

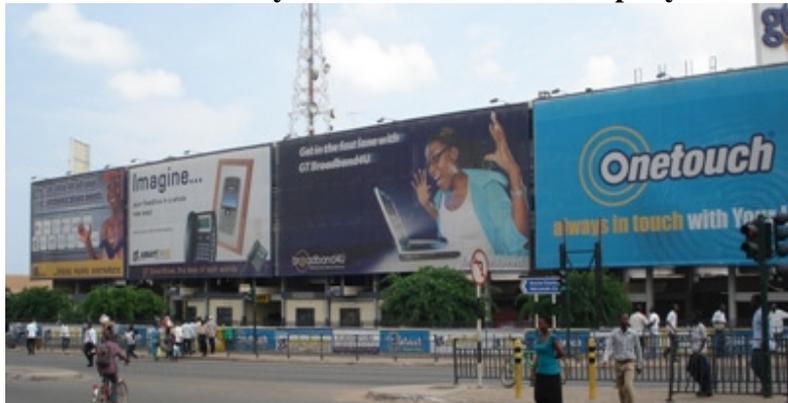


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THE IMPACT OF STRATEGIC PURCHASING ON AN ORGANIZATION'S PROFITABILITY

A case study of Ghana Telecom Company



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Abstract

Course: Bachelor Thesis in Business Administration, 15 ECTS

Topic: The Impact of Strategic Purchasing on an Organization's Profitability
A Case Study of Ghana Telecom Company

Supervisor: Mats Viimne

Background: The purchasing function contributes directly to the operating results and profitability of an organization. It has been argued out that, the fact that purchasing is responsible for spending more than 60 percent of an organization's sales dollars highlights the profit-enhancing potentials of the purchasing on an organization.

Problem: How can strategic purchasing affect the profitability of an organization?

Purpose: The purpose of this research is to describe how strategic purchasing impact on the profitability of Ghana Telecom Company.

Method: The author collected both primary and secondary data in order to fulfill the purpose of the paper; the primary data was gathered directly from relevant sources in Ghana Telecom Company, through telephone and email interviews. The secondary data was obtained from indirect sources, such as textbooks, articles, and websites. The method used can be described as a qualitative.

Conclusion: An organization's purchasing strategy is becoming recognized as a strategic weapon equal in importance to its marketing, conversion and finance strategies as pointed out by Dobler et al. Ghana Telecom Company's strategic approach to buying include multiple sourcing, short-term contracting and competitive bidding as a measure towards increasing its profitability by being able to source at the lowest cost, and having other sourcing alternatives, which leads to cost reduction.

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1. INTRODUCTION

In this chapter, the author will introduce the chosen topic as well as the statement of the problem, the problem discussion, aim of the research, benefit of the research; the research approach and the company background will be presented.

According to Saunders (1997:1), "Purchasing and supply can no longer be treated as a second-order function. The way forward lies with integrated materials management, pulling together suppliers, production, and distribution. In the years ahead, those who have not got their purchasing and supply operations right will not be competitive".

The purchasing function within an organization contribute at least as much to the success of an organization as other functions in the areas such as marketing, finance and accounting, engineering, and operations, Dobler et al (1996:3-4). In the past, purchasing was generally treated either as a routine clerical function or as a service function concerned with spending.

The purchasing department is one the few sections within any organization that is actually involved in spending the organization's cash resources and therefore has a unique opportunity to reduce some of the organization's costs and thereby increase profits, Price et al (1993:250-251). They explained that, the organization can become more profitable by the introduction of efficient and professional purchasing strategies and techniques". They further pointed out that, savings in terms of agreements, quality, delivery, price, performance, etc., are all the reward of effective purchasing that lead to profit.

During the late 1980s for an example, materials cost made up approximately 60 percent of the cost of goods and services sold in the United States. The impact of purchasing managers on company assets became very significant and very visible, Dobler et al (1996:9). These changes together with electronic purchasing systems and the growing recognition by senior management of the crucial role that must be played by the purchasing and supply management provided the motivation for change.

Purchasing managers are now involved in the broader strategic aspect of the purchasing function within an organization, new product development, selecting sources, managing costs, developing and nurturing supplier partnerships and strategic alliances, and issuing long-term agreements with carefully selected suppliers, Dobler et al (1996:9).

Dobler et al (1996:9) explained further that, 'an organization purchasing strategy is becoming recognized as a strategic weapon equal in importance to the firm's marketing, conversion, and finance strategies'. According to Lysons (1992:3-4), the term 'profitability however, has a wider-meaning than "pecuniary gain" and can be extended to cover anything that is advantageous or beneficial to an organization'.

The benefits of which include consolidation of purchases to obtain quantity discount, development of long-term purchasing agreement in return for large discount, negotiation of price reduction, controlling and resisting of price increases, and promotion of profitable purchasing opportunities by expansion of possible supply sources. How the purchasing function can enhance the profitability of an organization is in one sense, the essence of this research work.

1.1 Problem discussion

The purchasing function contributes directly to the operating results and profitability of an organization. It has been argued out that, the fact that purchasing is responsible for spending more than 60 percent of an organization's sales dollars highlights the profits-enhancing potentials of the purchasing function on an organization, Carter (1993:6). But it is rather unfortunate that, many organizations 'think' any person within the organization can be purchasing manager, that is, they think it is a matter of making sure that materials comes into the organization and issue to other departments when needed, Court et al (1997:40-41).

In most organizations, there is the need to achieve continuous process improvement, in order to produce products or services more effectively which would enable them to give their customers better value. According to Fearon et al (1997:25), "one of the keys to accomplishing this, is working with key suppliers to help them provide high quality, faster and more reliable delivery, innovative design, production, distribution ideas and a lower total product or service cost".

The author further argued that, 'this kind of purchasing within the supply chain must be supported by the suppliers of the purchasing organization; but so far, it has received more lip service than accomplishment, except in few leading-edge companies'.

According to Court et al (1997:1) in many organizations, purchasing remains the least understood and most ineffectively managed of all the business processes. Quite apart from the monetary loss and devastating effect on profit forecasts, mistakes can consequently threaten the viability of the enterprise by allowing costs to rise or delaying the introduction of new products or services into the marketplace, leading in turn to a loss of competitiveness. He further explained that, 'in spite of this, management in most organizations still persists with outmoded and out of place theory.

The idea of forging long-term relationship of various forms is widely held by many organizations especially in this 21st century. However, many forms of relationships are unstable and often result in unplanned termination. Purchasing managers in an organization are therefore obliged to safeguard their supply relationships as carefully as their customer relationship for greater

efficiency and effectiveness particularly as the success of the organization is linked in part to its supply partnership, Tzokas et al (2007:282).

He further argued that, as companies are encouraged to strategically source from fewer suppliers due to market pressure, it is in the interest of suppliers to be certain as to the criteria they would be judged on by buyers, particularly those adopting strategic purchasing which calls for closer scrutiny of the supply relationships.

According to Tzokas et al (2007:283), “the evaluation of suppliers is one of the most important roles the purchasing function plays. However, a number of shortcomings have been noted in the area of supplier sourcing decisions. These include the following; little attention has been devoted to examining how well suppliers perform on the criteria for supplier sourcing, a lack of comprehension among many suppliers of the attributes that determine buyer decision-making and the importance of these attributes.

An organization’s profits is to a large extent, determined by how effectively it purchases materials from its suppliers and how these materials are managed by the organization. Zenz (1994:5-6), argued that, the efficiency of any organization is subject to the availability of component parts and materials purchased in a proper quantity, quality, and price’. For this reason, disappointment in any of the above mentioned increases cost and decreases profit and can precipitate economic crisis for the organization.

The importance of skills, knowledge and professionals possessed by an organization cannot be underestimated, especially in these times of a more rapidly changing environment with heightened competition in world markets, more varied customers’ demands and rapidly changing technologies. Saunders (1997:284) explained that ‘ideas concerning the management of human resources need to include ways of ensuring that learning takes place and that the fruits of it are implemented in commercially viable innovations’.

Finally, but not the least is that, sound strategic purchasing is the development of internal relationships that lead to understanding among the various units or departments within the organization. According to Zenz (1994:10-11), ‘no other function involves more contact with and reliance upon other departments than purchasing’.

Zenz (1994:10-11) further explained that, purchasing decisions and actions influence other units such as marketing, accounting, inspection, engineering, logistics etc. and that to be effective, purchasing must have the respect and cooperation of all the above mentioned units or departments and be able to interact in all management decisions about materials cost and controls. Zenz (1994:10) again argued that, through this, the purchasing professionals as one of its major objectives would be able to educate top management about its ultimate profit-contributing potential to the organization.

1.2 Problem statement of the research

How can strategic purchasing affect the profitability of an organization?

1.3 Purpose of the research

The purpose of this research is to describe how strategic purchasing impact on the profitability of Ghana Telecom Company.

1.4 Benefit of the research

This research work would be of importance to the management of manufacturing firms and service providers, which deal in industrial purchasing as a suggestion towards the improvement of purchasing activities within the organization.

1.5 Scope of the research

This research is concerned primarily with industrial purchasers and how they influence the managerial decisions and profitability in Ghana Telecom Company. This work is limited to the procurement activities within Ghana Telecom Company and does not intend to serve as a generalization in the field of strategic purchasing.

1.6 Research approach

This research is going to be structured as seen in the diagram below. It would be divided into seven chapters. The second chapter presents the research method; the third chapter covers the frame of reference. The fourth chapter depicts the author's Findings/results. The fifth covers the analysis. The sixth chapter will include the conclusions and, and the seventh contains the list of references and appendixes.

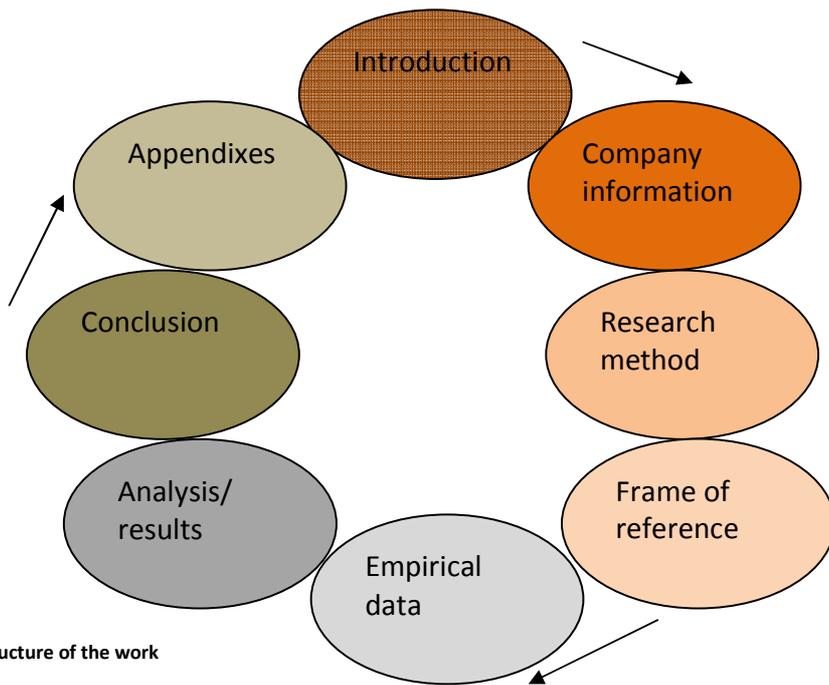


Figure 1: Structure of the work

2. Company background

2.1 Introduction

In this chapter, the author would introduce the company, and give background information as obtained from the company's website.

2.2 History of Ghana Telecom

Ghana Telecom was a wing of the former Post & Telecommunications (P&T) Corporation, which was established after World War II, and incorporated in 1974. Until then, (P & T) was a department of the Ghana Civil service under the supervision of the Public Works Department (P.W.D). The P & T became a corporation in November 1974. As part of a restructuring program under the Government of Ghana's Telecommunications Sector liberalization policy, the corporation was split into two autonomous institutions:

- Ghana Postal Services (Ghana Post), and
- Ghana Telecom Company Ltd. (Ghana Telecom)

On June 16, 1995 (GT) was incorporated as a successor to the telecommunications division of the then P&T. The company has ten regional offices after the ten regions of Ghana.

2.3 Staff strength/structure

Ghana Telecom's staff strength stands at approximately three thousand, nine hundred (3,900) with eleven (10) levels of titles. There is the Chief Executive Officer, Deputy Chief Executive Officer, Chief Officers, Deputy Chief Officers, General Managers who constitute the policy makers; then the Chief Managers, and Managers who are the policy operators; and then the Assistant Managers, Principal Officers below who are the policy recipients.

2.4 Services provision

Ghana Telecom's operating license allows it to render the following communication services:

- Voice Telephony
- Cellular Communication - (ONE Touch, Fixed Cellular Phone (FCT), GSM payphones)
- Internet Services - (Dial-up, GNet Access, Broadband4U, Fast net,)
- Telex
- Telegraph
- Satellite Communication - (Very Small Aperture Terminals (VSAT)
- Payphone - (Fixed lines and GSM payphones services)

- Centrex - (Public Switch Telephone Network (PSTN))
- Lease Lines/Circuits – (Immasat, Capacity leasing such as 64 kbps)
- Operators Access - Full Access for n x 64 kbit/s xDSL
- Call Centre – a Customer Services centre.
- Network Operating Centre – a network monitoring centre
- Training - GT provides training for its own staff and others.

Ghana Telecom has invested in a multi-million dollar Submarine Fiber Cable Project, which has been operational since 2002. This project provides a reliable alternative traffic route between Western Europe, Americas, and Asia. This is able to accommodate about thirty thousands (30,000) voice channels at any given time.

The optic fiber cable has made it able for Ghana to have direct telecommunications services to majority of African countries and ensure that intra-African traffic remains within Africa.

2.5 Strategic business units

Ghana Telecom operates within a three strategic business units. These are:

- Fixed Network Services Business Unit (FNS),
- ONE touch Business Unit (OTS) and
- Payphone Business Unit.

Chief Officers head all the units. The other non-technical and supportive units such as Procurement Department, Property Department, Logistics Department, Information Technology Department, and Ghana Telecom University College are grouped into one unit referred to as Shared Services Unit, which is also headed by a Chief Officer.

However, Finance and Accounts, and Human Resources Management are units on their own, headed by Chief Officers.

The aim of these units into strategic business unit is to enable the heads of the unit to strategically propagate the services provision within their units' profitably. The General Procurement department, Technical Procurement department as well as Logistics department is headed by the General Manager, which is a top managerial position.

2.6 Ghana Telecom's Mission

The mission of GT is to provide reliable, efficient and flexible telecommunication services to customers with emphasis on innovation, technology and continuous manpower development. They also plan to emphasis on meeting stakeholders expectations in attaining regional excellence.

3. METHODS

3.1 Introduction

The method of the research would be described in this chapter, showing the strategy used. The choice of company and the aim of the research would be presented and discussed. The choice of the method used will also be justified; the design of the study and the methods of data collection will be described. The test of the method in the area of validity, and reliability would also be discussed in order to justify the preferred method.

The diagram below will further illustrate it:

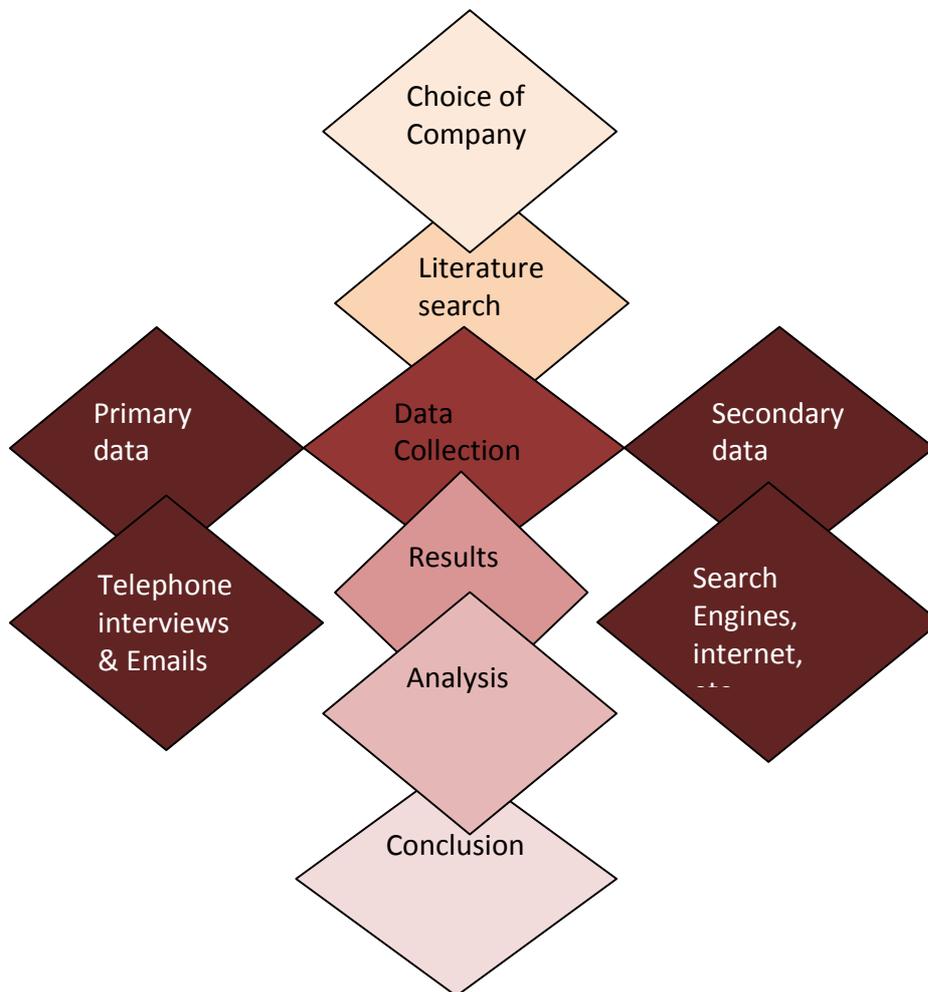


Figure 2: Research method

3.1 Research strategy

According to Yin (2003:13), a research strategy “is an empirical inquiry that investigates a contemporary phenomenon within its real life context especially when the boundaries between phenomenon and concept are not clearly evident”.

The author of this research has chosen to make a single-case study on a given phenomenon in a particular organization. Yin (2003:1-7), defined a case study as a research strategy is used in many situations to contribute to the knowledge of an individual, group, organizational, social, political, and related phenomena. He further argued that case studies are one of several ways of doing social science research; other ways include experiments, surveys, histories and the analysis of archival information.

Yin (2003), also points out that the first and most important strategy for differentiating among the various research strategies is to identify the type of research question being asked and suggest that generally “HOW and WHY” questions are likely to favor the use of case studies, experiments or histories. However, the case study is preferred in examining contemporary events but, when the relevant behaviors cannot be manipulated.

This research strategy begins with presenting the authors’ choice of company and the aim of the research. Followed by, the method used for data collection and the type of data collected. The primary and secondary data obtained is described. The method of data analysis used would also be shown; in this case, the authors used a qualitative method. The search for relevant literature which forms the basis, motivation and the foundation of this research would be discussed in relation to the method used in collecting the primary (empirical) data from the organization.

Based on the findings from the primary and the secondary data obtained, the author would proceed to make an analysis and conclusions in relation to the theory used.

3.2 Choice of company

The author was motivated to make a research on the topic because of his personal interest in the field of purchasing and supply, and the company chosen fueled more interest in researching in the area.

The company is a National strategic asset in Ghana, and the “national carrier” in the country. However, at an initial search, the author discovered that the company engages in bulk purchasing of materials, both domestic and from abroad in order to finally produce Tele-services to the end users.

In addition, the company is a typical example of an organization where purchasing constitutes a major percentage of the resources and activities. The author therefore decided to carry out this research using Ghana Telecoms for all the reasons presented above.

3.3 Data collection

The author collected both primary and secondary data in order to fulfill the purpose of the paper; the primary data was gathered directly from relevant sources in from Ghana Telecom Company, through telephone and email interviews. The secondary data was obtained from indirect sources, such as textbooks, articles, and websites.

As Saunders et al (2007:322) explained that primary data is collected when a particular purpose arises while secondary data are already collected data which has been published and for which new researchers can rely on as a source of information. The author however, has chosen to use both primary and secondary data for the research, being a single case study and requiring valid resources in order to produce a trustworthy research.

The author structured the questions based on the factors relevant to the concept of strategic purchasing as obtained from literatures in the supply chain management field. The aim of the questions is to draw out from the respondents' information about the operating patterns obtainable in Ghana Telecom Company, so that the author can make a good analysis using the given information.

However, the author has also referred to the respondents as being relevant sources from the company, and is therefore of the opinion that the information therefore obtained through those respondents are reliable and trustworthy. The judgment for this qualification is based on the position of those respondents in Ghana Telecom Company as senior officials responsible for the policy decisions affecting the business.

3.3.1 How data was collected

The author at the start of the project made a call to Ghana Telecom Company after a search of a company to focus on, and was referred to the Chief Officer, Human resource manager's office (HRM), Mrs Stella Appiah Nkansah. However, because of the sensitive nature of the area of information required, the HRM further redirected the author to the CEO.

Ghana Telecom as stated before is the "national carrier" of the country (Ghana) and the government has an interest in its activities, so getting information has more or less political implications for the staff involved. Therefore the CEO would be in the best position to offer such information and whomever he may redirect the researcher to.

After the initial call, the CEO fixed a date for the telephone interview with the author as fitting with his busy schedule, and thereafter referred the author to the AFCO for further enquiries since he is also part of the executive management.

After another telephone interview with the AFCO, the author was further redirected to the PPO, where he carried out both telephone and email interviews, in order to cross-check and compare the information received so far, to enable him present an accurate empirical data required for the research.

3.4 Primary data

According to Yin (2003:83) “evidence from case studies can come from six sources: documents, archival records, interviews, direct observation, participant-observation, and physical artifacts”.

In addition, Bums (2000: 485) argued that, primary data are firsthand information obtained for a research. This could be in the form of an interview, records written and kept by people involved in, or who bear witness to an event. The author in this research is using interviews as the source of the primary data.

The rationale for collecting primary data for this research work is to acquire sufficient information regarding the purchasing activities within the Ghana Telecom company and how it applies to the concept of strategic purchasing on an organization’ profitability, in order to find an answer to the problem statement and consequently fulfill the purpose of the research.

The author has used:

- Telephone interviews
- E-mails as primary data

Since the information needed for this research is considered strategic in nature because of the company involved, the company officers at the helms of affairs were deemed the relevant people to call to interview. The officers interviewed are part of the executive management. The acting chief financial officer (AFCO) and the chief executive officer (CEO) are part of the policy makers and executors of the Ghana Telecom Company.

The principal procurement officer (PPO) reports directly to the Shared services Officer (SSO), and both the SSO and the AFCO report to the CEO. The information therefore obtained from these officers is judged reliable and trustworthy based on their positions in Ghana Telecom Company.

3.4.1. Telephone interview

A telephone interview was conducted from the Mälardalen University campus and from the author’s residence in Vasteras-Sweden on the 2nd, 11th, 20th and 30th July, 2008 respectively

with Mr Dickson Oduro Nyaning (CEO), Mr. Joe Owusu-Ansah (ACFO) and Mr. Enoch Dugbartey (PPO) who are the relevant staff in the management of Ghana Telecom Company.

Due to the distance involved between the author and the chosen company, this approach was most recommendable, as it allowed the author the ability to engage the respondents on the substantial issues based on the information needed for the completion of the research. The author asked unstructured questions, which had already been prepared to make it easier for the interviewee to follow.

The purpose of the interview was to get a clear picture on how the company deals with issues concerning the purchasing of materials in Ghana Telecoms and to get a clarification of certain questions, which the respondents could not respond via e-mails.

3.4.2. Emails

The author used e-mails which were sent to the respondent (Mr. Enoch Dugbartey, Principal Procurement Officer) as part of the primary data for the research. The emails contained relevant structured questions for the respondent involved. The aim of the email was to enable the respondent to have ample time to reflect on the questions and give detailed answers regarding them. The emails were sent on the 15th of July and 1st of August, 2008 respectively.

The Emails were sent as part of supportive information, with possible answers to enable the author fill out on little details missing during the course of the telephone interview.

3.5 Secondary data

The Secondary data was also collected through official records, textbooks and electronically stored materials, articles from subject-related journals, search engines and from the Company's own webpage. According to Saunders et al (2003:201-202), the advantages of using this source of data is that, it saves particularly time and money for the researchers.

Secondly, the researcher is able to analyse far and larger data sets. In addition, the researcher has the opportunity to think about the theoretical aspirations and substantiate issues, as there is more time to analyse and interpret data.

3.6 Literature search

According to Saunders et al (2007:74), "a literature search "is a systematic search of one or more databases for material on a specific subject". It gives the researcher an insight to see clearly how the research at hand relates to previous researches.

The main sources of literature were made up of journals and articles, which were consistent with the topic, and were obtained from Mälardalen University online databases and search

engines. Google scholar database was used to give the author broader access to scholarly literature on the topic. In search for journals and articles, the search words used were purchasing, strategic purchasing, sourcing, and supply chain management, in order to get precise information regarding the area of research.

3.7 Reliability and validity tests

Burns (2000: 417) argued that, reliability is based on two assumptions. The first is that, the research can be repeated. This means that other researchers should be able to follow the steps of the original research, using the same categories of the study, the same procedures, the same criteria of correctness and the same perspectives. However, due to the nature of ethnographic research that is how it is usually conducted, it is said to be vulnerable to replication difficulties.

The second assumption is that two or more people should be able to have the same results by using these categories and procedures. However, in ethnographic research this is difficult to achieve since mostly in this case the flow of information is dependent on social role held within the group studied and deemed appropriate.

Because of the indispensability of a reliable research work, much scrutiny was made to obtain the right data and information which the author thinks are reliable and valid. Data was collected from a number of scientific researches in support of the frame of reference. The telephone interviews and emails received were done with key people responsible for corporate decision making in Ghana Telecoms. The author believes therefore that, the information obtained is trustworthy and reliable.

3.7.1 Internal validity test

According to Yin (2003:34), “this test is to establish a casual relationship whereby certain conditions are shown to lead to other conditions”. The author therefore collected data from a considerable amount of researchers in relation to the theoretical framework to guarantee the internal validity of the research.

References to all sources mentioned were shown to strengthen the internal validity of the research. The telephone interview guide was generated based on a given framework to ascertain consistency and coherency throughout the entire research. The materials used in constructing the theoretical framework are reliable sources from published books and articles, and from various acclaimed authors in the purchasing and supply chain management field.

These authors are recognized members and have good standing with the Institute for Supply Management (USA) and the Chartered Institute of Purchasing and Supply Management (UK), and thus an authority in the discipline.

3.7.2 External validity test

According to Yin (2003:34), “this test has to do with establishing the domain to which a study’s finding can be generalized.” The external validity of the research was established to see if really the practice of strategic purchasing in Ghana Telecom Company reflects or differs from the theories presented in the frame of reference. The findings are limited to the investigations carried out on the chosen relevant staff of Ghana Telecom Company.

3.8 Method critique

According to Bryman (2004:284), “research works can be too subjective”. By this, it means that findings rely too much on the researcher’s often unsystematic views about what is significant and important and also upon the close personal relationships that the researcher strikes up with the people studied.

However, the author believes that the questions asked were useful in extracting the kind of information needed by the respondents, and the method of data collection appropriate based on what is available.

The author is of the opinion that this research work carried out on Ghana Telecom Company cannot be used to make generalizations regarding similar companies in the same industry, since the research is a single case study. However, the research can be viewed as a contribution to the study of strategic purchasing in organizations.

Because of the geographic distance involved between the author and the chosen company, the author believes that more questions would have been asked and responses received which would have contributed to the empirical data needed for the project.

The insufficient phone calls during the course of the telephone interviews, seconded by the tight schedule of the respondents made it difficult for the author to get more respondents in the company in order to gather more information.

Finally, the email was responded to by only one of the available respondents, because of the inability of the others to give detailed responses based on time constraints on their parts.

4. FRAME OF REFERENCE

4.1 Introduction

This is where the author would develop theories for this research. According to Strauss et al (1998:19-21), “theory refers to a set of well-developed concepts related through statements of relationship, which together constitute an integrated framework that can be use to explain or predict phenomena”. The theories developed therefore would be used as a frame of reference for this research.

4.2 Purchasing and purchasing strategy

A strategy is an action plan designed to permit the achievement of selected goals and objectives and if well developed will connect the organization to the environment as part of the long-term planning process, Fearon et al (1997:643). According to him, “an overall purchasing strategy is made up of sub -strategies, each of which is developed by using all available information in the formulation of a plan directed at the achievement of a specific purpose”.

Purchasing strategy therefore, from the point of Court et al (1997:13), is concerned with identifying, selecting and implementing an overall change program designed to place the purchasing process at the heart of a business so enabling it to make the maximum contribution to corporate profitability while gaining a commercial competitive edge. The author was also of the opinion that, purchasing strategy “is the foundation on which strategic purchasing is based”. Thus, purchasing strategy may be regarded as the foundation stone of strategic purchasing.

Purchasing takes place in many diverse undertakings in both private and public organizations. The term purchasing is widely used in the private industry, while many public sector undertakings such as local authorities and district and regional health authorities use the term supplies, Lysons (1992:20). According to Court et al (1997:2), purchasing is “the process by which a company (or other organization) contracts with third parties to obtain the goods and services required to fulfill its business objectives in the most timely and cost-effective manner”.

However, Zenz (1994:6) is of the opinion that, purchasing is a managerial process that goes far beyond simply buying materials. He further explained that, it includes;

- planning and policy procedures that cover a wide range of related activities,
- including research and development as required for the proper selection of materials and sources,

- ascertainment of delivery, inspection of documents on incoming shipments to ensure quantity and quality compliance,
- development of procedures to implement buying policies,
- And the coordination of purchasing activities with other internal divisions of the concern such as engineering, production, accounting etc, in order to develop an effective communication with top management to ensure a complete appraisal of the performance of the purchasing function.

4.3 Strategic purchasing approach

As the level of attention paid to purchasing and supply increases, purchasing tends to become more strategic, concentrating more upon such activities as negotiating long-term relationships, supplier development, and total cost reduction rather than ordering and replenishing routines, Farmer et al (1994:8-9).

According to Court et al(1997:12-13), strategic purchasing “is the development of ways of approaching and interacting with the supply-market, taking account of not only the present situation but also how it might develop in the future”. He explained further that, strategic purchasing is based on the belief that, the buyers can determine and change the supply-market within which they function.

However, Tzokas et al (2007:283) defined strategic purchasing as “the process of planning, implementing, evaluating, and controlling strategic and operating purchasing decisions for directing all activities of the purchasing function towards opportunities consistent with the firm’s capabilities to achieve its long-term goals”. He stressed further that, strategic purchasing requires the buyer to take a much more proactive role in persuading suppliers to meet their needs or reverse marketing.

Purchasing effectiveness is essential for business organizations operating in a competitive environment, Carter et al (1998:15). However, they argued that, sustaining an effective and efficient purchasing function requires that the organization formulates and implements an effective purchasing strategy upon which strategic purchasing is based.

According to Paulraj et al (2005:4) “the growing importance of supply management has led to an increasing recognition of the strategic role of the purchasing function, which has evolved into a strategic function, been recognized as a critical driving force in the strategic management of the suppliers and been relied upon to create value-added services”. Brookshaw et al (1997:246), however, argued that, the need for strategic purchasing by organizations is a response to emerging dynamics of competition in the global environment.

The effect of strategic purchasing in an organization can be described as pointed out by Paulraj et al (2005:5-6) viz;

Communication: The ability of strategic purchasing to foster close working relationships built on trust constitutes a significant impact on two-way communication and knowledge transfer. Moreover, in line with relational competency perspective, when the purchasing function is strategic, the buying firm is more likely to foster knowledge development and close interactions with key suppliers. Through effective communication, strategic purchasing contributes to the development and maintenance of inter-organizational routines that enhance organization's capability for effectively managing strategic alliance.

Supply base reduction: The importance of strategic relationships with suppliers has grown in prominence since purchasing has become more strategic in nature. A corporative or close relationship refers to the process of working together, over an extended period of time, for the benefit of both organizations.

By promoting such closer and long-term relationships between the focal firm and its suppliers, strategic purchasing is able to foster greater commitment and trust, which are central to relationship marketing and management, which also leads to greater cooperation, reduces functional conflict, achieves greater responsiveness to the needs of their suppliers, enhances decision making under conditions of uncertainty and ambiguity and reduces the propensity of partners to exit the exchange relationship.

Long-term relationship: This is an extended cooperative arrangement between two or more independent organizations that engage in business activities for mutual economic gains.

4.4 The purchasing cycle

The purchasing cycle includes a number of steps, beginning with the determination that a product or a service is need. For goods, the cycle ends when the organization has consumed or disposed of the item. For services, it generally ends when the final payment has been made, Dobler et al (1996:749). However, according to Court et al (1997:26-27)"the cycle starts with the identification of a need, moves through budget approval and then authority to proceed".

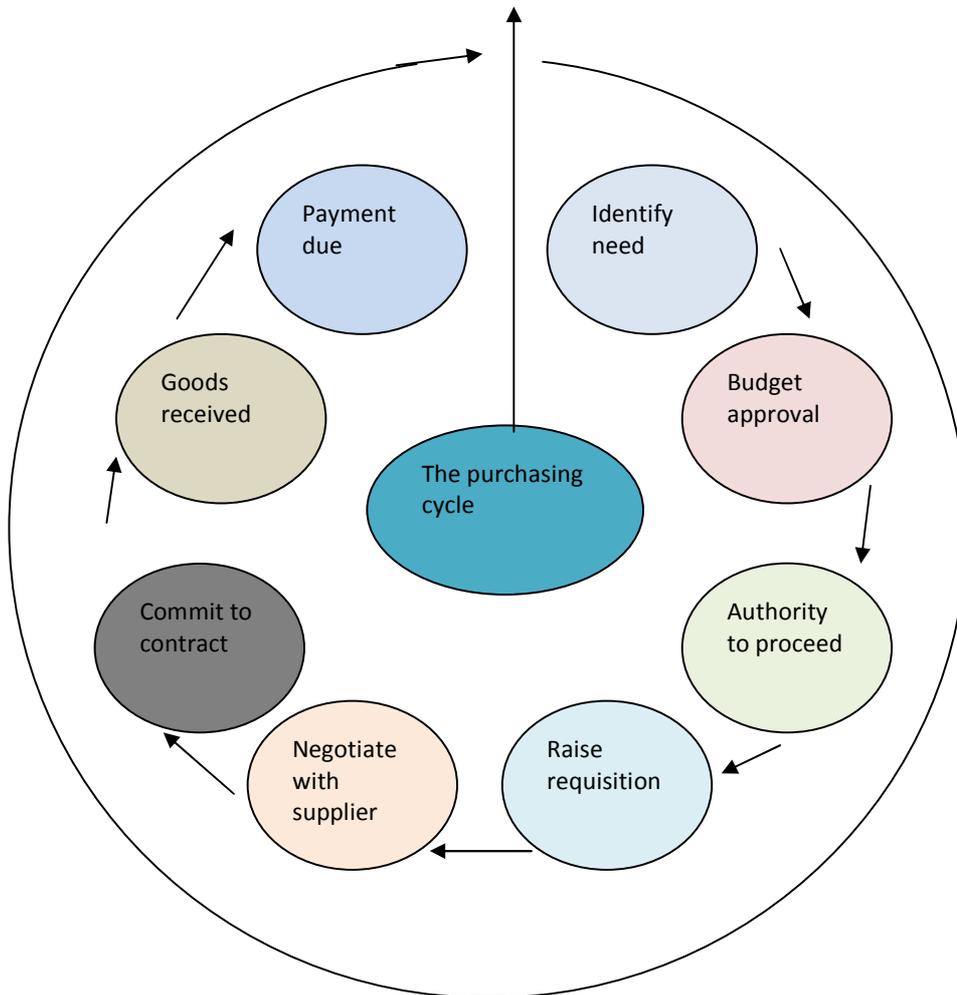


Figure 3: The purchasing cycle (Revise diagram)

4.5 Purchasing function and purchasing department

According to Dobler et al (1996:24) “at the moment most firms would agree that the purchasing function should be a central part of the operation of the enterprise”. They further pointed out that, all the functions of business must be engaged into a unified whole if management is to fulfill its primary responsibility of optimizing organization’s profit.

According to Lysons (1992:20) “there is significant distinction between the purchasing function and purchasing department”. He further explained that, the former is a basic function common to all types of organizations but the latter is an organizational unit of an undertaking, the duties of which vary according to the nature of the business, its historical development and its management orientation.

However, Dobler et al (1996:24-25) also argued that, as a function, purchasing is common to all types of business operations where as the purchasing department is an organizational unit of a firm whose duties may include responsibility for part or all of the purchasing function and perhaps additional activities as well.

They further pointed out that, the purchasing function is usually performed most effectively and efficiently by centralized unit made up of buying specialists, who at times may work in conjunction with a more comprehensive cross-functional team of specialists.

4.6 The functions of the purchasing department

According to Lysons (1992:10-11) “the classic definition of the overall purchasing function is to obtain materials of the right quality in the right quantity from the right source delivered to the right place at the right time at the right price”. He argued further that, an expanded statement of the purchasing function for a manufacturing or service organization would be along the following lines:

- To make the maximum contribution to the competitiveness, profitability and survival of the organization.
- To ensure continuity of supplies to meet the requirements of production and all other functions.
- To buy industrial equipment, materials, supplies and services at the lowest cost commensurate with acceptable standards of quality and delivery.
- To ensure that investment in inventory is at the lowest level compatible with safety.
- To keep losses in inventory arising from duplication, waste deterioration, obsolescence or pilferage to a minimum and dispose of surplus items on the most favorable terms.
- To build up supplier goodwill by such means as fair dealing, the provision of co-operation and assistance and prompt payment.
- To integrate the purchasing activity with all related functions of the undertaking by working in close collaboration with those function especially concerning the interchange of information and expertise etc.

4.7 Centralized and decentralized purchasing strategy

As a business grows, an organization's structure will evolve as activities become grouped into sections, departments and higher administrative units such as divisions. Sometimes these departments undertake their own purchasing. In central and local government, what is known as coordinated purchasing is that, in which the requirement of the undertaking for a particular item are aggregated and orders placed by the largest user department on behalf of all the user department, Lysons (1992:20-21).

According to Dobler et al (1997:124) "a centralized purchasing management office is established at the corporate level, with the chief purchasing executive usually reporting to the president or executive vice president". He explained further that, the duties of the centralized office include strategic planning, research, and specialized buying of which requirements consolidation produce the greatest profit. Many of the vital long-term contracts are negotiated centrally, and then orders are issued against these contracts in accordance with their needs.

Lysons (1992:21-23) pointed out that, the main argument for centralized purchasing includes;

- Centralized purchasing enables an undertaking to use its bargaining power and resources to the best effect since suppliers dealing with a central purchasing department have the incentive of competing for the whole or a substantial proportion of the undertaking's requirement.
- Suppliers dealing with a central purchasing department have the incentive of competing for the whole or a substantial proportion of the undertaking's requirements;
- Budgetary control may be applied both to the purchasing department and to the total expenditure on supplies;
- Competitive buying between departments within the organization is eliminated;
- Staff training and development can be undertaken on a systematic basis;
- Suppliers find it more convenient to approach one central purchasing department than a number of individuals or plants.

He explained further that, the main arguments against channeling purchases through a centralized department is that, user department are the best judges of what to buy and where to buy it from. Where the buyer lacks technical knowledge, time is saved if design or user department deals directly with suppliers.

According to Lysons (1992:23) "purchasing may be completely decentralized where the group is a conglomerate consisting of a number of plants each producing widely dissimilar products or services". In this case, purchasing is done at plant level since the materials and components used are specific to the location. He argued further that, complete decentralization is supported by such arguments as:

- Since the efficiency of purchasing influences profitability, the manager of each plant should have control over the expenditure incurred on materials for his plant;
- Local purchasing undertaken for social reasons, i.e. plant is part of the community in which it is situated and can by the exercise of its purchasing power contribute to the prosperity of the locality.

Lysons (1992:2) also described the disadvantages of decentralized purchasing as;

- Competitions between plants may leads to a loss of group purpose
- There is competition among departments

4.8 Supplier sourcing and evaluation

Sourcing decisions should be incorporated into the operating strategies of the purchasing organizations to support or even improve their competitive advantages, Hui et al (2006:297-298). They further explained that, an organization's profitability is determined and defined largely, by its sourcing strategy. Thus, sourcing strategically has been considered as one of the key drivers for organization's survival and growth, Hui et al (2006:298).

However, Zenz (1990:161) argued that, 'sourcing is a strategic philosophy of selecting vendors in a manner that makes them an integral part of the buying organization for the particular components they are to supply'. He further pointed out that, the most important purchasing decision is concerned with selecting the sources of supply. That is, if the correct source decision is made in a particular instance, the buying organization's needs should be met perfectly. In such circumstances, it would receive the right goods in the right condition, in the right quantity, at the right time and at the right price.

When it comes to the importance of source selection, Dobler et al (1996:212-214) argued that a good supplier is an invaluable resource to the organization requiring its products or service. He further pointed out that, such suppliers make a direct contribution to an organization's success and can therefore assist their customers with product development, value analysis, and timely delivery of the desired level of quality. According to them, "the right supplier is the key to obtaining the desired level of quality, on time, at the right price, the necessary level of technical support and the desired level of service".

The evaluation of suppliers is a continuous undertaking, which means that current suppliers have to be monitored to see if expected performance materialized. According to various literatures on purchasing and supply management (Fearon et al, 1997, Dobler et al, 1996, Farmer et al, 1994) most organizations evaluate supplier performance based on quality, price, delivery and service. They therefore went further in explaining the above-mentioned criteria for evaluating supplier's performances as follows:

Quality performance: Quality in the simplest sense refers to the ability of the supplier to provide goods and services in conformance with specifications. It may also refer to whether the item performs in actual use to the expectations of the original requisitioner, regardless of conformance with specifications. Thus, it is often said an item is “no good” or of “bad quality” when it fails in use, even though the original requisition or specification may be at fault. It is therefore normal of organizations to evaluate supplier performance very closely and in sufficient detail to enable the pinpointing of corrective action.

Price performance: Purchasing materials at the right price is important; it literally can mean the difference between organization’s success and failure. Professional purchasers interpret the right price to mean a price that is fair and reasonable to both the purchaser and the seller. Actual performance of a supplier is evaluated as discrepancies between agreed-to prices and those actually invoiced by suppliers are normally brought to purchasing attention. Price evaluation of suppliers is therefore used against the actual price versus lowest price received from other suppliers supplying the same requirement.

Delivery performance: Delivery performance of a current supplier is fairly evaluated if good records exist of the delivery promises and actual receipts and few modifications have been made on an informal basis.

Service performance: Service includes before-sales service for some products and after-sales service for others. Accurate quotations, reliable delivery times, ease of contract with persons in authority, technical advice and service, availability of test facilities, willingness to hold stocks; these are some of the varied things that make up the package called service. Good service by the supplier reduces the buyer’s workload, increases the usefulness or availability of the product and diminishes the uncertainty associated with making the buying decision.

4.8.1 Other supplier sourcing evaluation criteria

In addition to the above mentioned, there are other supplier evaluation criteria use by purchasers to evaluate the performance of potential suppliers. According to Farmer et al (1994:130-131) “most organizations spend 80 percent of their annual budget with 20 percent of their suppliers, and probably on 20 percent of the range of items bought, and these big-spend articles justify thorough investigation”. They therefore pointed out that, the other supplier evaluation criteria and went further to explain them as follows;

Financial stability: This is very important because purchasers prefer profitable suppliers since they are interested in continuity and on-time delivery. A supplier with cash-flow problems will have difficulty paying his or her bills and consequently in obtaining materials; his or her delivery times and possibly product quality will probably suffer. A supplier who becomes insolvent can be as big an embarrassment as a customer in similar difficulties can.

EDI connected: Electronic data interchange (EDI) is a method of sending information electronically between, for example a purchaser and a supplier (buyer and seller). Some purchasers demand that suppliers should be EDI connected. By this, both parties eliminate paper work, reduce transmission errors, and speed the information flows.

Good management: Well-managed suppliers improve methods, reduce costs, develop better products, deliver on time, have fewer defective products, and build high morale in their workforce.

Environmental concern: Environmental considerations are affecting every phase of the purchasing cycle. There has been public awareness of the desirability of minimum or zero environmental impact in the last two decades. Most organizations therefore purchase products, materials, or equipments from sources (suppliers) that have sound environmental practices.

4.9 Supplier sourcing strategies

Supplier sourcing is the process and procedures by which the buyer seeks to survey, evaluate suppliers, and determine policies relating to those who can most suitably meet the requirements of the organization. Sourcing is therefore the counterpart of product marketing, Lysons (1992:180).

4.9.1 Single versus multiple sourcing strategy

Single sourcing involves the idea of reducing the number of suppliers with which an organization does business, and hence sourcing from a sole source, Hui et al (2006:299). However, according to Berger et al (2006:250-251) “the concept of single sourcing has evolved with the growing popularity of the just-in-time (JIT) philosophy and many researchers have studied the advantages of this sourcing strategy”.

They further pointed out that the general benefits of single sourcing include higher quality at lower total cost to the buyer and that suppliers are linked to higher levels of buyer/supplier cooperation. According to Court et al (1997:48) “moving to single sourcing will improve attitudes in both long- and short term contracts. They argued that, with long-term single sourcing strategy, the supplier has the confidence to invest capital in efficiency programs and product development. They also pointed out that, the single sourcing strategy allows the supplier to stabilize staffing levels and minimize paperwork.

Multiple sourcing strategy refers to an organization having business relationships with a number of suppliers; each supplier responds to the demands and specifications of a particular quotation from the purchasing organization, Hui et al (2006:299-300). The multiple-sourcing strategy plays one supplier against another and the competition among the suppliers is intense, Berger et al (2006:250). According to Court et al (1997:46-47) “the existence of a second and

alternative supplier would enable the buying organization to switch demand with minimal disruption”.

They pointed out that, there is no doubt that the argument has some validity for critical suppliers but it is certainly questionable whether its application in all cases delivers the benefits claimed. When several suppliers are present, since the suppliers responds to the demands and specifications of a particular quotation, the purchaser has the opportunity to receive lower prices and shipping costs.

Berger et al (2006:250) argued that, the suppliers has the burden of being responsible for maintaining the necessary technology, expertise, and forecasting abilities, plus cost, quality and delivery competencies. According to them, “dealing with several suppliers is likely to require longer time in negotiation and in turn, may delay or disturb production schedules”.

4.9.2 Partnership sourcing strategy

Partnership sourcing represents a collaborative approach in which a buying organization and a small number of its suppliers work closely together, sharing the risks and rewards of a cooperative relationship that focuses on continuous improvement, McHugh et al (2000:12).

However, Dobler et al (1996:220-221) explained that, ‘partnership sourcing is a collaborative relationship between a purchaser and a supplier which recognizes some degree of interdependence and cooperation on a specific project or for a specific purchase agreement’. According to them, “the partnership calls for the sharing of forecasted demand and cost data, and must contain an element of trust and respect between the parties”. They pointed out further that, the ‘partnership’ implies neither the presence nor the absence of a single-sourcing relationship. That is, the purchasing organization may have one, two, or three partners for the same item, although the trend is toward single sourcing.

However, Court et al (1997:48) stated that, “the rationale behind the partnership sourcing is that, a long-term relationship with a single source provides opportunities for mutual development and improvement, thus benefiting both parties”. Partnership sourcing implies a radical change in the way people work, including teamwork, joint decision-making and collaborative activity, McHugh et al (2000:12).

Dobler et al (1996:220) explained that, long –term partnering agreements encourages suppliers to invest research and development dollars in order to propose technologically current, cost-effective and high-quality solutions to the purchasing organization’s needs. However, McHugh et al (2002:12) argued that, many attempts at partnering have failed.

They explained further that, there is evidence to suggest that some organizations have not achieved the desired benefits from partnership sourcing because many of these organizations embark upon the concept without fully understanding it. The diagram below summarizes the principal characteristics of partnership sourcing.

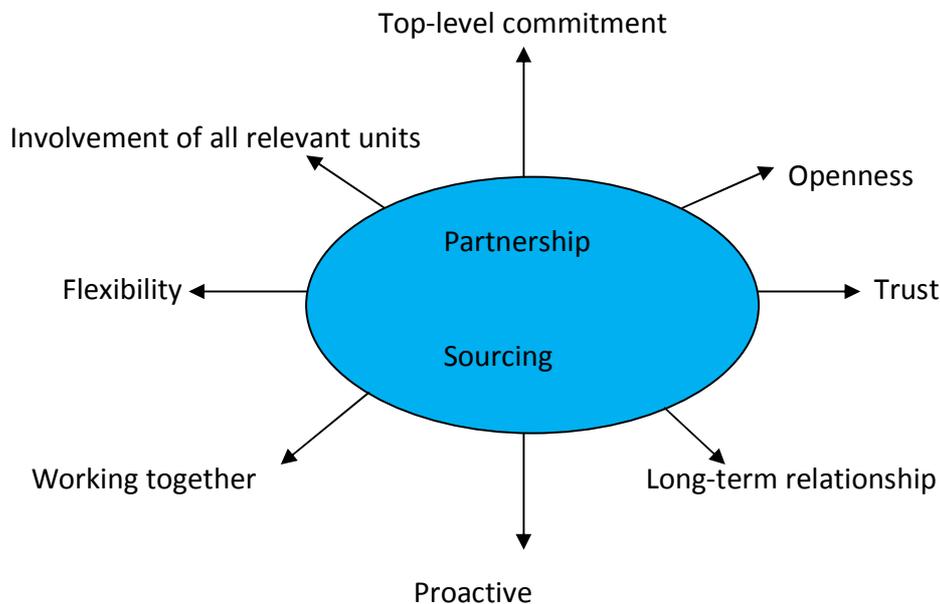


Figure 4: Partnership sourcing (revised diagram).

4.10 Purchasing and corporate planning

Purchasing is accounted for as a significant function which needs to be considered as part of the corporate planning process, to ensure that purchasing conditions are reflected at a corporate level, Saunders (1997:137). According to Carter et al (1993:271) corporate planning is “a systematic and comprehensive process of a long-range planning”. They further explained that, corporate planning process within an organization is the responsibility of senior management which is strategic in nature rather than functional because the process involves evaluating the organizational strengths and weaknesses.

Since the purchasing department within an organization has daily contact with the market place, they have to be responsive to market developments, as the suppliers have done with high emphasis on marketing in the area of well qualified staff(s), aggressive and imaginative personnel with high status. The buying organizations must find a suitable way to counter-balance this outside force which could lead to a profit for the organization, Fearon et al (1997:38).

5. Empirical data

5.1 Introduction

In this chapter, the author will present the information collected from Ghana Telecom Company. Telephone interviews and emails were used as resources for the primary data, to provide the material to be used for the analysis in the forthcoming chapter.

Telephone interviews were conducted with Mr Dickson Oduro Nyaning (Chief Executive Officer), Mr. Joe Owusu-Ansah (Acting Chief Financial Officer), and Mr Enoch Dugbartey (Principal procurement officer) as well as an email interview with the later.

5.2. Telephone- Interview

5.2.1 Ghana Telecom purchasing department

According to the Acting Chief Financial Officer (ACFO), the company has two purchasing departments: a general procurement department and a technical procurement department, which forms part of the non-technical and supportive units of the company.

This also include: Property department, Logistics department, Information technology department and the Ghana Telecom University College which are grouped into one unit called the Shared Services Units and headed by a Chief Officer. The general procurement and technical procurement as well as Logistics department are head by a General Manager, which is a top managerial position.

He stated further that, finance and accounts, and human resource management units are on their own being head also by Chief Officer. According to the ACFO, the aim of the above-mentioned units into strategic business units is to enable the heads of the units to strategically disseminate the service provisions within their units profitably.

5.2.1.1 General procurement unit

According to the (ACFO), the General Manager/General Procurement is the head of the general procurement unit and reports directly to the Chief Officer/Shared Services Unit. Items purchase includes office consumables, household items and IT consumables. The (ACFO) also explained that, the units contribute to the formulation and implementation of long term strategies in respect to especially Maintenance, Repairs and Operational (MROs) materials.

5.2.1.2 Technical procurement unit

The (ACFO) of Ghana Telecom explained that, the General Manager/Technical Procurement is the head of the Technical procurement department and also reports directly to the Chief Officer/Shared Services. The Technical procurement on the other hand, procures technical items such as transmission cables/equipments, switches, faulty telecom parts etc.

According to the (ACFO), both the General Procurement and Technical Procurement Units do consult one another to formulate mutual consensus on best procurement policies for Ghana Telecom. The (ACFO) further explained that, differences between the two Units vary slightly in procedure and item being purchased.

The (ACFO) stated that, pre-audit are done before General Procurement activities are carried out. However, according to (CEO), pre-audit in that context is an evaluation of the purchases that are about to take place. The (ACFO) further explained that for Technical Procurement, almost all items purchase is fixed assets/capital expenditure so an industrial inspection is done.

5.3 Purchasing Function in Ghana Telecom

According to the (ACFO), the procurement department within Ghana Telecom Company is highly recognized by the management because it makes up about 50% of cost of goods and services sold, and is part of management, which makes it invaluable in the attainment of company's goals and objectives.

However, the (CEO) explained that, the role of the purchasing department in Ghana telecom is very significant to top management in terms of cutting down cost, waste and ensuring that goods/materials needed for production are available.

The (ACFO) further explained that, the Procurement Units use tools such as negotiation, blanket buying, hedging, and JIT purchasing among others in cutting down cost and elimination of waste. The (CEO) confirmed that, the Procurement Units use Just-In-Time purchasing in some technical and general items such as telecom switches, cable cabinets, tires, ups (uninterruptible power supply) etc.

According to the (ACFO) however, the function of the purchasing department in Ghana Telecom are as follows;

- Contribute to the formulation and implementation of policies, strategies both in the short- term and long-term in respect to the procurement of technical goods such as telecommunications switches, transmission equipments, plants etc.

- Source and negotiate with potential suppliers and agreed on fair price, quality, delivery terms etc.
- Establishing sound relationship with user departments within Ghana Telecom Company.
- Advise the management of Ghana Telecom and the marketing department on purchasing and supply aspects of product design and marketing sources.
- Establish, investigate, and improve (develop) sources of supply for Ghana Telecom.

5.4 Purchasing procedures in Ghana Telecom Company

According to (PPO), purchasing procedures in Ghana Telecom Company begins with the recognition of the need (materials) for an item by the head of any of the department within the company (Engineering, Finance, Marketing etc.). The need may be satisfied by a transfer of materials from the company's warehouse in Adenta-Accra to replenish internal supplies and the ten regional head offices.

The (PPO) pointed out that, once the need becomes recognized, it would be accurately described. The head of the procurement department (General and Technical procurement departments) often make sure that the personnel at procurement department have a comprehensive knowledge of the materials and their function in the company. The (PPO) explained that, the next step in the purchasing procedure is the selection of suppliers for the requisition.

The (PPO) further explained that, during the selection of the various suppliers to supply the requisition needed by Ghana Telecom Company, personal interviews, plant visits, financial stability etc. by the purchasing personnel are checked to help select the appropriate suppliers. According to the (PPO), during the selection process, price, quality, delivery etc, performance are a major consideration and that the method of determining price is direct negotiation.

The (PPO) pointed out that, although the Ghana Telecom Company uses competitive bidding, this method (Price) is especially applied by the purchasing personnel when the item to be purchased suits the specification. According to the (PPO), after the above-mentioned procedures have been carried out, the first considerations relevant to purchasing personnel of the company is the placement of an order with a particular supplier. The (PPO) pointed out that, the head of the purchasing department or the (ACFO) or any other person in management are restricted to sign and place purchase orders that commit Ghana Telecom Company to the expenditure of funds.

The (PPO) again pointed out that, once the order has been placed, the purchasing personnel make a follow up to ensure that the supplier has received the order, that the price and terms are mutually understood and that delivery will occur as agreed by both parties.

5.5 Purchasing strategies in Ghana Telecom

According to (ACFO), Ghana Telecom Company does have a strategic approach to buying not only of materials/goods needed by the company but also services (human resources). The (ACFO) explained that, the company's strategic approach to buying include multiple sourcing, short-term contracting and competitive bidding strategies which are the most commonly used by the company.

According to the (ACFO), Ghana Telecom Company uses competitive bidding because the company is a strategic national asset and for that matter all government agencies in Ghana are required by law to periodically open all contract to bid and must award the contract to the lowest bidder.

The (CEO) pointed out that, this is to ensure impartiality in the buying decision. The (ACFO) further explained that, competitive bidding makes it difficult for the suppliers to communicate value or quality reward that may justify a high price.

According to the (ACFO) the reason behind the above mentioned strategies is to promote competition among Ghana Telecom Company suppliers and to protect the company during times of shortages, strikes, and other emergencies.

5.5.1 Resource allocation strategies:

When the question was posed to the (ACFO) as to how resources has been allocated to the purchasing department by top management to enable them carry out their strategic role effectively, the (ACFO) stated yes, but sometimes a bit short of the actual budgeted.

In the course of the interview, the (ACFO) explained that, no purchasing function within an organization could be effective unless its staffs are highly competent with the right qualifications. The (ACFO) further explained that, as a result of this, the purchasing staffs are not only rewarded in monetary terms but are given refresher courses in the area of procurement, sourcing, supplier/buyer relationship etc at the Telecom University College, Accra-Ghana.

5.6 Centralized purchasing

According to the (ACFO) the company practice centralized purchasing system and that procurement of goods, equipments, services etc. are centrally located in the head office in Accra (capital of Ghana) in order to gain better control of resources. The (ACFO) explained that,

centralization of procurement at the head office allows better control of purchasing sources (suppliers) and provide the best in all aspect of quality, delivery, engineering support and fair price.

The (ACFO) further explained that, centralization of procurement at the company's head office normally translate into larger contracts with few national suppliers and brings lower prices. However, although the company has ten (10) regional offices within the country (Ghana) according to (ACFO), the central purchasing group at the head quarters has authority to enforce any corporate purchasing agreements they might strike with suppliers.

5.7 Logistics activities

According to (CEO) the logistics department has oversight responsibility for Ghana Telecom's stores, fleets, transportation of goods and human resources as well as the fuel stations, without which the purchasing function would not be feasible. The (ACFO) pointed out that, the head of the logistics department reports directly to the (CEO) and is responsible for the clearing of imported goods from point of entry and export of equipments abroad.

The (ACFO) explained that, purchased materials are stored in the company's warehouse, transported and distributed to the ten (10) regional offices. However, the (CEO) affirmed that, the head of logistics is assisted by two strategic chief managers in performing the above function. Nevertheless, their role is limited to inspection, receipts, stock control (warehouse) stock recording and stock taking.

5.8 Ghana Telecom supplier evaluation criteria

According to (CEO) Ghana Telecom consider a host of factors when choosing suppliers, a list of which include; delivery time, quality, price, and financial stability. However, environmental factors are paramount to "our" procurement activities. The (CEO) explained that, management normally raised environmental issues when sourcing for potential suppliers especially in the area of capital equipments such as telecommunication switches, plants etc.

The (ACFO) explained further that, it is a policy from top management that environmental issues should be taken in to consideration when evaluating potential suppliers, because of this, the procurement unit at Ghana Telecom Company purchase materials from both local and international suppliers who adopt to sound environmental standards as well as eco-labeling equipments, products etc.

5.9 Email interview

5.9.1 General purchasing activities

Based on the email exchange and telephone interview with the Principal Procurement Officer (PPO), it was found out that Ghana Telecom purchases materials from both local and international suppliers and that it is the procurement units (General and technical procurements) that purchases materials into the organization. The (PPO) explained that, all capital expenditures are captured in the units' budget, which is then approved by top management and seconded by the board of directors.

According to the (PPO), the company has and continues to employ high calibre procurement staffs with the needed professional skills for strategic purchasing activities. He explained that, because of the awareness of professionalism in the purchasing function, most of the staffs are graduates from the Universities and Polytechnics, who also belong to professional bodies like the Chartered Institute of Purchasing (UK) and Institute for Supply Management (USA).

The (PPO) in the email confirmed that, Ghana Telecom Company uses multiple sourcing as a strategy whereby suppliers are invited to tender for contract.

In the course of the telephone interview also, he explained further that, a standardized document by which Ghana Telecom Company invites interested suppliers to submit a tender for a contract and therefore encloses the conditions for the submission of a tender and gives the terms of reference or the technical qualification required.

According to the (PPO), the procurement personnel evaluates suppliers and although they use other criteria such as quality, price, financial capability, delivery time and environmental standards, long-term gain is also important to the company. He further explained that, though Ghana Telecom Company uses multiple sourcing strategies, the companies consider some of its suppliers as partners.

The (PPO) stated that, the head of the procurement unit (both General and Technical) reports to the (CEO) of the company. According to (PPO), the head of the procurement units reports to the (CEO), since the (CEO) is the highest-ranking officer, and the administrator in charge of total management of the company who in turn reports to the board of directors.

The (PPO) further pointed out that since Ghana Telecom Company has a centralized purchasing system for all their purchases, the company therefore uses electronic data interchange (EDI) with some of its suppliers, to enhance the viability of the process. He further explained that, all Ghana Telecom's ten (10) regional head offices are EDI connected based on the reason stated above.

5.9.2 Organizational structure of Ghana Telecom Company

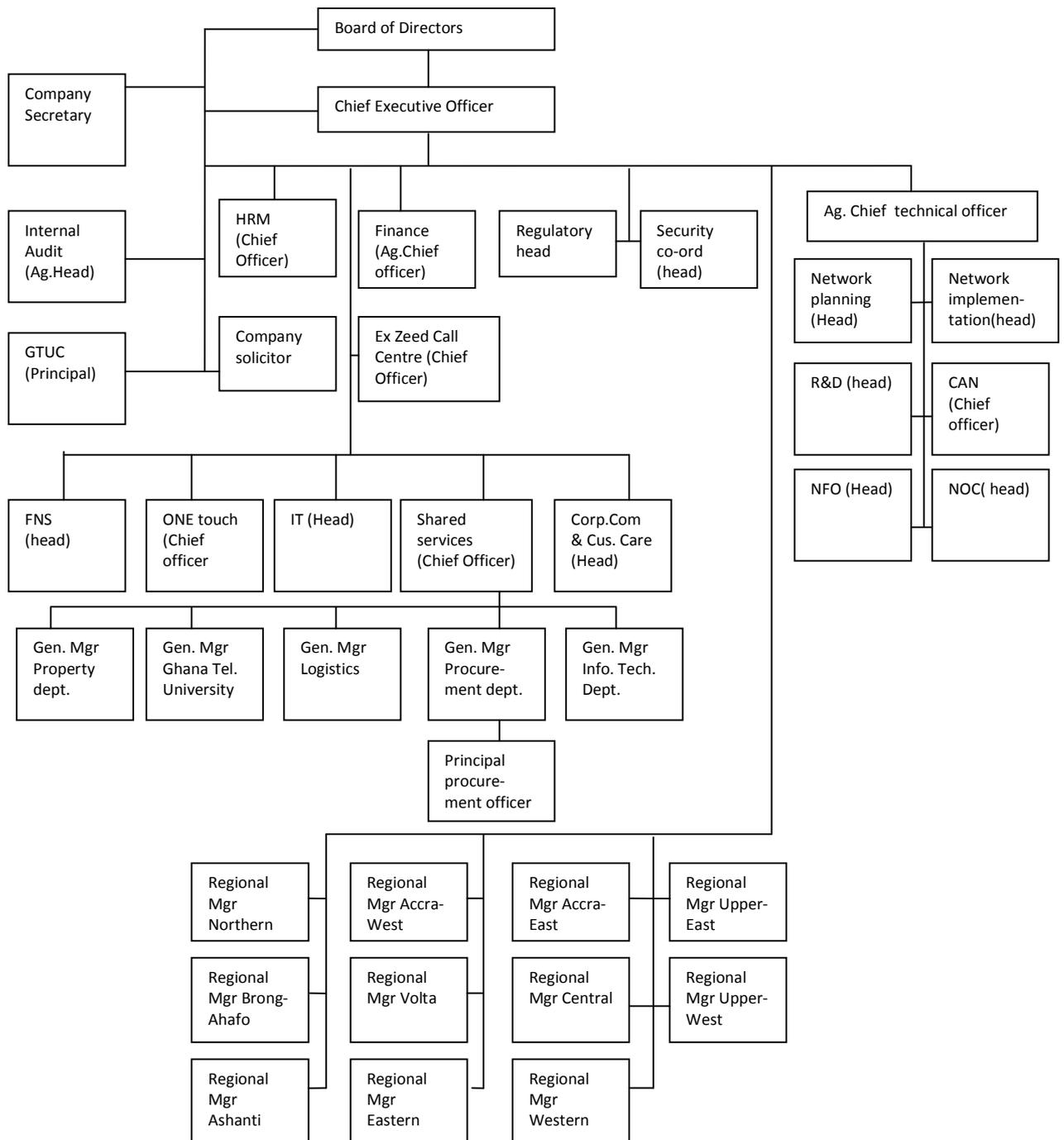


Figure 5: Organizational structure

6. ANALYSIS

6.1 Introduction

In this chapter, the author will present the result of the findings and analyze them in accordance to the frame of reference used. In addition, the answer to the problem statement will be provided and the aim of the research would be fulfilled based on the frame of reference.

6.2 Purchasing and purchasing strategy in Ghana Telecom Company

Purchasing activities are common to all business organizations since they need inputs of goods and services from external suppliers to enable them operate effectively. Purchasing as defined by Court et al (1997:2), is the process by which a company contracts with third parties to obtain the goods and services required to fulfill its business objectives in the most timely and cost-effective manner. As obtained from the AFCO, purchasing provides Ghana Telecom with quality materials, parts, office supplies, and services required for the day-to-day operations of its business.

However, Zenz (1994:6) points out that purchasing is a managerial process that goes far beyond simply buying materials and includes planning and policy procedures that cover a wide range of related activities. According to the AFCO, the purchasing process in Ghana Telecom include; proper selection of suppliers, ascertainment of delivery, inspection of documents on incoming shipments to ensure quantity and quality compliance, development of procedures etc. in order to develop an effective communication with top management and ensure a complete appraisal of the performance of the purchasing function.

Following the authors findings, Ghana Telecom purchases materials from both local and international suppliers through its procurement units (General and technical) which purchases materials into the organization such as consumables, household items, IT consumables, transmission cables/equipments etc. and cooperates with the logistics department to receive, inspect, control, record, and take stock.

Moreover, according to the (PPO), all of such capital expenditures are captured in the units' budget, which is then approved by top management and seconded by the board of directors in order to enhance purchasing activities and thereby add value to the company's operation while ensuring its profitability to the company as a whole.

As Court et al (1997:13) pointed out that a purchasing strategy is concerned with identifying, selecting, and implementing an overall change program designed to place the purchasing process at the heart of a business so enabling it to make the maximum contribution to corporate profitability while gaining a commercial competitive edge.

Ghana Telecom Company's purchasing strategy is that of contracting with suppliers to deliver goods and services at a cost effective manner, while ensuring that quality and other criteria are maintained in the process.

6.3 Strategic purchasing approach in Ghana Telecom Company

According to, Tzokas et al (2007:283) strategic purchasing is the process of planning, implementing, evaluating, controlling strategic and operating purchasing decisions for directing all activities of the purchasing function towards opportunities consistent with the firm's capabilities to achieve its long-term goals".

Based on the author's findings by the CEO, Ghana Telecom Company has a strategic purchasing approach that falls in line with their organizational objectives in the short- term range while in pursuit of their long-term objectives. This kind of strategic approach to purchasing pursued by the company is partly because of the nature of it being a national asset, and as such has the government of the day appointing the CEO's every time there is a change in government.

The bottom line of this observation highlights the change in top management, and consequently the change in organizational policies at a short- term range, usually between one to four years or at most eight years, if the government in power is elected to two terms in office.

This situation implicitly does not allow the company the long-term commitment stretched by the referenced authors used in this research (Court et al: 1997, Lysons: 1992 etc) to achieve a lasting relationship with its suppliers. However, this is not of an entirely negative effect to the company neither does it suggest the absence of a strategic purchasing approach, because in effect it enables them to plan, implement, control their purchasing decisions and direct all their purchasing activities in a manner that reflects their organizational objectives for every particular period in question.

Ghana Telecom Company uses a combination of various strategic approach as stated by the respondents such as Short-term contracting, multiple sourcing, and Competitive bidding etc. as a strategic purchasing approach, to enable them protect the organizations interests in the event of strikes, shortages or other emergencies in order to enhance the organization's profitability.

As argued by Court et al (1997:12-13) that, strategic purchasing is a development of ways in approaching and interacting with the supply market, taking account of not only the present situation but also how it might develop in the future". This can be seen as Ghana Telecom uses a strategic approach that takes into account the nature of the ever-changing top- management of the company to its overall advantage.

As Lysons (1992:3) pointed out that, the term 'profitability however, has a wider meaning than pecuniary gain and can be extended to cover anything that is advantageous or beneficial to an

organization'. The impact of the combination of different strategic approach by Ghana Telecom, leads to competition by the suppliers who compete with each other to offer cheaper and better quality products and services to the company, which in turn leads to lower acquisition price and creates the higher efficiency needed to enhance corporate profitability for Ghana Telecom.

The telecommunication industry in Ghana is an innovative and often dynamic one, showing that constant competition exists between suppliers, which are beneficial to Ghana Telecom because of the variety of choices available. The other sense is that, purchasing forms about 50% of the total cost of production for Ghana Telecom Company, which makes their short-term contracting, multiple sourcing, and competitive bidding a strategic approach to purchasing that enhances corporate profitability.

6.4 Purchasing (Cycle) procedure in Ghana Telecom Company

The provision of adequate supply of materials to Ghana Telecom Company by the purchasing department is of prime importance for carrying out meaningful organizational goals and targets. Any purchases in an organization especially (Industrial purchases) will not only have to be made in a fair and transparent manner but will also have to fall in line with the company's financial capability to enable it make profit.

Ghana Telecom Company is therefore of no exception in this respect since one of the aims of its strategic business units is to enable the heads of each unit to strategically disseminate the service provision within their units profitably. According to the (AFCCO), to enable the purchasing department of the company to carry out its strategic role effectively, top management has allocated resources although sometimes a bit short of the actual budgeted.

This also lends credence to the data according to the findings that purchasing would not take place unless there is a specific budget provision for the materials needed. However, the process of identification of need from the various departments at the Headquarters and Ghana Telecom Company's regional head offices is similar within the ten regions of Ghana. It therefore can be done even without a specific budget allocation for the current year; provided the top executive management of the company authorizes them.

According to Court et al (1997:26-27), "the purchasing cycle starts with the identification of a need, moves through approval and then authority to proceed". Based on the findings, the purchasing cycle starts in the same vein, and the head of the purchasing department (both General and Technical) makes the final order after allocation of the budget by the top management.

6.5 Purchasing function and purchasing department in Ghana Telecom Company

Dobler et al (1996:24-25) pointed out that, purchasing function is usually performed most effectively and efficiently by a centralized unit made up of buying specialists, who at times may work in conjunction with a more comprehensive cross-functional team of specialists.

According to the AFCO, PPO, and CEO, Ghana Telecom Company has two purchasing departments; Technical procurement and General procurement.

These departments are responsible for the purchasing of goods and services in the whole company within the ten regions in Ghana, to enable the organization have a centralized strategic purchasing approach while unifying all the other functional units in the cause. The benefit of which is highlighted in the ability of the company to make bulk purchases at discounted rates, going by the lowest bidder, and controlling the terms of the purchasing at a fair and agreed-on price thus increasing corporate profitability.

The two departments are head by Chief Officers who report to the Shared services Chief officer alongside other departments like Logistics etc. According to the CEO, the staffs in these positions are qualified personnel in the area of purchasing and supply, so that the company can avoid losses in inventory arising from duplication, waste deterioration, obsolescence, or pilferage etc and enhance corporate profitability from the savings made through such negligence and mishandling.

Dobler et al (1996:24-25) argued that, as a function, purchasing is common to all types of business operations where as the purchasing department is an organizational unit of a firm whose duties may include responsibility for part or all of the purchasing function and perhaps additional activities as well. In Ghana Telecom Company, according to the AFCO, the function of the Purchasing department include,

- Contributing to the formulation and implementation of policies, strategies both in the short- term and long-term, in respect to the procurement of technical goods such as telecommunications switches, transmission equipments, plants etc.
- Sourcing and negotiating with potential suppliers on agreed-on fair price, quality, delivery terms etc.
- Establishment of sound relationships with other user-departments within Ghana Telecom Company.
- Advising the Management of Ghana Telecom and the marketing department on purchasing and supply aspects of product design and marketing sources.
- Establishing, investigating, and improving (developing) sources of supply for Ghana Telecom.

The goal of which aims at making the best decisions in the organizational unit (purchasing department) that consumes about 50% of the company's cost of goods and services, and at the

centre of other functional units in the organization, so that the company carries out its business in a manner that increases its profitability as a business concern.

As argued by Lysons (1992:10-11) that, the overall function of the purchasing department is to obtain materials of the right quality in the right quantity from the right source delivered to the right place at the right time at the right price. The purchasing function on the other hand though distinct from the function of the purchasing department, entails the basic objective of service provision in Ghana Telecom Company as well as other organizations in the business of buying and selling.

Considering that purchases make up about 50% of Ghana Telecom's cost of goods and services, an underhanded management approach to purchasing will lead to a serious deficit for the company, which makes the purchasing department a very important one, if management is to reduce costs and enhance profitability.

While the aim of the purchasing department of Ghana Telecom Company is to help minimize cost and enhance profit through the implementation of the various rigors of the organizational unit, the aim of the purchasing function is the basic function common to all other organizations. Any company at all can buy and sell in the market, but the significance of the Purchasing department is noted along the lines stated above.

The purchasing department is what makes the purchasing function of Ghana Telecom to be unique as other organizations that also have such departments. The purchasing department allows Ghana telecom Company to purchase in line with their strategic purchasing approach, and thus yield profitability.

6.6 Centralized purchasing strategy in Ghana Telecom Company

Most organizations approach the purchasing of its materials on either a centralized or decentralized basis. In the case of decentralized purchasing, individual department managers or regional heads are allowed by top management to handle their own purchasing activities while in the centralized purchasing it is head quarters. According to the (ACFO) Ghana Telecom Company, practice centralized purchasing. This simply means that, materials are centrally purchased by the head office and distributed to the various regional offices according their individual requisitions.

This centralized purchasing strategy is befitting to the operation of Ghana Telecom Company, in the sense that it enable them to make bulk purchases at a discounted rate and at a fair price. Also, this allows the company to use its bargaining power and resources to their benefit since suppliers dealing with a centralized purchasing department have the incentive of competing for all or most of the company's requirements.

According to Dobler et al (1997:124), a centralized purchasing management office is established at the corporate level, with the chief purchasing executive usually reporting to the president or executive vice president. This is in line with the operations of Ghana Telecom Company, where the Chief Shared services officer in charge of the purchasing activities reports to the Chief Executive Officer.

In Ghana Telecom Company, both the General and Technical procurement departments are head by a General Manager who report directly to Chief Officer/Shared Services Unit who also report directly to the (CEO). This enables the company to do a better technical work with the purchased equipments and plants on behalf of the entire Ghana Telecom Company which cannot be done under the decentralized purchasing.

Since the company purchases large quantities of materials at the head office, the author is of the suggestion that, this will yield a favorable price, increased suppliers' service and also permit the negotiation of highly profitable contract for the entire Company.

As explained by Lysons (1992:20-21), that in a central and local government, what is known as coordinated purchasing is that in which the requirement of the undertaking for a particular item are aggregated and orders placed by the largest user department on behalf of all the user department. Based on the findings, it was discovered that in Ghana Telecom Company, the purchasing department at the head office purchases all the materials for the entire company.

According to the CEO, the purchased materials are stored in the central warehouse of the company, then transported and distributed to the ten regional offices by the logistics department at the head office. The logistics department has oversight responsibility for Ghana Telecom's stores, fleets, and transportation. This department works hand in hand with the purchasing department so that the centralized purchasing strategy can be effective.

In the author's opinion based on the findings, since Ghana Telecom company has ten regional offices, its telecommunication equipments and plants are dispersed geographically within the various regions of Ghana, which makes it difficult for a centralized purchasing department to develop potentially good local suppliers near each plant. The reason is that, due to the centralized purchasing strategy, the regional office plants are deprived of various technical and purchasing benefits resulting from close working relationship between plant personnel and suppliers in the local areas.

6.7 Ghana Telecom Company's supplier sourcing strategy

According to Hui et al, Multiple sourcing strategies refer to an organization having business relationships with a number of suppliers; each supplier responding to the demands and specifications of a particular quotation from the purchasing organization.

However, multiple sourcing strategies may also include some traditional modes of sourcing such as competitive bidding, short-term contracting, etc. In Ghana Telecom Company, the supplier sourcing strategy used is the multiple sourcing strategies, whereby competitive bidding and short-term contracting are implemented due to the nature of the company as a national asset, and as demanded by law that all government agencies should periodically open all contracts to bid and then award the contract to the lowest bidder.

This sourcing strategy enables Ghana Telecom Company to invite various suppliers to periodically tender for a contract, which is profitable to them because it allows them the opportunity to source at the lowest cost, and have other sourcing alternatives, which leads to cost reduction and increased profitability. As argued by Court et al (1997:46-47) “the existence of a second and alternative supplier would enable the buying organization to switch demand with minimal disruption.”

It is the author’s opinion however that, the intense competition present with the multiple sourcing strategy in Ghana Telecom Company may not always be beneficial to them as argued by Berger et al (2006:250). In that, dealing with various suppliers is likely to require a longer negotiation time, which may delay or disturb production schedules.

In addition, this strategy does not allow Ghana Telecom Company to build beyond business relationships, which is essential for the type of industry they function in, which requires long-term cooperation between suppliers and the buying organization. The author is of the opinion that where machineries, heavy equipment, or plants are involved, long term relationships should be maintained for the servicing and maintenance of the purchased materials.

As indicated by Court et al (1997:48) that the single sourcing will improve attitudes in both long and short term contracts. However, as can be seen, the opposite is the case in Ghana Telecom Company whereby multiple suppliers are involved and little or no attention is paid to investing in long term relationships.

In Ghana Telecom Company, the findings shows that the company describes some of its suppliers as partners, this is not entirely the case because their multiple sourcing strategy contrasts the idea of partnership with suppliers. However, according to the (PPO) though the multiple sourcing strategies are used in Ghana Telecom Company, some of their suppliers are considered partners to the company by the management.

An organization’s profitability arises from a number of factors, and as Hui et al (2006:298) pointed out that, the sourcing strategy is one of them and thus determines to large extent the organization’s profitability. In Ghana Telecom Company based on the findings, the multiple sourcing strategy which includes competitive bidding and short-term contracting contributes largely to its profitability, and is a key driver to its survival and growth.

6.8 Ghana Telecom Company Supplier sourcing evaluation criteria

Dobler et al (1996:215) explains that the evaluation of suppliers is a continuous undertaking, which means that current suppliers have to be monitored to see if expected performance materializes. In Ghana Telecom Company, the evaluation of suppliers is a continuous exercise, since suppliers must periodically tender their contracts and await approval by the Company's management. According to the CEO, although, there are many considerations when evaluating suppliers, but some stand out in recent times due to the nature of current global challenges.

The CEO further confirmed that the company considers a host of factors when evaluating supplier sources, which include quality, delivery time, and price, of the suppliers. However, environmental factors are a major consideration when choosing potential suppliers, especially in the area of capital equipment.

The consideration given to quality, delivery time, and price enables Ghana Telecom Company to offer highly efficient goods and services to its customers, which increases their turnover and brings about organizational effectiveness. The reason environmental factors are given "paramount" concern is due to the improved brand image that is associated with organizations that are conscious of it, the quality of products that result from taking it in to account when producing materials, and the high standard it imposes on the suppliers when producing for organizations.

All of these compel suppliers to continuously improve their production standards and thus supply quality materials when awarded the contract by Ghana Telecom Company.

However, as Farmer et al (1992:130:131) points out, organizations spend about 80% of their annual budget with 20% on their suppliers and probably 20% of the range of items bought, and these big-spend articles justify thorough investigation. This means that there are other supplier evaluation criteria that go beyond price, quality, and delivery time such as the financial stability of the supplier, whether they are EDI connected or not, and the quality of management (good or bad).

According to the AFCO along with other considerations taken into account when evaluating potential suppliers in Ghana Telecom Company, the financial stability of the supplier, which projects whether or not there would be a delay or disruption when the contract becomes finally awarded to the supplier is heavily considered. Also, is the question of the supplier being EDI connected, because being EDI connected enables quick response, and speedup information flow from Ghana Telecom Company through the supplier and vice versa.

Finally, the quality of the management is an indication to Ghana Telecom Company about how well the supplier can motivate their workforce to lead to greater results for both the supplier and Ghana Telecom Company. All the above considerations are aimed towards the improvement of the overall quality of goods and services purchased by Ghana Telecom

Company, to ensure greater efficiency and lead to cost savings that could arise if they are neglected.

6.9 Purchasing and corporate planning in Ghana Telecom Company

The significance of the purchasing function, which is a fundamental function in the designing of purchasing strategies by an organization, cannot be over-emphasized. In Ghana Telecom Company, the function incorporates the officer responsible i.e. Chief Officer/Shared services (COSS) in its management at the top management of the company. This is because it is significant to the entire organization, and must therefore be integrated into the companies planning process.

As observed from the company's organizational structure, (see figure 5), the Technical procurement and General Procurement Manager reports to the (COSS), who in turn reports directly to the chief executive Officer (CEO). This gives evidence to the paramount importance accorded to the department by Ghana Telecom Company, so that its activities are considered in the corporate planning process.

The purchasing department, which consumes about 50% of the Ghana Telecom Company's Cost of goods and services, is a large part of the corporate planning process of the company. According to Saunders et al (1997:137), Purchasing is accounted for as a significant function, which needs to be considered as part of the corporate planning process, to ensure that purchasing conditions are reflected at a corporate level.

The CEO further stated that, it does not end with being represented at the top management alone, emphasis is also made on the qualification of the employees in the purchasing department, because most of the losses that an organization suffers can be attributed mostly to the hiring of unqualified personnel for the job of purchasing.

Objective and qualified personnel are constantly hired and trained in Ghana Telecom company in order to "stand" with fierce and aggressive suppliers on the other hand who are very skilled in the business, so that Ghana Telecom Company can purchase materials at a profit.

According to the PPO, Ghana Telecom Company has and continue to employ high caliber procurement staff with the needed professional skills for strategic purchasing activities. Due to the awareness of professionalism in the purchasing function, most of the staff are graduates from the Universities and Polytechnics who also belong to professional bodies like the Chartered Institute of Purchasing (UK) and institute for Supply Management (USA). As Fearon et al (1997:38), rightly put it "that buying organizations must find a suitable way to counterbalance this outside force which could lead to a profit for the organization.

7. Conclusion and Recommendation

7.1 Introduction

In this chapter, the author will make his conclusion and give a recommendation based on the research.

7.2 Conclusion

The purchasing function within an organization contributes as much to the success of the organization as other functions in areas such as marketing, finance and accounting, engineering, and operations. In Ghana Telecom Company, the purchasing department consumes about 50% of the company's Cost of goods and services. The impact of its strategic approach to buying helps in reducing cost of purchases and thus enhances the company's profit. The department is highly recognized by the top management and its activities are heavily considered in the corporate planning process.

In the past, the purchasing function was seen as a routine clerical function or as a service function concerned with spending. But as explained by Lysons, two important factors led many private and public sector organizations to recognize purchasing as a key activity; purchasing and profitability, and purchasing and professionalism. Ghana Telecom Company is a strategic national asset and the purchasing function within the company is well recognized by the top management because of its importance to the company as a whole. In addition, Ghana Telecom Company has and continues to employ high caliber procurement staff with the needed professional skills for strategic purchasing activities in order to be able to "stand" with fierce and aggressive suppliers who are very skilled in the business.

An organization's purchasing strategy is becoming recognized as a strategic weapon equal in importance to its marketing, conversion and finance strategies as pointed out by Dobler et al. Ghana Telecom Company's strategic approach to buying include multiple sourcing, short-term contracting and competitive bidding as a measure towards increasing its profitability by being able to source at the lowest cost, and having other sourcing alternatives, which leads to cost reduction.

An organization's profitability is determined and defined largely, by its sourcing strategy. Thus, sourcing strategically has been considered as one of the key drivers for an organization's survival and growth as stated by Hui et al. In Ghana Telecom Company the multiple sourcing strategies which includes competitive bidding and short-term contracting contributes largely to its profitability, and is a key driver to its survival and growth.

Ghana Telecom Company's strategic approach to buying has a considerable impact on its overall profitability and survival. The nature of the company (strategic national asset) is also a key factor in the determination of its strategic approach to purchasing. However, as Lysons suggested that profitability which thus emanates from the approach extends beyond "pecuniary gain" and brings about other benefits to the organization, as is observed in Ghana Telecom Company.

In the author's opinion, Ghana Telecom Company's strategic approach to buying is a strategy peculiar to their organization. It does not entirely reflect the theories reviewed in the research; however, it combines various characters of various types of purchasing strategy to form a unique strategy suitable for the company.

7.3 Recommendation

The strategic purchasing strategy adopted by an organization depends on the nature and industry it belongs to, and should suit its activities. In Ghana Telecom Company, the strategic approach to buying implemented in the company is in line with its nature and well befits its activities.

In addition, the profitability created by the impact of the strategic purchasing approach of Ghana Telecom Company extends beyond the monetary gain, and includes large discounts for bulk purchases, competitiveness among suppliers leading to production of high quality products, and hiring of highly qualified personnel which enables it to stand toe to toe with suppliers are all steps in the right direction.

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9. Appendixes

9.1 Appendix 1

Bachelor Thesis in Business Administration
School of Sustainable Development of Society and Technology

THE IMPACT OF STRATEGIC PURCHASING ON AN ORGANIZATION'S PROFITABILITY

A case study of Ghana Telecoms Company

This question has been designed to enable the student to carry out a research on the above mentioned topic. The study is purely an academic work. It is in partial fulfillment for the award of Bachelor of Science in Business Administration at the Mälardalen University, Vasteras-Sweden. Your assistance is therefore needed and also your comments will be taken in confident

Telephone interview questions

1. Does Ghana telecom have a purchasing department?
2. What is the role of the purchasing department in Ghana Telecom?
3. What recognition is purchasing given as a function by the top management?
4. Does Ghana Telecom have a strategic approach to purchasing of materials?
5. Has the top management allocated the purchasing department the resources they need for their strategic role?
6. Does the Ghana Telecom Company practice centralized or decentralized purchasing?
7. Does GT consider environmental factors when choosing suppliers?

9.2 Appendix 2

Bachelor Thesis in Business Administration
School of Sustainable Development of Society and Technology
Autumn Semester 2008

E-mail interview questions

1. Does the procurement officer purchase capital equipments or does it in consultation with top management?
2. Please explain how GT describe its suppliers
3. What are the benefits that GT derive from the use of EDI among its suppliers?
4. Does the company use EDI also among its regional heads office in the various regions within the country?
5. Could you please explain the purchasing procedures in Ghana Telecom Company?

9.3 Appendix 3

Bachelor Thesis in Business Administration
School of Sustainable Development of Society and Technology

Email interview questions

This question has been designed to enable the student to carry out a research on the above mentioned topic. The study is purely an academic work. It is in partial fulfillment for the award of Bachelor of Science in Business Administration at the Mälardalen University, Vasteras-Sweden. Your assistance is therefore needed and also your comments will be taken in confident

Name: Mr. Enoch Dugbartey
Respondent Department: Purchasing department
Name of Company: Ghana Telecom
Title: Principal Procurement Officer

1. Who purchases materials into the organization?
 - a. Purchasing officer
 - b. Department that needs it
 - c. Accountant
2. What is the qualification of those responsible for purchasing materials?
 - a. Accounting qualification
 - b. Long service
 - c. Purchasing qualification
3. How do you source for suppliers?
 - a. Invitation to tender
 - b. Negotiation
 - c. Any other
4. What sourcing method does the purchasing department use?
 - a. Single sourcing
 - b. Partnership sourcing
 - c. Multiple sourcing
5. Do you evaluate suppliers?

- a. Yes b. No
- 6. If yes, what criteria do you consider most important?
 - a. Short-term gain
 - b. Long-term gain
- 7. How does GT describe its suppliers?
 - a. Partners
 - b. Competitors
- 8. Who does the purchasing manager reports to?
 - a. Executive chief officer
 - b. Chief director
 - c. Accountant
- 9. Why does the purchasing manager report to the above mentioned?
.....
- 10. Does GT have a centralized or decentralized purchasing function?
.....
- 11. Do you use EDI in your purchasing activities?
 - a. Yes b. No
- 12. Does GT experience shortages?
 - a. Yes b. No