

## Strategic Outsourcing and Service Delivery in Guinness Ghana Limited and Everpure Company limited

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### ABSTRACT

The primary objective of the study is to examine the impact of strategic sourcing on service delivery within Guinness Ghana Limited and Everpure Company Limited in Kumasi. Purposive and simple random sampling techniques were used to sample 20 respondent's for the study. Data was collected from the respondents using well structured questionnaire. Data collected was analyzed using descriptive statistics and results were presented using tables, graphs and pie charts. The results of the study revealed that the companies consider multinational and domestic sourcing because some of the items they need can be obtain in the manufacturing country and the others outside the country. The major problems identified include; fluctuation in currency exchange, government policies laws and communication barriers. The recommendations that will be given are going to be suggested solutions to the above problems and to assist the organizations attain high effectiveness in their sourcing activities.

**Key word:** outsourcing, strategies, Guinness Ghana Limited, Everpure Water company

### Introduction

Manufacturers are faced with numerous challenges in terms of identifying and locating best suppliers with complex amount of unique materials, ingredients, parts, components, and using these supplier relationships to maximize value for an organization as well as from competition that is increasingly global to technological advancement that sets the rules of the game. More is demanded of manufacturing firms than ever before. In response to these demands, manufacturing firms have pursued continuous improvement, leaned up production, reengineered business processes, and integrated supply chains. Over the years, there is a growing realization of the important contribution that sourcing strategy has brought about on organizational performance (Cousins et al., 2006). The status and importance purchasing now requires a transition from thinking of a purely tactical activity to seeing it as a strategic activity. Strategic sourcing, for as long as this function has been in place, has been established as a valued set of processes for companies looking to drive savings out of their purchasing activities. As organizations see the current state of strategic sourcing as a high-value component of overall spend management activities, companies will increasingly look to link sourcing activity with the overall objectives of the organization. Strategic sourcing is a core activity in purchasing and supply management. It is a complex commercial process requiring extensive knowledge and competence. This is because strategic sourcing is concerned with top-level, longer-term decisions relating to high-profit, high supply risk bottleneck products and services. It is concerned with the formation of long-term purchasing policies, the supplier base, partnership sourcing, reciprocal and intra-company trading, globalization and counter trade, the purchase of capital equipment and ethical issues. (Kenneth Lysons and Brian Farrington, Seventh Edition). In addition, strategic sourcing is also satisfying business needs from markets through the proactive and planned analysis of supply markets and the selection of suppliers with the objective of delivering solutions to meet pre-determined and agreed business needs.

Strategic sourcing play significant role among industries by reducing the total cost of purchasing while maintaining quality and service. This impact is much felt or associated with manufacturing firms. This is because, these firms spend a greater portion of their revenue on purchasing raw materials and other goods or services required to create their own products for customer satisfaction than other corporations. This benefit is materializing by having a stable relationship with key suppliers and ensuring that there is a steady flow of bottleneck items and other necessary goods. Also negotiating with suppliers and finalizing a purchasing arrangement in terms of securing a low prices yields substantial bottom-line benefits by reducing the cost of purchased goods and services leading to the achievement of substantial amounts of savings due to the fact that vendors are assured of a buyer for their products. There is no doubt that strategic sourcing addresses

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procurement goal's by improving purchasing conditions and increases procurement efficiency.

Many writers have given many reasons why organizations embark on strategic sourcing and the benefits derive from practicing this. Strategic sourcing plays very important role in the effectiveness and efficiently achieving objectives and goals of manufacturing companies around the globe of which Ghana is one. Irrespective of the numerous contributions that strategic sourcing has offered to manufacturing companies, it is faced with a lot of bottlenecks.

In achieving successful sourcing from other countries, problems stated below cannot be overlooked. Among them are: top management support, language differences, cultural differences and believes, currency fluctuation and or exchange rate, cost of import, development and establishment of trade barriers, political and labour problems and testing of goods quality.

To obtain or gain objective of sourcing strategically, much consideration and attention should be given to the above hindrances to ensure that they do not add much to cost before obtaining the right and required materials needed. It is of these reasons that this research is undertaken to assess the effect of strategic sourcing on service delivery in the manufacturing companies in Ghana.

The primary objective of the research is to examine the of strategic sourcing in service delivery within manufacturing companies as a way of addressing the problems facing Guinness Ghana limited, and Everpure manufacturing company of the Ashanti Region in Ghana.

## **Literature Review**

### **Definition of Terms**

Sourcing has gain the attention of many writers, scholars and policy makers of manufacturing companies in both developed and developing countries as one of the key strategic business policies for competition among companies. It is defined as a strategic philosophy of selecting vendors in a manner that makes them integral part of the buying firm for a particular component or part they are to supply (Zenz, 1994). Sourcing can therefore be explained as a strategic decision of manufacturing company to establish a close relationship with its suppliers to be competitively advantageous. This emphasizes the idea of Mol, Tulder and Beije (2002) that the idea of scholars and management concerning optimal sourcing strategy of a firm has changed significantly in two respects. The first one is where firms moved away from vertical integration towards increased outsourcing in a belief that lean and flexible (manufacturing) that “stick to the knitting” perform better (Roost & Jones, 1990; Mol et al, 2002). The second dimension is believed to have its root from the 1990s where firms had been advised to use global sourcing, by picking best-in-world external suppliers as a means to improve competitiveness (Monczka&Trent, 1991;Quinn &Hielmer,1994;) retrieved from Mol et al, (2002).

### **Strategic Sourcing and Purchasing**

It is concerned with the formation of long-term purchasing policies, the supplier base, partnership sourcing, reciprocal and intra-company trading, globalization and counter trade, the purchase of capital equipment and ethical issues. (Kenneth Lysons and Brian Farrington, Seventh Edition). In addition, strategic sourcing is also defined as satisfying business needs from markets through the proactive and planned analysis of supply markets and the selection of suppliers with the objective of delivering solutions to meet pre-determined and agreed business needs.

According to Lyson, (1996) organizational procurement may be defined as that function responsible for obtaining by purchase, leasing or other legal means, equipment, materials, supplies and services required by an undertaking for use in satisfying wants. The definition of the overall purchasing task is to obtain materials, goods and services at the right quality, in the right quantity from the right source delivered to the right place at the right time at the right price, to achieve an organizational objective. Also, This refers to a process by which enterprises or organizations attempt to acquire materials or products in order to attain their goal (Chunnan&Yue, 2009). It is believe that during this process ownership and possession of goods are transferred from a seller to a buyer. The process involves inquiring an order, tracking the order, supervising and accounting for an order, receiving goods and making payment.

### **International Sourcing**

International sourcing, according to Levy and Dunning, (1993), refers to buying by a firm in one country from firm in another country. Other terms that are mostly used interchangeably with international sourcing are multinational sourcing, and foreign sourcing. It has been identified that the term multinational sourcing has not been formally defined but seems to have more or less the same connotation as international sourcing (Barou&Fawcett, 1993). Although it has been identified and not formally defined, Ana & Stephen (2004)

described it in their study as “all inputs and components bought outside the host country for production and other industrial purposes. Their description confirms Barou&Fawcett’s (1993) claim that multinational sourcing has the same meaning as international sourcing. Thus sourcing abroad or purchasing goods and services from a different country other than the domestic country of the buyer.

Domestic sourcing can be described as ‘firms trade or feed their companies with raw materials within the boundaries or region of operation’. Domestic sourcing refers to procurement of raw materials, parts, sub-components or assemblies within the same country as either final assembly or retail sale. Domestic sourcing remains one of several available options within a strategic sourcing methodology (Purchasing and Procurement Center, 21/03/2013).

This type of sourcing according to Stefania (2010) is defined as the process whereby firms establish sister companies abroad to produce the needed materials, being it finished or semi-finished product and transfer them back to the parent country for further production. It has been demonstrated by United State firms that produces and purchase abroad and then export the product to the U.S. For instance, the number and extent of production shift out of the United State has considerably increased significantly since 2001, as companies shift production to multiple offshore and near shore destinations at the same time (Bronfenbrenner& Luce, 2004).

Venkatraman (2004) also defined offshore sourcing as the creative and careful leveraging of new and available pools of skilled labour abroad, while exploiting communication technologies to link these to domestic demand.

### **Theoretical literature**

Economic globalization is as a result of the activities of industrial revolution has generated many competition among companies requiring all businesses to the level of TQCS (Time of research and development, Quality of product, Cost control and satisfaction with services) in order to operate their businesses successfully in the market.

The evolution of international sourcing emerged as firms progress from domestic purchasing through international sourcing and to global coordination and integration across worldwide location and functional groups (Monczka& Trent, 1991). Thus for firms to advance from sourcing domestically to international, they must undergo certain process. This process is termed as ‘stages or phases’ of sourcing as identified by Monczka& Trent, (1991). According to them, there are four-stage models of sourcing. These include Domestic purchasing only, foreign buying based on need, foreign buying as part of procurement strategy, and integration of global procurement strategy.

In the ‘stage one’ where domestic purchasing only is applied, firms purchase from domestic suppliers or distributors that are involved in either foreign sourcing. It has been argued that firms at this stage have little needs for international sourcing information and lack sophisticated international networks. “The foreign buying based on need” which is the second stage is recognized as stage where lack of suitable domestic suppliers exists, or competitors are gaining an advantage due to foreign sourcing. However, for firms to remain competitive in cost and quality, domestic firms are compelled to seek foreign sources, but international procurement during this stage is usually limited or performed on an ad hoc bases.

Moreover, ‘stage three’ emphasize, “the foreign buying as part of the procurement strategy. This is where firms recognize that focused international procurement strategy results in significant performance gains. Firms progress from stage 2 to stage 3 due to lower purchase prices and other significance improvements from foreign sourcing. Finally, ‘Integration of global procurement strategy’, which is the fourth stages depict the “true global sourcing effort”. Procurement, manufacturing and technology groups work together to establish the best possible worldwide supply network, and to develop optimal supplier capabilities is usually required at this level. Also, full organizational and informational system integration is a crucial consideration.

These four stages discussed above were further revised, adding one new stage making it “five-stage model” of sourcing by Trent &Monczka,(2003) in their paper entitled, “Understanding Integrated Global Sourcing). According to them, the fourth stage presents the integration of global sourcing strategies across worldwide buying location, which is a sophisticated level of strategic development. The fifth level exhibit a global sourcing strategy links horizontal with other functional groups, such as engineering, operations, and increasingly marketing (Trent &Monczka, 2003) found in the work of (Jiang &Tian,2009).

### **The Differences between International and Global Sourcing**

According to Trent & Monczka (2003), global sourcing differs from international sourcing both in scope and complexity, involves proactively integrating and coordinating common items and materials, processes, designs, engineering, and operating locations. It does not engaged in only logistics activities but also set of managerial activities which has the objective of accomplishing the goal of manufacture or sale, involving the choice of suppliers, confirming the quality and quantity, negotiating the price and others. Additionally, global sourcing process is a long-term strategy, which includes the evaluation of foreign potentials suppliers, international purchasing including daily activities supporting manufacturing and services departments.

However, for firms to advance from international purchasing to global sourcing, the purchasing department must be elevated to a position where it can make more strategic decisions for the business (Jiang & Tian, 2009). Moreover, Monczka & Trent (1991) stressed that though international sourcing involves firms buying from foreign suppliers, there is lack of coordination of requirements between worldwide business units. On the other hand, global sourcing involves integration and coordination of procurement requirements across worldwide business, in terms of considering common items like processes, technologies and suppliers.

### **Process and Documentation Involved In Sourcing Abroad**

Supplier's selection is one of the vital aspects in the implementation of multinational sourcing. Unlike domestic sourcing, selection and evaluation of foreign suppliers and the cost involved in identifying them is a major issue that cannot be ignored. According to Hartley and Choi, (1996), suppliers selection and evaluation plays an important role in the supply chain process and are crucial to the success of manufacturing firms.

### **Method of Selecting Suppliers Internationally**

After a criteria involved in the selection process has been determined, another critical factor that needs special attention in the selection process is the method to calculate or evaluate right suppliers. There are numerous methods that a firm can apply and combine to determine the standards by which suppliers are selected. Few of them are discussed below:

#### **Analytical Hierarchy Process (AHP)**

This method is widely used technique, which has attained much attention since it process deals with both quantitative and qualitative criteria. This provides the decision maker with a way to structure the complicated process in the form of a hierarchy, which includes three levels of stages: goals, dimensions and criteria. This method is believed to be popular approach used for solving problems that have multiple criteria and is mostly applied by a number of researchers and practitioners.

#### **Categorical Method**

After a list of attributes to be used in evaluation process has been established, the categorical method seeks to access the suppliers performance by applying the label "good", "fair", and "poor". A supplier to be chosen is the one who receives the most "good" ratings.

#### **Cost Ration Method**

In this method, the total cost related to quality, delivery, and services are calculated and expressed as a proportion of the total firm's price. The supplier to be selected by the decision maker is the one that can provide the lowest cost.

Moreover, the number of suppliers to use for each purchased item is another challenge for purchasing managers. It has therefore been recommended theoretically that firms should use a single or as few as possible to enable the development of close relationship with the least suppliers. However, by increasing reliance on one supplier, the firm increases its risk that poor supplier performance will result in plant shutdowns or poor quality finished products.

Nevertheless, ignoring the documentation involved in international sourcing makes the argument vague since international sourcing follows the principal laid down procedures of international trade and there is no way one can trade internationally without certain trade documents. Some few ones among them are Pro-forma invoice, Signed commercial invoice, Bill of lading, Airway Bill, Insurance Certificate invoice, Packing list and others. Most of the information on the above discussion, ranging from selection criteria, and method of selecting suppliers to the documentation in international sourcing were found in the works of (Tiang and Choi, 2008; Narasimhan, 1983; Barbaroglu & Yazgac, 1997; Nydick & Hill, 1992; Timmerman, 1986; Wills & Huston, 1990). Others were found in Jiang & Tian, (2009).

### **Benefits Of Strategic Sourcing To Companies**

In the wake of globalization, and the increasing disparities in the technological advancement, between nations and economies, in the midst of decreasing cost in production so as to maximize profit through the efficient and effective use of scarce resources, most manufacturing firms exploit the best options of productivity that may be

available to them. Considering the strengths of most of such firms in terms of capacity and market share, the management submits to decisions that will favour their interest and sustain their operations overtime. Strategic sourcing serves as one of the means in achieving a less production cost (reduces fixed cost) as emphasized in the work of Williamson (1985). At least 70% of French firms think that trading with an affiliate reduces organization cost, whereas vertical integration reduces fixed costs because it amalgamates the coordination cost of two organizations (Williamson1985).

For many reasons, and benefits, various firms, including manufacturing companies, opt to source from suppliers outside the geographical confines of their operations. Besides the other reasons, most arguments have dwelled on cost minimization (Cho and Kang 2001). Many manufacturing firms who by their nature of operations require high state of the art technology stand to gain from the world's most complex and sophisticated technological capabilities through global sourcing, which may be unavailable to them initially. The market today is highly affected and dominated by enterprises acting globally, which results in a fiercer competition than before, with an additional pressure from consumer specialized demands jeopardizing the situation (Trent & Monczka 2003). With the situation of low technological advancement in most developing countries, it is very difficult for manufacturing firms in these regions to meet demands for globally standardized and accepted products without difficulties. However, this unfortunate situation may be ameliorated by accessing such commodities that require ascertain level of high technology (which may be unavailable) from such international firms which have them. This move renders these manufacturing companies and firms more competitive and advantaged. MNS to a large extent assures quality, which has been proven by various studies as one of the benefits and critical reasons for sourcing globally (Cho & Kang 2001). In many cases global sourcing can lead to higher quality products (Kapstein and Kim 2011). This is deduced from the reason that firms that deal with others for their supplies from the international market have a wide spectrum of selection choices and will only settle for the best in terms of quality. This he concluded as being the reason for the higher quality as being the result of supplier investment in technology and capacity to attract multinational business. Some companies who source from other markets (economies or countries around the world) break through the global market. They are able to have a global outlook or identify with the market they source from (Brockwell 2009). This enhances their market share both locally and globally.

Brockwell (2009) also emphasizes the access to fresh research, design or specialized intellectual capital as an advantage accruing to companies (manufacturing companies inclusive) that engage in multinational sourcing. The conclusion indicated that companies with large import volumes can achieve more benefits in obtaining lower priced goods and product availability. Importing from a fixed territory earns company benefits of cost reduction as against those importing from other territories. Lastly, more experience in MNS is a positive indicator for a company since it helps them to easily reach foreign suppliers that can offer higher quality and lower prices (Trent and Monczka 1991).

### **Factors Influencing Strategic Sourcing**

The general benefits from strategic sourcing have been a major incentive to a number of manufacturing companies and thus have increased the magnitude of such activities. Most of these companies are drawn to the act of sourcing from multinational firms primarily on factors that may serve as an accrual of advantages to their dealings and activities.

Qi, (2007) classified these factors into the 'pull' and 'push' factors. According to Qi, the 'pull' factors are those negative and passive factors that oblige the producer (manufacturer) to source internationally due to high customer demands and undue pressures inuring from international competition. Consumers usually purchase the same kind or similar products from different suppliers to ensure marketing efficiency revealing the competition that exist in the market. Non satisfaction of the consumer for which the product was manufactured may motivate the buyer to reconsider buying options available to him (change to another producer). This leaves an undesirable pressure on the manufacturer to succumb to over satisfying consumers or customers since the relationship between the buyer and the seller is just a normal trading one (Qi 2007). Such reasons powers manufacturers to open up to multinational sourcing options.

Qi, (2007) however noted that the push factors are positive and voluntary. Kotabe (1998) explained that the 'push' factors of MNS evolve from the 'pull' factors and is a main part of business (manufacturing), which enhances the continuous competitive urge of manufacturing firms. These factors encapsulate strategic decisions on purchasing that concentrates on the searching for the cheapest supply sources.



The main driver for multinational sourcing for manufacturers has been the labour cost differential across countries, as Slack & Lenis 2002 points out, the existence of factors of production may differ from country to country depending on the country's resource wealth. The existence of such resources goes to affect the price offered for such resources (Trent & Monczak 2003). Such differentials in resource availability push firms to the option of sourcing globally. Trent & Monczak (2003), refer to the cost of resources such as labour, transportation and energy, as the factor that may affect the decision of a firm to move their input supply chain from the domestic market to foreign multinational firms. Kotabe (1998) identified one important stimulus of global sourcing that comes from consumer satisfaction and consumer preference. In order to win the preference of consumers, each enterprise is straining to provide cheaper and more distinct products for the potential consumer (ibid). Product variety and differential positively affects the demand decisions of consumers (demands), which by replication impact the profit margins of manufacturing firms. Firms in targeting and achieving this end, however aims at providing these products at relatively cheaper costs as well. The resultant decision is to expand their input purchasing options even to extend it to global market. The extension in their input supply chain enables such firms not to only assure themselves of input availability but consistent and reliable supply, to inform them on the cost (priced option). From this point of view, Kotabe (1998) concludes that the demand of consumers is a main factor and reason motivating companies including manufacturing firms to implement multinational sourcing.

John Stevens in his work outlined several other factors and reasons for MNS to include the unavailability of materials in the domestic market. As noted by (Trent and Monczka(2003) and Slack and Lenis 2002, resource availability and labor cost differentials affects the international sourcing decisions of firms including manufactures. Due to disparities in geographical locations and technology, some domestic manufacturers may be unable to meet supply demands domestically, and in some cases unable to meet required delivery time, hence rendering most firms in such locations to look out to international source for products for further production.

Stevens (1995) mentioned Price, unsatisfactory quality of domestic products and Technology as the other reasons or factors that influence MNS. He explains that the quality of domestic goods may be insufficient for the demands of manufacturers who operate in an environment where there is a high demand for higher standard and quality of final products, hence leading them with no option to source from other global source. Access to world-class levels of technology is often unavailable or low, especially in developing countries and adversely affects some enterprises who require that such conditions be met (Jiang & Tian 2009).

Stevens (1995) reiterates this reasons as a factor pushing such affected firms to source globally. With regards to price, Stevens (2009) notes that most manufacturers in developed countries experience high prices of products and materials necessary for production thus may exploit the cheaper source that exists elsewhere around the world. Multinational sourcing strategy is a means decided upon by the head administrators of companies and a main significant direction of competitive strategy for firms. It focuses on functional optimization (Swamidass, 1993). Hence the multinational sourcing strategy can help strengthen the competitive outlook of companies especially manufacturing firms insofar as the strategy can be adopted within the framework of the whole competitive strategies of businesses.

### **Problems Associated With Strategic Sourcing**

Trade and exchange that involve trans-border or transactions across borders come with its own problems due to the distance involved. These challenges serve as barriers that may necessarily lessen the volume of strategic sourcing activities. Numerous factors that include political, legal and cultural differences between countries are indisputably a major badge of problems that may negatively affect strategic sourcing. Kendall (1999) establishes that other features like language, customs, and trade regulations may affect the volume of strategic sourcing. Moreover enterprises have to face problems like transportation, technological and capacity, weaknesses in production and lack of management systems.

### **Unusual Cost Increments**

Most manufacturers engage in MNS with an entrenched motive of reducing cost. However, regarding the most important aspect of this motive, available literature has predicted that some of the cost reductions turn out not to be as great as expected (Trent & Monczka 2003). Such illusions of saving cost may be experienced, owing from some unforeseen and unexpected circumstances, which may occur in the sourcing process such as distance disadvantages, communication problems, unreliable transport access, and some complicated legalities (all of which may demand financial commitments). Currency fluctuations and exchange rates, which may rise and fall responsive to its demand and supply and in accordance with the economic dynamics of the environment, may aggravate the cost commitments as well.

### **Language Communication And Cultural Challenges**

Culture is the sum of the understandings that govern interaction in society, which results in two broad areas of difference across countries; values (the way people think), and behaviour (the way people act) (Hong & Holweg 2005). The culture of a source country (producing firm) affects the accessibility, the nature and terms involved in sourcing (Defever & Toubal 2007). This is based on the premise that such cultures affect the production line, strategy or delivery package of the sourcing firm, which may pose problems in an effective sourcing process. Knowing where and how cultural differences will appear improves a buyer's comfort and effectiveness.

Language on the other hand is a key component of MNS since it is an effective communicative tool (Hong & Holweg 2005). If a supplier is using English as a second language, it is expedient for the buyer to have a fair idea of English to enhance the sourcing process. The language barrier can make life extremely difficult when trying to create business relationship (Ahorlu & Botchway 2009). A case in instance of how problematic language and communication may hinder MNS is in the case of Ghana (an English speaking country) sourcing from a Chinese firm where English is rarely used in transactions. The obvious solution of an interpreter may cause an increment in sourcing internationally.

### **Uncommon Trade laws and Regulations**

Trade laws and regulations through growing more similar among a group of countries in terms of agreement and conditions, still have major disparities that hinder trade across borders (World Trade Organization, 2004). These regulations depend and differ from territorial jurisdictions to area of operation. Some of these regulations in Ghana include bans and restrictions. This may reduce and discourage the extent of MNS and trade in general especially when they are restrictive and complex (Kendal 2009).

### **Delays and Delivery Problems**

Delays in delivery may be caused when transportation in the home country is unreliable. MNS involves the movement of commodities across borders between long distances. Such moments require adequate and reliable transportation means either by air, sea or land to avoid delays and inconveniences. Cho & Kang (2001) argued that in a situation where transportation and logistics networks are not as reliable as in the home country, unexpected delays may be the repercussion.

### **Certificate of origin and letter of credit**

A certificate of origin is a document used in international trade. It is a printed form, completed by the exporter or its agent and certified by an issuing body, attesting that the goods in a particular export shipment have been wholly produced, manufactured or processed in a particular country.

The origin does not refer to the country where the goods were shipped from but to the country where they were made. In the event the products were manufactured in two or more countries, origin is to obtain in the country where the last substantial economically justified working or processing is carried out. An often used practice is that if more than 50% of the cost of producing the goods originates from one country, the national content is more than 50%, then, that country is accepted as the country of origin.

### **Letter of credit:**

This is a document issued by a financial institution, or a similar party, assuring payment to a seller of goods and services. The seller then seeks reimbursement from the buyer's bank. The document serves essentially as a guarantee to the seller that it will be paid by the issuer of the letter of credit regardless of whether the buyer ultimately fails to pay.

In this way, the risk that the buyer will fail to pay is transferred from the seller to the letter of credit's issuer. The letter of credit also insures that all the agreed upon standards and quality of goods are met by the supplier. Letter of credit is used primarily in international trade for large transactions between a supplier in one country and a customer in another.

### **Incoterms**

International Commercial Terms, known as "Incoterms", are internationally accepted terms defining the responsibilities of exporters and importers in the arrangement of shipments and the transfer of liability involved at various stages of the transaction. Incoterms *do not* cover ownership or the transfer of title of goods. It is

crucial to agree on an Incoterm at the start of a negotiation/quotation of a sale, as it will affect the costs and responsibilities involved in shipping, insurance and tariffs.

The new Incoterms 2010 rules were revised by the International Chamber of Commerce and will become effective January 1, 2011. Four terms were eliminated (DAF, DEQ, DES, DDU) and two were added: Delivered at Place (DAP) and Delivered at Terminal (DAT). The modifications affect obligations, risk transfer, and cost sharing for the seller and buyer, resulting in better clarification and application of the eleven (11) Incoterms, and consistent with the way global trade is actually conducted since the last update in 2000.

In any sales transaction, it is important for the seller and buyer to agree on the terms of sale and know precisely what is included in the sale price. Exporters should choose the Incoterm that works best for their company, but also be prepared to quote on other terms.

The 11 Incoterms are listed below in order of increasing risk/liability to the exporter. Under the revised terms, buyers and sellers are being urged to contract precisely where delivery is made and what charges are covered. This should avoid double billing of terminal handling charges at the port of discharge.

### **Methodology**

The population for this study was the management and employees of the Guinness Ghana Limited and Everpure Company limited. The following criteria was used in sampling the respondents purposively  
A head of procurement/purchasing department.

1. Had served in the organization for sometime (at least 3 years).
2. The role-plays in the purchasing activities.
3. Personnel with at least an HND certificate in the department.
4. Staff available at the period of distributing the questionnaire.

The selected criteria for the organizations will justify the fact that respondents with these qualifications have relevant experience and are conversant with activities and practices within the supply chain. The fifth criterion is to ensure easy distribution and collection of questionnaire to help attain high state of response and at the same time save the researchers time. Based on these conditions, the number of supervisors will be limited to ten as they have the responsibility of managing these departments.

### **Sampling Method**

The study is basically qualitative and evaluative in nature. The type of data to be collected is going to be based on both primary and secondary data. The primary data will be collected from the manufacturing company. After gathering all the field data, sorted and coded, the statistical package for the social sciences (SPSS) combined with Microsoft excel would be used as statistical tools for the presentation, interpretation and the analyses. Purposive technique will be used to sample the respondents for the work. The advantage of the purposive sampling according to the Bailey (1994) is that it enables the researchers to use their skills and prior knowledge of the subject to select respondents. In applying this sampling method, Kumekeyar's (2002) advise of selecting the units not through random procedures, but by intentionally picking them for the study was applied. This is because they satisfy the selection criteria that are not randomly distributed in the population but are typical of the characteristics of interest to the study.

### **Sample Size**

According to Fraenkel and Wallen (2002), there is no clear-cut answer to the question on sample size selection for any research work. To them, the best answer lies in the sample, which is large enough for the researchers to obtain the needed data with affordable time and energy. They recommend a sample as large enough as researchers can reasonably obtain. In this light, a sample size of 10 forms the manufacturing company will be used for this study.

### **Data Collection Instruments**

In using the questionnaire, both open and close-ended questions will be formed and written down for respondents to answer. With the close-ended questions, multiple answers will be provided for the respondent to choose from. The open-ended questions, however, allow respondent to provide their own answer. The researcher will personally distribute and collect the questionnaires. A set of questionnaire is going to be distributed to all respondents in Guinness Ghana limited, Nestle Ghana limited and Everpure Manufacturing Company Limited in Kumasi.



Interview was used as a back up to the questionnaires. This helped to elicit necessary detailed information to clarify knotty issues. The one-to-one method involving the researchers and respondents was applied. This method allowed for open discussions of responses given through the questionnaires with the view to clarifying issues. In analyzing the data collected for the work, SPSS, Microsoft excel would be used to analyze the questionnaire to give a graphical representation of data analyzed.

## Results and discussion

### Socio economic characteristics of the respondents

This section is used to present and discuss the socio economic characteristics of the respondents. It begins with gender through to ...

Frequency Table

Table 1: Socioeconomic statistics

Variables/items	Frequency	Percent
Male	24	80.0
Female	6	20.0
<b>Total</b>	<b>30</b>	<b>100.0</b>
3 year	7	23.3
5 years	9	30.0
6 years	9	30.0
8 years	5	16.7
<b>Total</b>	<b>30</b>	<b>100.0</b>
Domestic sourcing only	4	13.3
Internationalsourcing	6	20.0
Intra-firm sourcing	5	16.7
Multinational and domestic sourcing	8	26.7
Multinational sourcing only	7	23.3
<b>Total</b>	<b>30</b>	<b>100.0</b>
Save cost/low price	5	16.7
Quality / higher quality	20	62.7
Knowledge acquisition	5	16.7
<b>Total</b>	<b>30</b>	<b>100.0</b>
Valid evaluation and monitoring of suppliers	10	33.3
Product quality requirement specification	20	66.7
<b>Total</b>	<b>30</b>	<b>100.0</b>

This table shows responses on the gender of the respondents. From the survey, 24 respondents were males, which represent 80 % of the sample size. The remaining 6 respondents were females, which represent 20% of the sample size. This generally implies that there were more males in the firms than females.

The table above shows that 23.3% of the staff has spent only 3 years in the organization, 5 years 30.0%, 6 years 30.0% and 16.7% 8 years. This analyses shows that those who have spent 8 years in the organization have more experienced with respect to strategic sourcing than those with less than 8 years within the organization. Though 8 years in the company is having the minimum percentage, which implies that less number of staff is having knowledge about the strategic sourcing activities of the organizations.

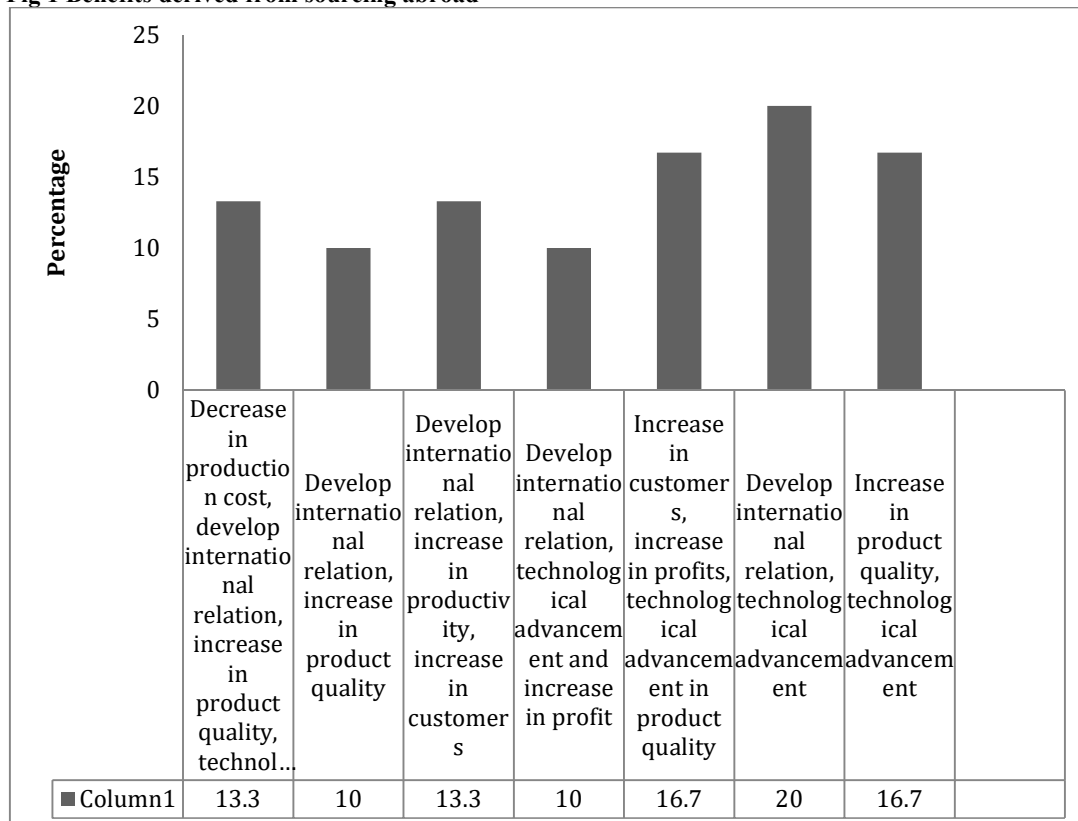
The table above shows the various nature of sourcing the Companies engage in. The table indicates that multinational and domestic sourcing is the type of sourcing the Companies engage in which is having 8 respondents and with the highest percentage of 26.7 out of the total percentage of 100. The companies consider multinational and domestic sourcing because some of the items they need can be obtain in the manufacturing country and the others outside the country.

The table shows various reasons for sourcing abroad, which are, categorize in the following: Save/low cost 16.7%, quality/higher quality 66.7% and knowledge acquisition 16.7%. From the bar chart above it can be seen that, quality/higher quality is having the highest percentage (62.7). This is because the survey indicates that the foreign suppliers provide more quality products than the domestic suppliers because of the advance technology in their production activities.

From the survey, it was observed that Everpure Company limited, Nestle and Guinness Ghana consider some factors before sourcing abroad. From the table above, it can be analyzed that the companies consider the product quality requirement and specification, which is having a frequency of 20 representing 66.7% more than evaluating and monitoring of suppliers with the frequency of 10 representing 33.3%. These organizations consider product quality requirement and specification as the backbone of their operation.

**Benefits derived from outsourcing**

**Fig 1 Benefits derived from sourcing abroad**



From the table, it can be seen that there are numerous benefits derived from sourcing abroad. Among these benefits, it can be analyzed from the bar chart that increases in product quality, develop international relation and technological advancement which is having the highest percentage of 20.0% out of the total of 100% is the strong benefits these organizations derive from sourcing abroad. This is true because, according to the organizations strategic sourcing help them to create long term relationship with the outside suppliers which in the long-run help to receive quality product from advance technology.

**Table 2: Challenges of sourcing abroad**

Valid	Frequency	Percent
Fluctuation in currency and exchange rate	19	63.3
Government policies and laws	5	16.7
Others	6	20.0
<b>Total</b>	<b>30</b>	<b>100.0</b>

From the Table 2, the interpretation are the challenges of sourcing abroad which Everpure, Nestle and Guinness Ghana are facing is fluctuation in currency and exchange rate is 63.3%, government policies and laws is 16.7%, while others are 20.0%.

The bar chart above depict that the most pressing challenge is fluctuation in currency and exchange rate, which is having the highest frequency. It was observed from the field that this factor prevents most organizations from sourcing abroad.

**Table 3: Mechanisms that can be put in place to mitigate the challenges**

<b>Valid</b>	<b>Frequency</b>	<b>Percent</b>
Differing of legal systems	21	70.0
The government should stabilize local currency	4	13.3
Training staff on other languages	5	16.7
<b>Total</b>	<b>30</b>	<b>100.0</b>

Source: Field survey, 2015.

The Table 3 above shows the mechanism that can be put in place to mitigate the challenges in sourcing strategically, stabilization of the currency, which is having the frequency of 21 representing 70.0% is recommended by the respondents. This is because, when the currency is stabilizing, sourcing from abroad becomes flexible and profitable to local firms who need the foreign currency for their foreign purchases.

**Table 4: Appropriate recommendation for the future of strategic sourcing**

<b>Valid</b>	<b>Frequency</b>	<b>Percentage</b>
Partnership with foreign firms	18	60.0
Partnership with foreign suppliers	3	10.0
Partnership with international firms	9	30.0
<b>Total</b>	<b>30</b>	<b>100.0</b>

Source: Field survey, 2015.

From the Table 4, various recommendations have been given by the respondents on how to improve on future strategic sourcing by manufacturing companies in Ghana. Among the various options given, partnership with foreign firm had the frequency of 18, which represent 60.0%. This simply means that, local firms needs to be in partnership relationship with the foreign firm and this will help them acquire more knowledge on current technology in production to help improve their activities.

### Discussion

This Segment of the chapter contains the findings and observations drawn during the conducting of primary research. The findings and observations will be inferred from the answers given by the respondents of the questionnaires distributed to the staff of Everpure Manufacturing Company, Nestle and Guinness Ghana limited and the personal interview granted the researchers during the study.

From the study, the following observations were made. All the purchasing and supply (procurement) staff had tertiary qualification. The head of procurement department of these organizations (Guinness Ghana, Everpure and Nestle Ghana limited) are advanced level certificate holders (CIPS) with over 15 years working experience in their various organizations. The purchasing and supply departments such as the finance department are placed at equal level as their counter parts in other departments and enjoy those conditions of services.

However, new purchasing and supply personnel are given training after recruitment to enlighten them on their profession. In Guinness Ghana limited, procurement officer are given the opportunity to study abroad in order to advance their knowledge on the purchasing activities. In spite of all these training, some of the purchasing staff are not aware of certain purchasing practices and certain world class concepts such as Total Quality Management (TQM), Just- In- Time (JIT) etc. the various purchasing and supply departments in the organizations has a good working relationship with other department within their organization with very little hostilities.

The procurement department of these organizations finds it difficult to reduce cost incurred in procuring from abroad. This is because there is consistent currency fluctuation in both the buyers' country and the suppliers' country. It was observed that the companies after making their analysis of the currency before sourcing, it later become more than what is estimated therefore makes it difficult for them to minimize and control the cost when buying.

From the research conducted, one of the major problems facing the purchasing and supply department is the steadily flow of goods and services to meet operational needs. According to the respondents in an interview disclose that most of them in the purchasing department are not satisfied with their remuneration. In view of this, personnel are not motivated to give out their maximum best. These organizations in recent time are beginning to use information technology in their purchasing transactions. This is because they are dealing with foreign suppliers for most of their production materials and they also acquire these materials in larger quantities. A database of material related information and consumption pattern could be useful for planning and decision making purpose. Also, code of ethics governing staff actions and behavior in purchasing are established in these organizations (Everpure Company limited, Nestle and Guinness Ghana limited). The availability of such ethical handbooks can caution personnel in their dealings as purchasers.

### **Conclusion**

From the findings, it can be concluded that the primary objective of the study was to examine the impact of strategic sourcing in service delivery within manufacturing companies in Ghana.

The following findings were made in the course of the study;

- The manufacturing companies use the Internet as a source of having information on potential suppliers.
- All the necessary information regarding strategic sourcing was achieved and their practices were not the best but there can be more room for improvement.
- Strategic sourcing implementation is of a great benefit because it enables the companies to achieve their set objectives in terms of producing quality products as well as saving of cost.
- This study shall therefore be of great benefit to all-manufacturing companies in Ghana both private and public sectors.
- It will also serve as reference materials for administrators, investors, lecturers, students and all who are in the sector of purchasing and supply.

### **Recommendation**

- I hereby recommend that, many importers in order to comply with import regulations test their products for safety, pollution, emission and quality prior to importation, whereupon a quality certificate of national standards of compliance issued. This is to maintain adequate national standards and is particularly relevant in countries like Japan and the United States for consumer and industrial goods.
- These manufacturing companies should keep trading multinational to develop beneficial links between countries and encourage tourism and education. For instance, many importers have visited a country as a tourist, sampled a local product and returned home to become the import agent for that particular company.
- To make communication effective and efficient, the companies should train and learn more languages especially the countries they source from to make good negotiation and trading simple.
- Adequate funds should readily be made available for purchases to be made on time. In other words contingencies should be put in place for unforeseen circumstances.
- I again recommend for organizations to acquire their materials for production, sourcing from abroad should be considered. This is because the survey indicates that foreign suppliers provide more quality product than the domestic suppliers because of the advance technology, which provides or leads to economics of production.
- Government should also stabilize the currency for efficiency when sourcing multinational.
- The use of Information Communication Technology (ICT) will help develop, analyze and present information, as well as to model situations and solve problematic as a powerful force for the companies change.
- Manufacturing companies should use Material Requirement Planning system to reduce inventory levels in terms of work-in-progress, to improve customer care, reduce obsolescence, to reduce overtime, to improve direct labour productivity and many others.
- E-procurement also known as supplier exchange is a business to business or business to consumer purchase and sale of supplies, work, and services through the internet as well as other information and networking systems such as electronic data interchange. E-procurement should be used in contracts to achieve benefits such as increased efficiency and cost savings and improved transparency to reduce corruption in procurement services.

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