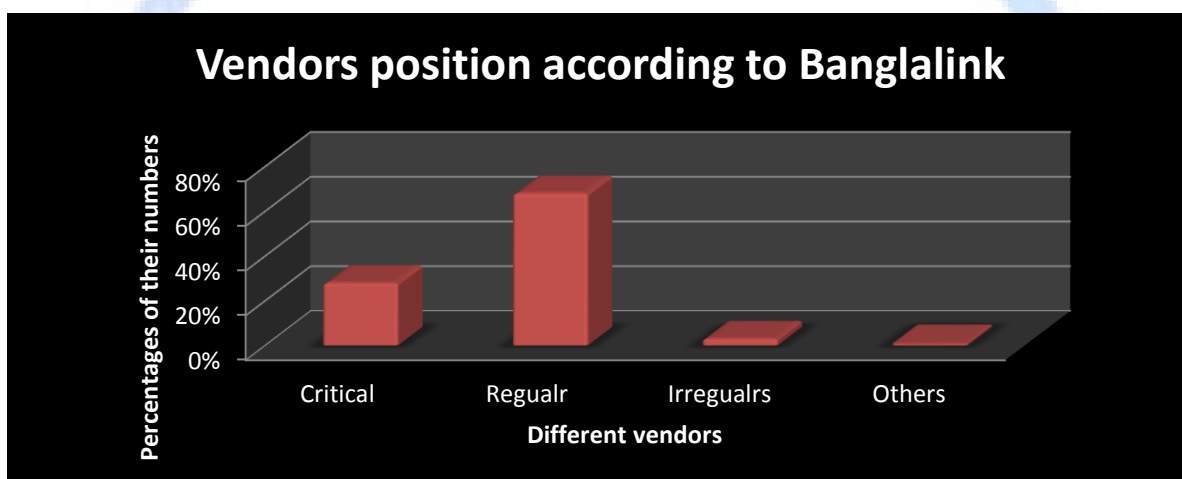
Regular vendors are the usual vendors where you can find other sources when the normal vendors have failed to give you the support on time. Most of these vendors are from local market because they can be sourced easily and they are always available to connect from the local country. Moreover, there number will be quite high compare to their critical suppliers because they can be outsources from the local market by their sourcing team quite easily. Regular suppliers help Banglalink to bargain and choose the best product by looking from their product details. Banglalink has only a few umbers of vendors like that and most common names for them are like

- BTCL

- Mango
- Green power

Irregular vendors are those who provide support occasionally like for marketing promotions and making festoons for Banglalink services. Besides, they are not the actual vendors that are used for the daily activities that are done in the Banglalink.

There are some other vendors who provide support in a short time basis but they are not counted as the major vendors according to their supply chain team.



Recently to manage these contracts, Banglalink has established a new department by putting their investments to ensure that these critical vendors are not causing any issues and the time they are providing to their suppliers to deliver their shipments or products are actually reaching them on time. Basically, this department is to go through with the contracts (that Banglalink is signing with the vendors) and ensuring that they are not losing their vendors due to any mismanagement.

3.4 Contract Management:

Good contract management signifies the administrative activities associated with handling of contract representative, monitoring contract relationship, addressing related problems, incorporating necessary changes or modifications in the contract, ensuring both parties meet each other expectations and actively interacting with the contractor to achieve the contract's objectives (Elsay, 2007).

3.4.1 Function of contract management:

The functions are- 1) invitation to bid, 2) bid evaluation, 3) the penalty calculation, 4) managing the relationship between vendors and users, 5) monitoring the contract, 6) risk management, 7) legislative and audit compliance, 8) creating a contract which is value for money and 9) maintain probity and transparency (Else, 2007).

3.4.2 Contract Management is done in Banglalink:

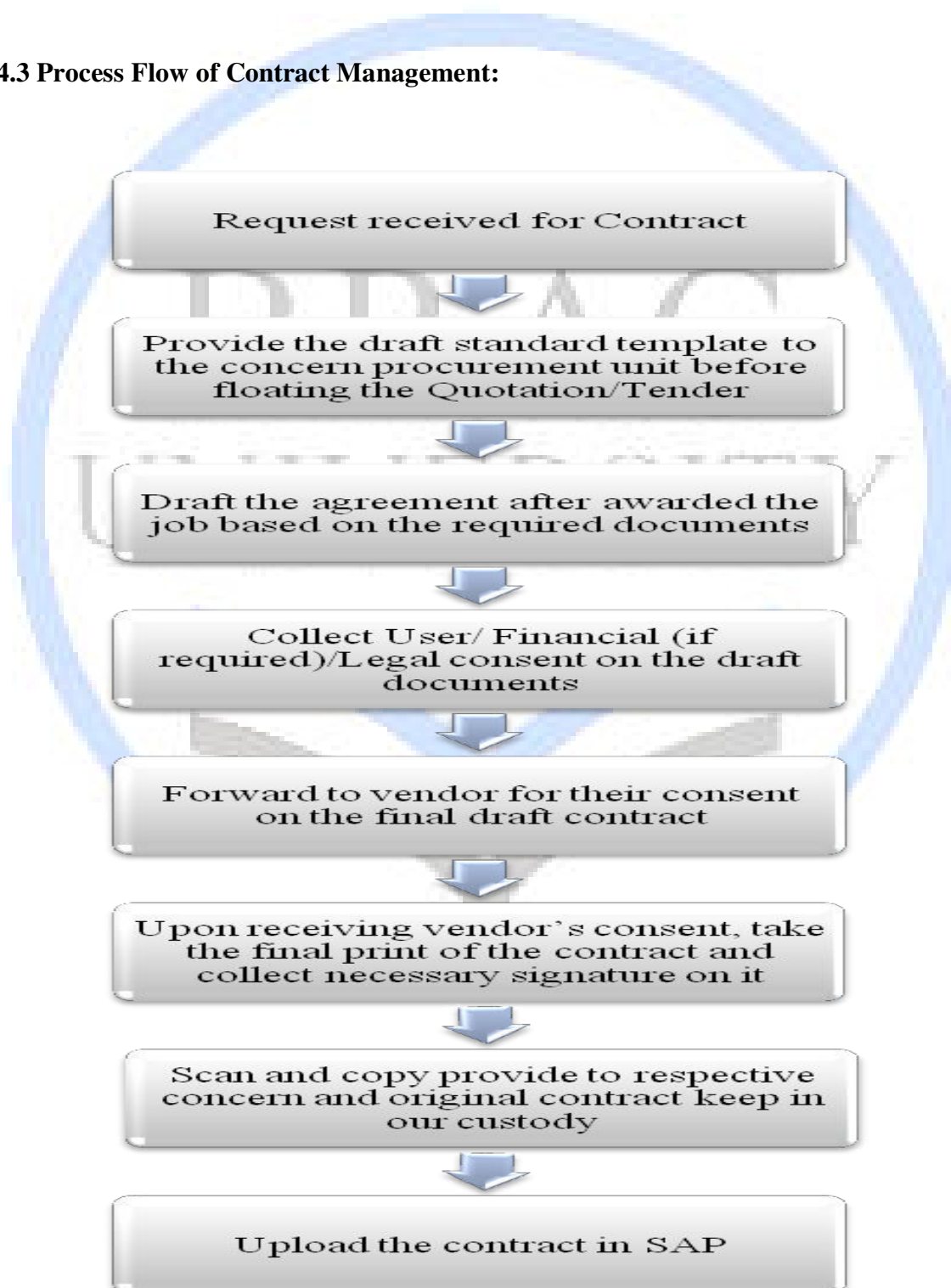
In Banglalink contract management unit in finance department is a new wing which has been established about a year ago. Currently in CM unit there are three employees who are working in managing and preparing contracts. The process contract management department is following to prepare a contract for any department is given below:

- 🐾 At first procurement unit issue new contract requisition. In the procurement team every member deals with several vendors and when they fixed the price and other concerning issue with the vendor then procurement team give requisition for a new contract to contract management unit.
- 🐾 Contract management unit gets the requisition from procurement department. After that contract management department validate the requisition as per the contract content checklist where 10-15 checking points available. So for a contract it is very important to have all the require information which is needed to match with the checklist.
- 🐾 If the entire information match with the checklist requirement then contract management unit initiates contract preparation in coordination with Legal, User, and Procurement unit.
- 🐾 Contract management unit validate all the commercial T&Cs, SOW (statement of work), SLA (service level agreement) and ROQ.
- 🐾 In the next step contract management department sends the contract to its important stakeholders like Treasury, Tax, Procurement and user for their approval or validation of the contract.
- 🐾 After all the validation achieved then they follow up with the respective stakeholder to receive the validation and then send the contract to the legal department for internal approval circulation.

- ❗ Lastly when contract management receives the final contract from Legal which has been signed by all the respective peoples then they provide one copy of contract to the vendor and another copy they keep it as a reference.

By this way contract management unit work in Banglalink.

3.4.3 Process Flow of Contract Management:



3.4.3 The main stakeholders in preparing a contract in Banglalink:

In Banglalink in contract management unit the main stakeholders are HR & Admin, Procurement, Legal and Tax. Other department those who are subscriber of the contract are known as user. Moreover user does not need to validate any part of the contract because of this reason user are not stakeholders. Stakeholders are those who need to validate their part in the contract and their approval important for the contract .In Banglalink these four are main stakeholders.



3.4.4 Validates the contract:

In Banglalink in contract management unit they do all the contract related work like managing, preparing everything. Initially all the validation like contract content checklist, all the commercial T&Cs, SOW, SLA and ROQ has done by contract management unit. Other validation like for legal things validation is done by Legal unit, For tax related approval validation is done by Tax division, price related validation done by procurement .So validation of a contract is not only depends on contract management unit but also it is inter related with the stakeholders of contract management unit

3.4.5 Importance of contract and contract management:

Contracts are known as the legal agreement between two parties according to the point of view of English law. However in the business world they are helping the vendors and the customers to maintain their own rights and obligations with the help of this contract. Adding to that, Businesses frequently use contracts to ensure that a certain level of service is maintained or that competing companies do not have access to specific economic resources. It also ensures manufacturing or production businesses can obtain economic resources at a specific price for a defined time period. Moreover, it specifies the duty of a service contracts by outlining the specific duties of a vendor company and how they will perform in a contractual agreement.

On the other hand, contract management is helping or guiding the whole company to enter into the contract and also to manage the relationship with their vendors on behalf of the user



department. Moreover, they can maintain the transparency and probity of the contract while managing the relationship between both the parties (Elsay, 2007). Contract management can also help to know the time length of the contract or if there is any penalty cost that can be occurred while avoiding the contract, the contract management team can easily calculate that cost on behalf of the company. Basically, they are the manager of contract management who will make sure that both the company and their vendors are not going beyond their obligations by maintain their own interests (Elsay, 2007).

3.5 Types of contracts' that is done in Banglalink:

3.5.1 Mood of creation: there are two types of contract-

1. Express contract- offer and acceptance of a contract which is made in words either expressed orally or in written words are known as express contract. There are two types of express contract- written and oral (business directory, 2014).
2. Implied contract- An implied contract is an agreement created by actions of the parties involved, but it is not written or spoken. In this case, there is neither written record nor any actual verbal agreement (business directory, 2014).

3.5.2 Number of parties: there are two types of contract-

1. Bilateral- this is a joint arrangement between two parties where each promises to perform an act in exchange for the other party's act. In this case, two parties are performing promises according to the agreement they have made. A bilateral contract specifies a duty to act in exchange for another party's duty to act (business directory, 2014).
2. Unilateral- In this contract where one party has to fulfill his obligation whereas the other party has already performed his obligation. Basically only one party has to act according to the agreement where other does not.

3.5.3 Mood of enforceability and validity: there are four types o contract-

1. Valid contract- a valid contract is enforceable by law because it satisfied all the requirements prescribed by law for the validity of a contract (Ohio, 2014).
2. Void contract: a void contract is a one where there is no agreement or any legal binding in the contemplation of law. There is no contract in the eye of law because it missing some fundamental principle of law to form a contract (Ohio, 2014).



3. Voidable contract: a contract in which vitiating element is available in the contract is a voidable contract. Reasons that can make a contract voidable include failure by one or both parties to disclose a material fact; a mistake, misrepresentation or fraud etc.
4. Unenforceable contract- a contract may be valid in itself but is not capable of being enforce in a court of law because of some technical defects such as absent of writing, registration, stamp or time barred etc. by the law of limitation (Ohio, 2014).

3.5.4 Mode of time of performance: there are two types-

Executed- if all the condition of a contract is performed as soon as possible it is executed contract.

Executor- there is an obligation in the contract that it will be performed at the later period of the formation of the contract.

There is also two type's special contracts- Quasi contract and contingent contract which are special types of contract.

3.5.5 According to the category of contract:

Consultancy contract: it is the contract that typically defines the purpose and duration of the duty to be performed, but not the way in which the task is to be performed by a consultant. The consultant is usually paid on completion of his duty (Ohio, 2014).

General Service contract: a contract where generally a service is described for forming the contract. Basically particular service aspect is agreed between the service provider and the service user(Ohio, 2014).

Manpower contract: this contract is to gather manpower from third party, where the third party becomes liable for their people and the work that is to be done within the time limit.

Supply contract: Supply contract that establishes the terms of working relationship between a vendor and a customer. They also mention the price and other important pint what should be fixed before starting any contract between them (Ohio, 2014).

3.5.6 Based on payment:

Mark up contract: This is a contract where suppliers get mark up or profit from their customers due to their extra services. For example supplier get extra paid for breakdown of a normal cost for finishing their work within their time limit (Ohio, 2014).

Lumsum contract: A contract under which both customers and vendors agrees to pay a specified amount for completing their duty without requiring a cost breakdown.

Unit contract: Where the customer agrees to pay for each completed unit of work. It is also known as construction contract (Ohio, 2014).

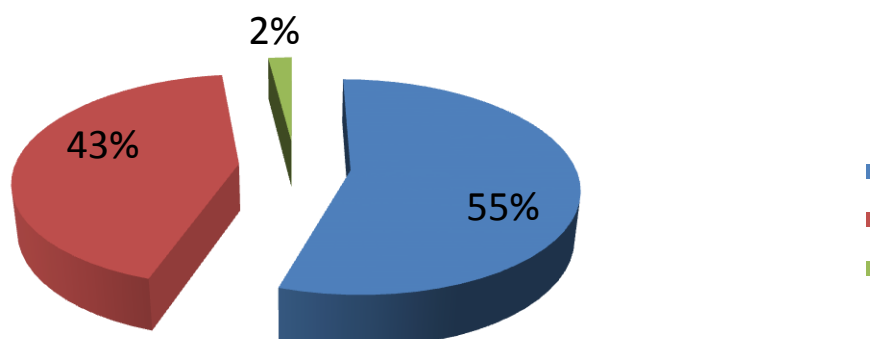
3.6 Penalty calculation:

Contract management team is not only maintaining the relationship with the vendors after and before starting the contract, they are also counting the days after finishing the contract whether the vendors were able to fill up all their conditions like delivering the goods on time, product failure, product services etc. They are using Microsoft outlook to calculate the penalty cost when their vendors are failing to deliver the goods on time. However, this calculation is not only to decrease their losses, this is to make sure that their consumers are not suffering due to their suppliers fault in delivering the goods in Banglalink on time. Therefore, contract management team will track their company contracts to make sure that the products delivery schedule has been maintained by their vendors. Vimple Com has introduced this new department to critically analyze the vendors in Banglalink. For last three years, this department has been successful in tracking out the losses that Banglalink has to go through due their vendors' mismanagement. Moreover, they are trying to upgrade their system of vendors' management style in Banglalink. This department's major policy is to make sure that their critical vendors are not trying to cost them any money due to their late shipments in delivering the goods and whether their vendors' services were good enough for Banglalink. They have to issue the penalty letter to the vendors to explain that Banglalink will cut off their payments due to their failures in delivering the goods on time. This penalty will be the same amount that their vendors have decided to pay if they fail to deliver the goods in Banglalink. (Appendix 5.2.4 has an example of penalty calculation)

A picture of penalty calculation earning from the different suppliers are shown below:



Percentage of income from different suppliers from penalty calculation



This chart is showing that the majority of their penalty cost earning is coming from their critical suppliers which is not a good sign from the point of view of Banglalink, because their major suppliers are failing to deliver their goods on time and this is generating an extra earning source for Banglalink in last three years. However, this has improved their management styles in controlling their credits and this is why a ratio analysis has been given to justify their importance in Banglalink.

3.6 Ratio Analysis:

All the ratio analysis was done from the balance sheet & profit and loss given in the appendix.

Payable days:

	2014	2013	2012
Payable days	56	61	69

From the approximate Balance sheet & Profit and loss of Banglalink, this has been shown that they have actually improved their payment days for creditors because of their contract management team. Their payables are decreasing due to this high quality management and this is helping them to make sure their suppliers payments on time. Therefore, they are not only able to improve the payments days but also they have improved their customer service by ensuring the service quality of their vendors.



Profit Margin:

	2014	2013	2012
Profit margin	-26%	-28%	-29%

Although supplier cost minimization is just only one possible way of improving profit margin for the company, however penalty calculation is actually increasing the income source for the company on the other hand they are also decreasing their payable at the same time, therefore this could be the one reason behind this improvements in the profit margin of Banglalink compare to last three years.

Debt ratio:

	2014	2013	2012
Debt ratio	41%	41%	42%

They are only 41% is financed by debt so their vendors will not think twice about giving them credit facility because they have enough asset to pay off their debt and they are now decreasing their leverage because like their competitors they will come to share market in future. Vimble com has actually now holding the majority of Banglalink shares since 2012 and they are now trying to establish their quality for future developments like they have done in Europe and other countries.

Current Ratio:

	2014	2013	2012
Current ratio	2:1	2:1	2:1

Current Ratio is the last ratio that we will discuss about because this to see how much current asset the company has to pay off their current liabilities, Vendors will try to see from their



balance sheet to ensure that the company has enough asset to pay off their liabilities. From the above analysis this is good enough for any vendors to continue their business with.

3.8 NPV Analysis For Contract management department

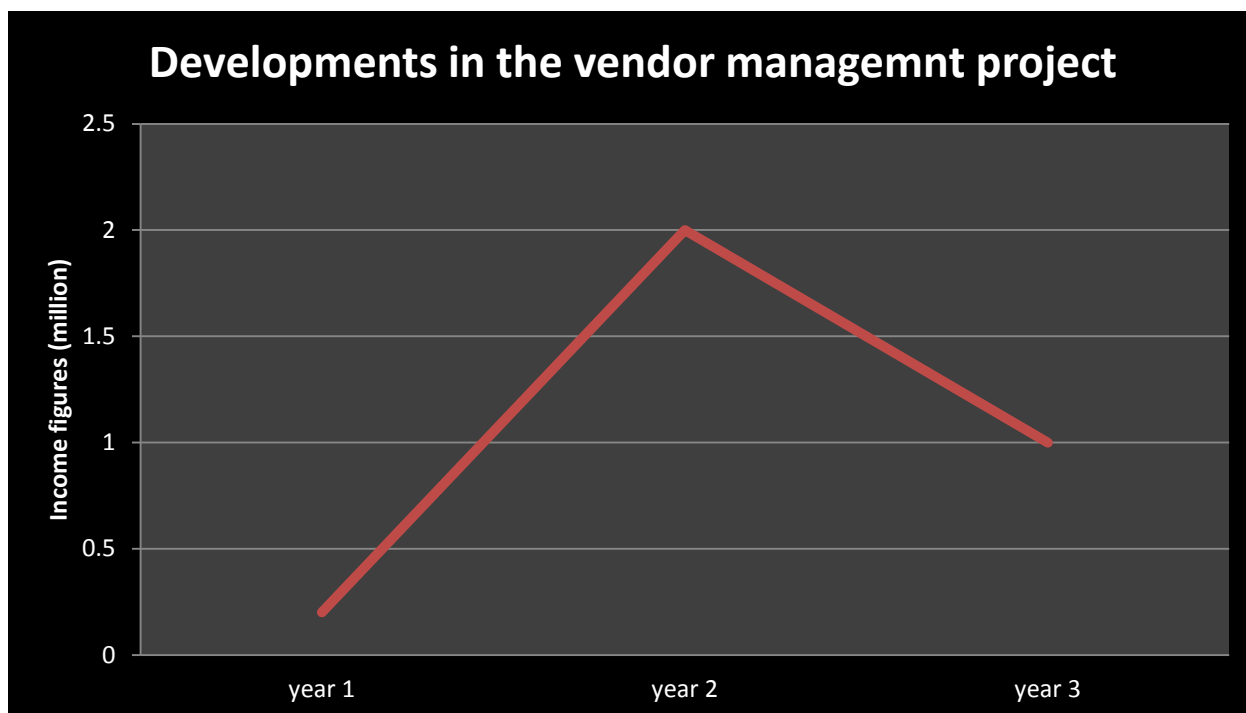
Vimple com has made an investment of 3 billion to improve their vendors' management styles. Among all those projects of their project was contract management department which has actually paid off and they really made some collection through this procedure of penalty calculations. There is chart given to show whether this investment has paid or not.

	Year 0	Year1	Year 2	Year 3	Year 4
Investment	30				
Income		0.2	2	1	

NPV	= (Inflow-Outflow)
	= (3.2-30) million
	= -26.8 million
	Negative

Basically, this project investment will not come as a positive result so soon in financial terms however the company has started some positive projects which will help them establish more efficiency in the supply chain unit. Moreover, throughout this development program they have establish few new theories which will help them to make more positive decision while making an investments in the future run. New developments are coming with 3G and video call services are coming in the future where this sort of developments in supply chain will create them an opportunity to minimize their previous cost and to expand their business with local supplies quite easily due to long lasting relationships. In this high competitive market, Banglalink is still trying to achieve their goal marks by improving their efficiency and changing their qualities according to their customers need. A graph has been discussed in the

below to discuss about the developments that has been seen with this investments for last three years.



Although the above graph is showing that the generated income from this new project has gone a little down compare to last years, still this is a positive feedback for the Banglalink that the vendors are improving their conditions day by day and critical vendors dependency is not damaging them so much as it used to do in past. Moreover, their competition which was discussed earlier has been really developing throughout this last three years due to their investments in this vendor management policy.

3.9 SWOT Analysis

Strength:

- 🐾 Disciplined approach to work.
- 🐾 Good communication with vendors & users.
- 🐾 Possession of vast area of skills by different personnel.
- 🐾 Effective and efficient Functional & Operational knowledge in the whole process.
- 🐾 Dedicated team who has willingness to work long hours.
- 🐾 Punctuality

- 🐾 Commitment towards service.
- 🐾 Problem-solving mentality and skills.

Weakness:

- 🐾 Insufficient manpower or resource constraint in the Contract Management unit.
- 🐾 Weak influence of Procurement management in the technical aspects of vendors election.
- 🐾 Bias of Users towards specific vendors “leads to weak bargaining power for company
- 🐾 Inability of Procurement unit in conducting supplier market analysis due to time constraint.
- 🐾 Lack of planning from user end leading to failure to achieve some objectives.
- 🐾 Interrupted flow of information.
- 🐾 Less motivation due to lack of recognition.
- 🐾 Less Empowerment.

Opportunity

- 🐾 Focus on process efficiency by Management to facilitate the procurement process
- 🐾 Increased scopes of work for contract administration.
- 🐾 Increased companywide control and compliance.
- 🐾 Development of more efficient ERP system in Banglalink to reduce workload.
- 🐾 Ongoing development of better coordination and communication with the related parties’ in the procurement process.

Thread

- 🐾 Presence of too many competitors in the telecommunication sector.
- 🐾 Unfavorable government policies(e.g. controlled foreign exchange regime) in regard to foreign procurement or import
- 🐾 Market saturation and growth in telecommunication sector



BRAC

Chapter four

Recommendation & Conclusion

4.1 Recommendation

- ❏ The management and commercial co-coordinators in the Procurement unit need to be more accountable and responsible for their decisions and activities before starting any contract with the vendors. Gap between management at different levels has to be decreased. Supervisors need to become aware of the status of procurement activities and projects handled by the officers. This will help contract management to have proper information about the vendors and the process will be a little easier for both the parties.
- ❏ The number of employees needs to increase in the contract management team to increase their efficiency at work.
- ❏ More collaboration is required among the department of supply chain while selecting the vendors for the company.
- ❏ More technological efficiency need to be brought for the efficiency of their departments.
- ❏ The current structure/organogram of Contract Management needs to be updated to make the department suitable for the age of digital technology.
- ❏ Vendor helpdesk should be created to provide guidelines to interested vendors. Suggestion box should be provided for the vendors to know about the changes they want from Banglalink.
- ❏ Most vendors need to develop adequate IT infrastructure to keep up with Banglalink and get new types of works, especially in the data business. Modern communication facilities like e-mail usage and constant internet connection should be set up.
- ❏ Important personnel of partner organizations like Key account managers should be given easy and quick access to Banglalink offices and premises.



4.2 Conclusion

Banglalink delivers the finest class 3G service to its customers in Bangladesh. The operational goal is being achieved through the development of vendors' management system while focusing on their supply chain departments' improvement. In Banglalink the contract, procurement, logistical, warehouse & inventory procedures are handled by the Supply chain management department. To procure any products and/ services, the Procurement unit of Banglalink's supply chain department has to follow a systematic procedure consisting of various steps. In past this department has to face problems and binding while working on their process due to miscommunication with their vendors and support from the other departments. Key challenges specific to different stages are: Lack of knowledge and skill of user department personnel about purchase orders, lack of coordination between different departments in supply chain members and disagreements between vendors and Banglalink about the penalty costs calculations due to delays in shipment and in clearing of goods from ports etc. However, contract management department has actually helped them to improve with that condition and maintain a healthy relationship with their vendors.

However, Recommendation for contract management department is that they need to increase the number of employees in their team and they need to divide their workloads in between their members. Besides, using new technological software for maintain the data up to dates will help them to track down these contracts more efficiently. Moreover, by sharing the price information and vendors payment methods will help contract management team to track down whether there is any vendor to take that money or the company is paying their money to unknown vendors.

As a whole this mentor program has actually helped all of us to improve our skills while changing our perspective about the vendors' management that we have learned so far from our normal text books. A multinational company like Banglalink has actually helped me to learn this new medium of process while giving me a co-operative environment to work.

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Chapter Five

Appendix & reference

5.1 Reference

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5.2 Appendix

5.2.1 Banglalink's 5 years position

Banglalink profit and loss (in billions)					
	2014	2013	2012	2011	2010
Operating revenue	1700	1650	1600	1500	1100
Service revenue	1700	1600	1620	1600	1500
other revenue (penalty calculationis included)	3	1	0.5	0	0
Total revenue	3403	3251	3220.5	3100	2600
Expenses	2200	2100	2000	1900	1800
gross profit	1203	1151	1220.5	1200	800
Admin expenses	1820	1800.5	1900	1900	1750
EBIT	-617	-649.5	-679.5	-700	-950
interest and tax	260	260	260	250	230
Earning/ loss after tax and interest	-877	-910	-940	-950	-1180
Balance sheet					
non-current Asset	5300	5300	5200	5200	5100
Project under construction	319	319	350	300	240.4
Intangible asset	20	20.3	20.3	30.3	30.3
Other current asset	690	680.2	689	690.3	690.1
Current asset	100	80.5	70.7	60.4	60.2
total asset	6429	6400	6330	6281	6121
Liabilities					
current liabilities*	339	350	379.5	411	391
other non-current liabilities	257	280	280	300	340
Intercompany payable	100	120	130	100	110
Long term loan	1910	1880	1880	1900	1970
Total liabilities	2606	2630	2669.5	2711	2811
Paid up capital	2700	2700	2700	2590	2590
Share money deposit	2000	1980	1900	1930	1900
Retain earning loss	-877	-910	-940	-950	-1180

5.2.2 Ratio calculations and formulas:

Profit margin= Net income/ total revenue	$\frac{-877}{3403}$ =-26	$\frac{-910}{3251}$ =-28	$\frac{-940}{3220.5}$ =-29	Changes have come due to increase in business as well as the developments in the management.
Debt ratio = Total liabilities/ Total assets	$\frac{2606}{6429}$ =41	$\frac{2630}{6400}$ =41	$\frac{2669.5}{6330}$ =42	They have a high amount of percentage to pay off their debts.
Current ratio: Current liabilities/ current asset	$\frac{330}{79}$ =2.1	$\frac{350}{760.7}$ =2.1	$\frac{379.5}{759.7}$ =2.1	Current ration looks quite good compare to normal market ratios.
Payable days: 365* total purchase/ current liabilities	$\frac{365 * 2200}{330}$ =56	$\frac{365 * 2100}{350}$ =61	$\frac{365 * 2000}{379.5}$ =69	Payable days have improved since their new management developments in the vendor's management.

5.2.3 Penalty calculation example

Green Power Penalty Delivery: Penalty Calculation for delivery										
Scar date	Lot number	Sets Deliver	Sets price	Schedule Delivery date	Actual delivery date	Delay in delivery (days)	penalty(%)	per week penalty	Delay in Delivery (weeks)	Total Penalty(BDT)
22-May-14	1	100	37,085,000	29-Mar-14	8-May-14	40	2%	741,700	5.71	4,235,107.0
27-May-14	2	50	18,542,500	18-Apr-14	18-May-14	30	2%	370,850	4.29	1,590,946.5
5-Jun-14	3	25	9,271,250	18-Apr-14	21-May-14	33	2%	185,425	4.71	873,351.8
26-Jun-14	4	25	9,271,250	18-Apr-14	15-Jun-14	58	2%	185,425	8.29	1,537,173.3
26-Jun-14	5	25	9,271,250	3-May-14	15-Jun-14	43	2%	185,425	6.14	1,138,509.5
18-Aug-14	6	27	10,012,950	3-May-14	12-Jul-14	70	2%	200,259	10.0	2,002,590.0
29-Sep-14	7	48	17,112,000	3-May-14	25-Sep-14	145	2%	342,240	20.7	7,087,790.4
18-Aug-14	1	50	18,700,000	21-Apr-14	4-Jul-14	74	2%	374,000	10.5	3,953,180.0
18-Aug-14	2	50	18,700,000	6-May-14	4-Jul-14	59	2%	374,000	8.43	3,152,820.0

5.3.4 NPV figures:

The Outflow was 3 billion that we found from the balance sheet from the total investments that was made in 2013 during the acquisitions.

Inflow was calculated by reading the other revenues were the income was included and the 3 years figures are

Outflow	1 million	2 million	.2 million

