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**KNUST**

**TOPIC:**

**EXPLORING SUPPLIER PERCEPTION OF PROCUREMENT PRACTICES IN  
GHANA BAUXITE COMPANY LIMITED**

**BY**

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REQUIREMENT FOR THE AWARD OF A MASTER OF SCIENCE DEGREE IN  
PROCUREMENT MANAGEMENT**

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## DECLARATION

I hereby declare that this thesis submission is my own work towards the MSc and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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## **ABSTRACT**

Procurement is vital to every industrialized institution because every now and then, such institutions buy the services of third party workers, goods or other services from suppliers which the Ghana Bauxite Company is not an exception. The aim of the study was to explore the perception of suppliers towards the procurement practices of Ghana Bauxite Company Limited with the following objectives; to identify the challenges faced by the suppliers in relation to the procurement practices of Ghana Bauxite Company, to identify the causes of challenges faced by the suppliers, to identify the factors for effective buyer-suppliers relationships. Though a thorough literature review question was designed and administered to respondents within the scope of study. Data collected was later analyzed using descriptive and mean score analysis of the Statistical Package for Social Scientist. The study revealed that, most supplier's firms are owned by expatriate. Regulatory risk, operational risk, difficult for new entrant, lack of supplier development and high selection criteria of suppliers are the critical challenges faced by suppliers which are caused by Geographical location of mining sites, unreliability among suppliers, competitiveness among suppliers, delay in payment of certificates, limited technology and exorbitant rates by suppliers. In addition, the study revealed that, fairness, dependability on the side of suppliers, suppliers' trustworthiness and suppliers' commitment are highly recognized factors for effective buyer-supplier relationship. The study therefore recommended that, government should award firms adhering to its regulations, support suppliers through capacity building. GBCL should allow for local content during awarding of contract, provide supplier development management. Finally, proper organizational management

system should be implemented by suppliers. Keywords: procurement, relationship, buyer, supplier, regulatory risk, operational risk, challenges, selection criteria.

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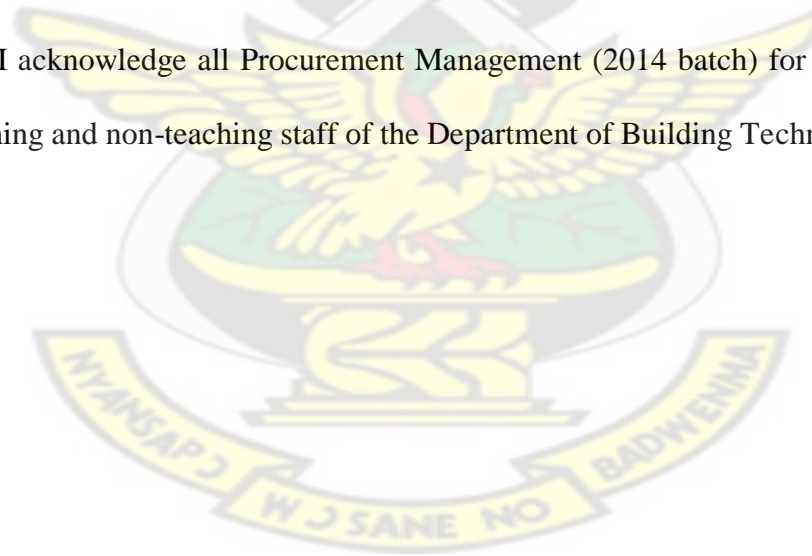


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## **DEDICATION**

I dedicate this work to my wife Mrs Ghansah and my children

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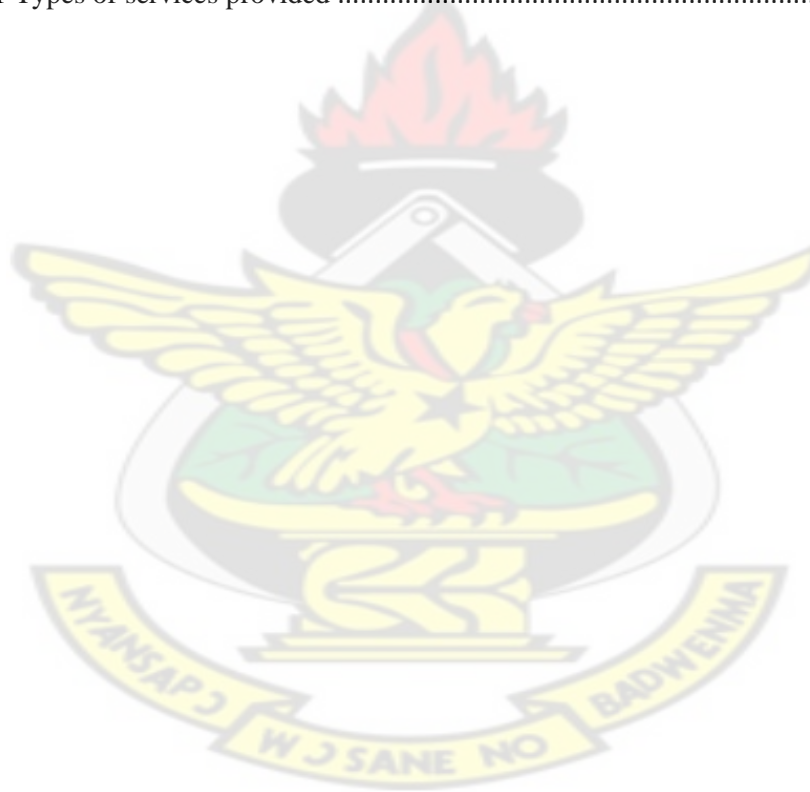
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## ABBREVIATION

GSS	-	Ghana Statistical Service
MI	-	Mining Industry
GBCL	-	Ghana Bauxite Company Limited
ICMM	-	International Council of Mining and Metals
GDP	-	Gross Domestic Product
GMI	-	Ghana Mining Industry
NZBCSD	-	New Zealand Business Council for Sustainable Development



## **CHAPTER ONE**

### **GENERAL INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

Many industries exist in every economy, namely Agriculture, manufacturing, transportation, construction, mining and quarrying and the likes. These industries regulate the economy of either developed or developing countries, as a matter of fact the ability for a country to determine its Gross Domestic Product also depends on the contribution of these industries (Ghana Statistical Service (GSS), 2012). Globally, the Mining Industry (MI) significantly improves the standard of living to people, economically important to host nations, add-up to the countries revenue through taxes, employs many professionals from different discipline as well as earning foreign exchange (Committee on Technologies for the Mining Industry; Committee on Earth Resources; National Research Council, 2002). Ghana also benefits from the Mining Industry because many minerals abound within the country; chiefly among them are Gold, Manganese, Bauxite and Diamond. Bauxite is a material mainly used for the production of aluminum. (The Ghana Chamber of Mines, 2013). The Bauxite Sector of the Mining Industry employs the service of materials and equipment for the smooth exploitation of their mineral through suppliers of such accoutrement.

Procurement is vital to every industrialized institution because every now and then, such institutions buy the services of third party workers, goods or other services from suppliers (Agyei et al., 2013) which the Ghana Bauxite Company is not an exception. Although, procurement is a crucial unit in every industrialized institution and an independent



department as such conversely, it does not exist in every institution (Telgen, 2004). Procurement to obtain goods, service and works are governed by the principle of quality, quantity, time, price, source and place of such goods, services or works to be procured (Prescott and Coates, 2012). The volume and scope of procurement vary from organization to organization however; the principles and procedures are basically the same. It is therefore important to understand the application of principles and procedures at all levels. Procurement guideline is a function responsible for obtaining resources (equipment, logistics, materials, supplies and services) required by an organization to fulfill its core business and development programs. This may be done by purchase, lease or other legal means (Manu, 2009).

The global business environment is very competitive (Agyei et al, 2013) between users of the same products and suppliers, moreover; the long lasting and sustainable relationships between the buyer and the supplier travels a long way in providing good and quality service delivery to the buyer (Giannakis, 2007). This relationship can be maintained and strengthened by aligning the evaluation of procurement entities' expectations from the views of suppliers' and contractors on the buying organization's performance (Wong, 2000). A long-term relationship between the company and its suppliers require that both parties are equally satisfied with each other's performance. An unsatisfied supplier may demonstrate lack of commitment, loyalty and trust which form the foundation of a good relationship (Snyder, 2003). Recently, the industrialized economy considers cooperation with suppliers rather than confrontation (Turner et al, 2008). Performance evaluation of suppliers from the buyer's perspective alone is not sufficient for better supply chain performance or long-term relationships (Cousins et al, 2008). Satisfaction of suppliers is



one of the key drivers for long-term sustainable procurement. According to Essig and Amann (2009) supplier's satisfaction is the feeling and perception about the fairness with regard to buyer's incentives. There is the need to ensure that both parties to the exchange process feel satisfied to a large extent about what they are getting from the transaction. Satisfaction of both parties to the transaction is paramount, if cooperation and collaborations are met as expected from the relationship. Under some circumstances, the buyer can be exploitative particularly in one-off buying transactions

## **1.2 PROBLEM STATEMENT**

Ghana Bauxite Company's adherence to procurement standards and processes are prerequisite for efficient mining industry because several individuals and groups base their resources allocation decisions on materials procured. Ghana Bauxite Company has played a vital role in assuring that high standards of business and ethical practices permeate throughout the activities surrounding the custody and use of its resources under the strict directives of procurement procedures (the way we buy, 2006). The procurement policy of Ghana Bauxite Company is to enable its suppliers to be treated in a transparent and ethical manner.

Every organization needs suppliers. No organization can exist without suppliers. Therefore, the organization's approach to suppliers, its acquisition processes and policies, and its relationships with suppliers will impact not only the performance of the suppliers, but also the organization's own performance (Turner et al, 2008). No organization can be successful without the support of its supplier base, operationally and strategically, short-

and long-term. It is apparent that firms, whether manufacturers, distributors, service providers whatever their background in one way or another is involved in procurement of goods or services (Bailey et al, 1998). As such, in a broader sense both supplier and buyer firms have own perceptions of procurement function. However, many sources suggest that supplying firms see procurement function as boundary spanning bridge between buyer and seller firms. In response suppliers also assign designated salespersons that act as an intermediary between buyers and their firms (Jones G. , 1987). The practice of personal selling and sales management has also gone through a paradigm shift from making short-term sales to building long-term relationships (Kotler, 2000), and this has gradually dictated changes in supplier companies' perspective of role of procurement. Also, Lovelock and Wright (1999) argue that over the years supplying firms have shifted from focusing on just influencing buyer behavior to managing relationships.

Knowing what procurement responsibilities is to provide reasonable assurance that their activities can be operated in an adequate transparent and ethical manner. The mother company (RIO TINTO GROUP in 2006) of the Ghana Bauxite Company formulated a comprehensive policy manual for the procurement department called "the way we buy" which spells out the role, standards and guidelines of procurement department within the organization. This is a mechanism for procurement practitioners to identify and make necessary improvements for the success of the organization (the way we buy, 2006). Procurements service involves a contractual agreement between the parties however; the ability for the parties to deliver their quota of the agreements is depends on the relationship established between them. . This study aims to explore the perception of suppliers towards Ghana Bauxite Company procurement system.

### **1.3 RESEARCH QUESTIONS**

What are the Challenges that GBCL suppliers are facing?

What are the significant factors causing these challenges?

What are the factors that will enhance a healthy relationship between the suppliers of GBCL and GBCL?

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### **1.4 AIM AND OBJECTIVES OF THE STUDY**

#### **1.4.1 Aim**

The aim of the study was to explore the perception of suppliers towards the procurement practices of Ghana Bauxite Company Limited.

#### **1.4.2 Objectives of study**

The objectives of the study included;

To identify the challenges faced by the suppliers in relation to the procurement practices of Ghana Bauxite Company;

To identify the causes of challenges faced by the suppliers; and

To identify the factors for effective buyer-suppliers relationships.

## **1.5 JUSTIFICATION/ SIGNIFICANCE OF STUDY**

The Procurement and Logistics Department of Ghana Bauxite sets the procurement policy and rules as per the existing procurement policy; “the way we buy”, 2006. Chisompola (2009) worked on SME suppliers and recommended further studies into the challenges faced by suppliers. The study will enhance the effectiveness and efficiency of the procurement practices through the identifications of the challenges associated with. It will guide management as to how to establish long lasting relationships with suppliers and act as a check on procurement related issues in GBCL.

## **1.6 METHODOLOGY**

This research study reviewed relevant literature and employed a quantitative research strategy to investigate the objectives and research issues of the study. The study used questionnaire survey to retrieve data from respondents, data were analyzed using descriptive analysis which were presented in pie chart and one sample t-test with a test value 3.5 ( $p < 0.05$ ). The descriptive analysis was used on data relating to the research questions formulated whilst the objectives of the study were analyzed using the one sample t-test.

## **1.7 SCOPE OF THE STUDY**

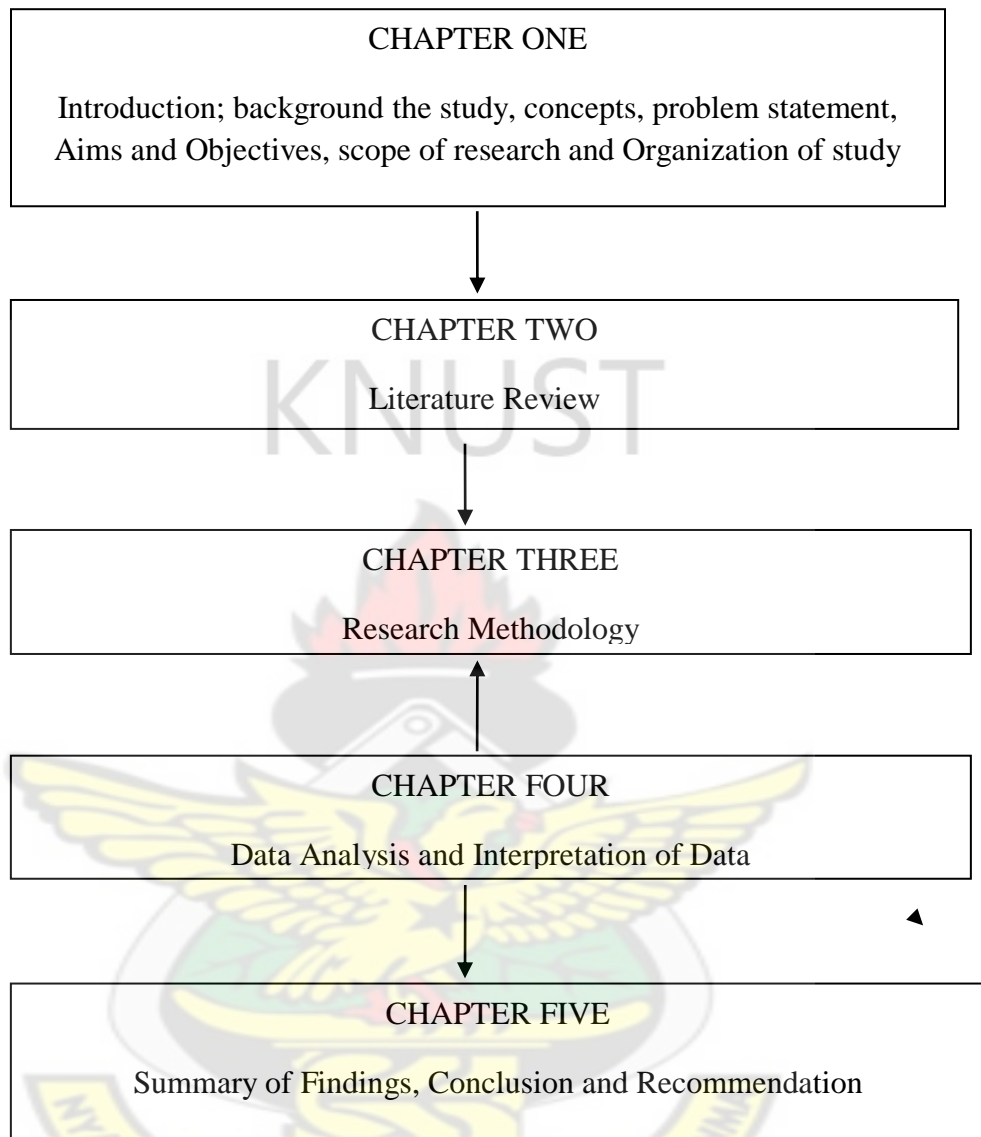
The study focused on the suppliers of Ghana Bauxite Company Limited (GBCL), suppliers were tasked to identify challenges they faced in working with the GBCL, it probable causes and effective factors for ensuring effective relationship between them and the GBCL.

## **1.8 LIMITATION**

Although the study adopted convenience sampling technique, some suppliers who indicated the interest to partake in the study failed the researcher by not responding to the questionnaire. In-addition, it was very difficult to locate some of the suppliers based on the address they provided to the GBCL. Finally, time and financial constraint made distribution and retrieval of the questionnaire difficult.

## **1.9 ORGANIZATION OF THE STUDY**

The chapter 1 outlined introduction; background the study, concepts, problem statement, Aims and Objectives, scope of research and Organization of study. Chapter 2 explored greater depth of different approaches in procurement practices used in different business disciplines. The Chapter dealt with the research methodology. Chapter 4 dealt with data analysis and interpretation. Chapter 5 was the conclusion and Recommendation and References. The Figure below illustrates how the whole research was done;



**Figure 1.1 Organization of the study**



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter presents a literature review for the research. Relevant literature on procurement practice in the Mining Industry is discussed, the procurement, challenges, causes and establishing effective relationship.

#### **2.2 THE GLOBAL MINING INDUSTRY**

Globally, the Mining Industry (MI) significantly improves the standard of living to people, add-up to the countries revenue through taxes, employs many professionals from different discipline as well as earning foreign exchange (Committee on Technologies for the Mining Industry; Committee on Earth Resources; National Research Council, 2002). Gunter (2009) posited that, the South African Mining Industry employs about 465,000 people directly and indirectly which accounts for 7% of the nation's GDP and employs people from different sectors. The Mining Industry attracts millions of investors annually and the demand by developed economies to provide a good standard of living for their people places more demand on the Mining Industry (ICMM, 2012), The World Bank (2014) indicated that, geographically Africa is blessed with minerals such as gold, bauxite, iron ore, uranium, diamonds, manganese, lead, phosphate rock, copper, coal, heavy minerals, zinc, cement and many more. These minerals are used in manufacturing industries to product domestic commodities which make the life of man comfortable such

as production of machine parts, building materials, transportation, communication, health and many more (ICMM, 2012).

## **2.3 THE GHANA MINING INDUSTRY**

From history, Ghana has been endowed with different kinds of minerals which can be witnessed currently; chiefly among them are Gold, Manganese, Diamond and Bauxite (The Ghana Chamber of Mines, 2013; Ayee et al, 2011). In the 2009 annual report of the Bank of Ghana, the minerals sector substantially contributed about 42% of the nation's exports earnings, 14% composition of the tax revenue accrued in 2009 and 5.5% contributions to the nation's Gross Domestic Product (GDP) (Bank of Ghana, 2009). The 2013 performance report published by the Chamber of Mines stated that, the mining and quarrying sector contributed 9.8 to the Gross Domestic Product of Ghana which makes the Ghana Mining Industry (GMI) an essential propeller in the economic growth of the country moreover it employed 16,819 Ghanaians and 284 expatriate (The Ghana Chamber of Mines, 2013) However, Ghana Statistical Service (2012) indicated in the 2010 Population Census Report that, the Mining and Quarrying Industry employed 114,205 out of the 10,373,678 employment population representing 1.1% which can be attributed to the fact that, the Ghana Chamber of Mines considers only the number of their registered numbers whilst the Ghana Statistical Service considered any personnel in the mining and quarrying industry. The Mining Industry attracts many investors because of how lucrative it is, and gives investors good run for the investment (Agyei et al., 2013). Amponsah-Tawiah and Dartey-Baah (2011) alluded that, the economical essence



of the Mining Industry is well recognized across every economy however, the Ghana Mining Industry is in a period of recession because its productivity stands short when measured from about six decades ago.

## **2.4 SERVICES PROVIDED BY SUPPLIERS TO THE MINING INDUSTRY**

The global Mining Industry which Ghana is an associate extracts various minerals which depends on other materials acquired from external sources. These materials could be explosives such as dynamite and the likes, electrical connections, infrastructure for the concession, intellectual property (consultancy services). The Mining Industry is not an island on its own because without the interference of other industry its goal can never be achieved, which makes the Industry to influence the well-being and sustainability of other business organizations. NZBCSD (2003) and Deloitte (2011) asserted that, the market economy is a global affair because the well-being of the products and services utilized by industry directly or indirectly substantially influence other industry. The need for the services of suppliers is very necessary because every industry which the Mining Industry is not an exception are working tirelessly to be recognized globally and such intentions has subjected these institutions to work around the clock to produce quality products, improve performance and at the same time reduce cost of production (Mohanty and Gahan, 2012). The World Bank (2014) did an extensive work on the services required from suppliers by the players in the Mining Industry, these includes;

## **2.4.1 LEVELS OF SERVICES PROVIDED BY SUPPLIERS IN THE MINING INDUSTRY**

Services indicate works provided by an organisation to others which result from a form of contract (Soanes and Stevenson, 2008). In the Mining Industry, services provided by organisation can be mainly classified under direct services or indirect services; it ranges from corporate support services, core exploration and mining services, supply chain services and maintenance and repairs (The World Bank, 2014).

### **2.4.1.1 Corporate support services**

Corporate support services can be classified under indirect services because these services do not contribute chiefly to the exploration or mining of minerals but facilitate such activities, these are legal, regulatory, construction works, tax and insurance for the Mining company. These services are obtained by the Mining Industry through forms of partnership with organisations providing such services (The World Bank, 2014).

### **2.4.1.2 Core mining services**

The core mining services are the activity which directly contributes to the activities of the Mining Industry such includes exploration, mineral assessment, drilling services and mining services. Key among these services are geological works, remote sensing, sample analysis, surveying and sampling just to mention few (The World Bank, 2014). Without these services the Mining Industry cannot make any substantial contribution to the economy of its host country (Deloitte, 2011; Mohanty and Gahan, 2012; NZBCSD, 2003), because without the exploration works minerals can never be identified.

#### **2.4.1.3 Supply chain services**

Contract management, strategic sourcing, procurement functions, materials management, logistics are forms of supply chain management witnessed in the Mining Industry across the globe (The World Bank, 2014; Agyei et al., 2013). These services directly affect the mining process because without the selection of the right materials, suppliers the - performance of the Industry will be affected negatively (Prescott and Coates, 2012).

#### **2.4.1.4 Maintenance and repairs**

The core components of plant and equipment are subjected to regular usage, this cause wear and tear in such components which need replacement or repairs. The durability of an equipment or plant is dependent on the maintenance practices adopted by an institution. This practice is crucial and needs the services of qualified suppliers (The World Bank, 2014).

### **2.4.2 CAPITAL GOODS AND CONSTRUCTION MATERIALS**

Capital equipment required by mines includes the following:

Machinery for excavation and loading, including trucks, shovels, and draglines;

Machinery for crushing, grinding, including crushers and grinding mills;

Machinery and equipment for processing and preparation, e.g., autoclaves, concentrators, and separators;

Auxiliary equipment for ventilation, pumps and pipelines, fuel storage and refuelling systems, and materials handling, including bulk transport infrastructure such as rail lines and loading;

Auxiliary equipment for heap leaching (used for gold processing, typically for lower grade gold ore), e.g., geotextiles, irrigation system (including piping, etc.), conveyor and other materials handling;and

Cement, used both for construction and as an input to heap leaching of gold ore Steel and basic steel structures (The World Bank, 2014).

#### **2.4.3 CONSUMABLES, INCLUDING PROCESSING INPUTS, ENERGY AND WATER INPUTS**

Mines tend to require a constant supply of certain consumable inputs, and depending on remoteness from supply centres, may keep a significant store of consumables and spare parts on site. Key consumables include fuel, explosives, process consumables, off-road tires, and spare parts. Services including explosives and accessories, lime, caustic soda (cyanide, acids, and flocculants) (The World Bank, 2014).

#### **2.4.4 BULK SERVICES AND INFRASTRUCTURE**

Energy requirements are often served by mines themselves, in particular where these are remote from existing electricity generation and distribution grids. Key forms of electricity supply include diesel generator farms (biodiesel is an option but is not yet currently widely used) or coal-fired plants. Most mines supply their own water needs, e.g., through dam construction, and mines tend to source dedicated telecommunications equipment

from various service providers to supply telecommunications on-site (The World Bank, 2014).

#### **2.4.5 NON-CORE GOODS**

Non-core goods required by mines include uniforms and safety and protective equipment, including: Overalls, protective helmets, lamps, boots, eyewear, fire protection equipment, air quality monitoring devices. Demand for these products is driven by number of staff, type of mining, and mine conditions (e.g., different requirements for underground and open pit mining).

Mines also require a wide range of general goods, including the following examples: Office supplies and services, stationery, office machines, furniture, software and IT services, medicine, food and beverage products. In the case of software and IT services, inputs required by mines may be highly specialized, including mine production management, ore deposit modelling, and fleet management software (The World Bank, 2014).

#### **2.5 CONCEPT OF PROCUREMENT**

Procurement appears to be a new phenomenon in recent times because of the complications associated with buying from institutions, contrariwise; it has been in existence about centuries ago (Prescott and Coates, 2012). Procurement has been the order of the day, which has won the interest of professional from all industry (Mwikali and Kavale, 2012). Kidd (2007) indicated that, procurement encapsulates many activities

which make it difficult to associate oneself to particular definition for procurement however, procurement can be termed as purchasing or synonymously supply management. Every now and then, institutions buy the services of consultants and service providers (Leipold et al, 2004). Procurement involves the effective coordination, controlling of sources acquired from outside institutions for the benefits of the acquiring institutions. People in charge of such activities engage themselves in many activities which bring doubt and abuse act whenever procurement is of concern (Osei-Tutu et al, 2011). Kidd (2007) divulged that an effective and efficient procurement policy tend to “reduce cost, reduce risk, security of supply, improved quality, greater added value, increased efficiency and innovation”.

IBM Global Business Services (2006) also asserted that, procurement is preferred by institutions in order to reduce costs, enhances profit and cash flow. In addition, Prescott and Coates (2012) argued that, even though procurement has been with mankind for a couple of years ago, the fundamental principles by which procurement was instituted have not metamorphosed into something different. Such principles are “to acquire a product or service at lowest possible costs while meeting the buyer’s needs in terms of quality, quantity and time. Mwikali and Kavale (2012) added that, the role of procurement is to instill efficiency and competitiveness among suppliers of a project. Prescott and Coates (2012) asserted that, the ability of a business to succeed within any industry requires strong and realistic procurement practices. From inference, the argument of Prescott and Coates (2012) indicates that, not all institutions have adopted or recognize the significance of procurement. Agyei et al (2013) posited that, procurement in the Mining Industry should be of great advantage to the locality hosting the various



Mining Companies such as employing their services which can generate income to better the living conditions of the indigenes.

## **2.6 PROCUREMENT PRACTICES**

Procurement is a never ending activity because it starts and ends with an event from pre-contract to the management of a contract which revolves around supplier relationship and many more (Kidd, 2007). Practices adopted by every entity emanates from well laid out procedures which regulates or inform the decisions of people in authority as Pressey et al (2009) indicated that, well established institutions have their procurement policies or practices well-grounded which ensures transparency in its operations. In reference to the work of Kaufmann et al (2012), the advantages of a well laid out procurement practices policy overshadows the disadvantages associated with it because, there is a higher possibility of it been transparent. Agyei et al (2013) divulged that, the transparency of a procurement entity is solely dependent on an effective and workable procurement policy plan. Earlier Jonsson (2008) indicated that, procurement practices can be classified into two main groupings, these are; single sourcing and multiple sourcing.

## **2.7 METHODS OF SELECTING SUPPLIERS**

Supplier selection is a headache for many procurement entities because it is a complex function. Services required from suppliers form a major component of the production cost of the Mining Industry (Accenture, 2009). Procurement function is encases many

principles, the ultimate aim of the procurement function is its ability to select the right supplier needed to undertake a specific task or activity within an institution (Carr and Pearson, 1999). The effective and efficient way of selecting either suppliers or contractors to execute an assignment for the buyer of their services should be based on their competence (Smith & Bell, 2012). Conversely, Deloitte (2011) revealed that, the Mining Industry selects suppliers by compromising on quality but focus on the availability and cost implications of the supplier. Prescott and Coates (2012) alluded that, the factors affecting the selection of competent supplier depends on the required service, the quality of the services provided and the reliability of the supplier. Delivery capability, production capability, relational/networking, radical innovation, managerial, future oriented capability and financial inform the decision of the procurement function in awarding contract to suppliers within these categories however not all institutions consider all these capabilities of the supplier (Pressey et al., 2009). Mwikali and Kavale (2012) also asserted that, the selection criteria of suppliers complicate the process because it involves many requirements such as “production cost, raw material cost, quality assessment, organizational goal, quality staff, delivery system and personal facilities”. Although, the principles upon which the performance of various tendering suppliers are assessed differ from one institution to the institution based on the services required from the suppliers but there are core principles which are recognized and adopted by many procurement entities in assessing the credibility and credentials of suppliers (Kaufmann et al, 2012).

With the various criteria in mind, Prakash et al (2011) divulged that, there are two main supplier selection function, these are the single criteria and multiple criteria. The single



criteria operates where many suppliers tender for a project but one supplier among the others satisfy all the requirement set by the procurement entity whilst the multiple criteria works when no supplier satisfy the requirement set by the procurement entity but at least satisfy some whilst others satisfy some portion of the requirement. NZBCSD (2003) listed out some preferable criteria in supplier selection such include employer practices, health and safety, working conditions for factories in developing countries, governance, environmental responsibility, hazardous substances and supplier management.

## **2.8 CHALLENGES FACING SUPPLIERS IN PROCUREMENT PRACTICES**

According to Osei-Tutu et al., (2011), there is low compliance with regards to the Public procurement Act 663. Although the PPA is subject to policies initiated by the Procurement Authority however, various institutions are deficient in complying with the stated objectives, this can also be said of private institutions using their own laid out procurement practices. Procurement can be a procreation avenue for corruption within the entity (Ivanov, 2012). New suppliers find it difficult to penetrate through the procurement policies laid down by companies and the complications associated with tendering for contracts in organizations (Pressey et al., 2009). Chisompola (2009) point out that, the Mining Industry award contracts to expatriate firms especially in the developing countries to supply them with the services these firms can provide.

Deloitte (2011) posited that, financial risk is great and detrimental to the supplier because it negatively affects the cash flow and other monetary commitments, regulatory risk which impedes the operations of suppliers and operational risks which pervert mining

companies to rely on the credibility of their suppliers because of past experience with others. Ayee et al (2011) posited that, regulating the Mining Industry brings to bear the mode and means of operation however; some regulatory policies impede many suppliers from participating in some projects. Amponsah-Tawiah and Dartey-Baah (2011) concurred that, though the Mining Industry operates within a regulatory framework which are well formulated and implemented within developed countries such regulations cannot be applied to the Mining Industry in the developing countries. In addition Ayee et al (2011) indicated that, corruption and lack of transparency really witnessed in the Mining Sector affect the supply chain in the sector.

**Table 2.1 Challenges faced by suppliers**

ITEM	CHALLENGES FACING SUPPLIERS	REFERENCE
1	Difficult for new entrant	(Pressey et al, 2009)
2	High supplier selection criteria	(Mwikali and Kavale, 2012), (Deloitte, 2011)
3	Lack of transparency in supplier selection	(Ayee et ai, 2011)
5	Non-conducive working environment	(Deloitte, 2011)
6	Access to finance	(Chisompola, 2009)
7	Corruption on the part of suppliers	(Ivanov, 2012),(Ayee et al, 2011)
9	Financial risk	(Deloitte, 2011)
10	Lack of supplier development	(Mohanty and Gahan, 2012), (Deloitte, 2011)
11	Regulatory risk	(Ayee et al, 2011), (Deloitte, 2011), (Amponsah-Tawiah and Dartey-Baah, 2011)
12	Operational risk	(Deloitte, 2011), (Mwikali and Kavale, 2012)
13	Low compliance Procurement policy	Osei-Tutu et al (2011)

## **2.9 CAUSES OF CHALLENGES FACED DURING PROCUREMENT**

Ivanov (2012) indicated that, weak procurement structures in institutions account for many challenges faced in the procurement sector. Telgen (2004) point out that, most procurement officers in many institutions lacks the skill, training and knowledge as deem fit for the portfolio but ideally should be occupied by people with technical expertise as well as people with procurement backgrounds. The cooperation instituted by business minded suppliers to their customers act as obstacles preventing new suppliers from winning contracts within various institutions because such institutions trust the existing suppliers of quality work and the procurement practices adopted differ from one institution to the other especially inter-industry (Pressey et al, 2009).

More than often, suppliers lack the ability to limited technology, bargaining power of buyer, management constraints, corrupt practices, business associations, differences in priorities, government support, institutional constraint (Chisompola, 2009). Deloitte (2011) suggested that, geographical placement of mining sites prevents firms from tendering for some projects because there regulatory frameworks restrict the use of some goods within such environment. The unreliability and low performances of many suppliers witnessed by the Mining Industry makes it difficult for new entrants into such companies and makes the Mining Industry take a stand during negotiations with suppliers.

**Table 2.2 Causes of challenges faced by suppliers**

ITEM	CAUSES OF CHALLENGES FACED BY SUPPLIERS	REFERENCES
1	Suppliers institutional constraint	(Chisompola, 2009)
2	Lack of management skills in financial accountability	(Chisompola, 2009)
3	Lack of management skills in debt management	(Chisompola, 2009)
4	Business associations of suppliers	(Chisompola, 2009)
5	Limited technology	(Chisompola, 2009), (Deloitte, 2011)
6	Weak bargaining power of suppliers	(Chisompola, 2009)
7	Unskilled procurement officials	(Telgen, 2004), (Deloitte, 2011)
8	Poor quality of services provided by suppliers	(Deloitte, 2011), (Mwikali and Kavale, 2012)
9	Delay in delivery of service	(Mwikali and Kavale, 2012)
10	Suppliers not conversant with procurement process	(Telgen, 2004)
11	Unqualified labour from the suppliers	(Deloitte, 2011)
12	Competitiveness among suppliers	(Mohanty & Gahan, 2012)
14	Delay in payment of certificates	(Mohanty & Gahan, 2012)
15	Lack of government support	(Chisompola, 2009)
16	Differences in priorities between buyers and suppliers	(Zhou et al., 2008), (Mohanty & Gahan, 2012)
17	Geographical location of mining sites	(Deloitte, 2011), (Mwikali and Kavale, 2012)
18	Unreliability of suppliers	(Deloitte, 2011)
19	Exorbitant rates by suppliers	(Mwikali and Kavale, 2012)

## **2.10 BUYER-SUPPLIER RELATIONSHIP**

### **2.10.1 BUYER**

Whittington (2010) posited that, the term buyer in a procurement is taken from the literary point of view. The Concise English Oxford Dictionary (Eleventh Edition) describes a buyer as an individual or organization with the sole aim of selecting and

purchasing goods and services from other organization in order to ensure the smooth running and growth of its business (Soanes & Stevenson, 2008).

### **2.10.2 SUPPLIER**

Whittington (2010) indicated an individual or an organizational providing a form of services or quota to another organization can be described as a supplier. A supplier provides its expertise to an organization who lacks in that level of expertise. Chisompola (2009) also added that, the success of any multinational company is dependent on the services of their suppliers because it is their services that transforms the abstract ideas of the buying firm to a tangible property.

### **2.10.3 EFFECTIVE BUYER – SUPPLIER RELATIONSHIP**

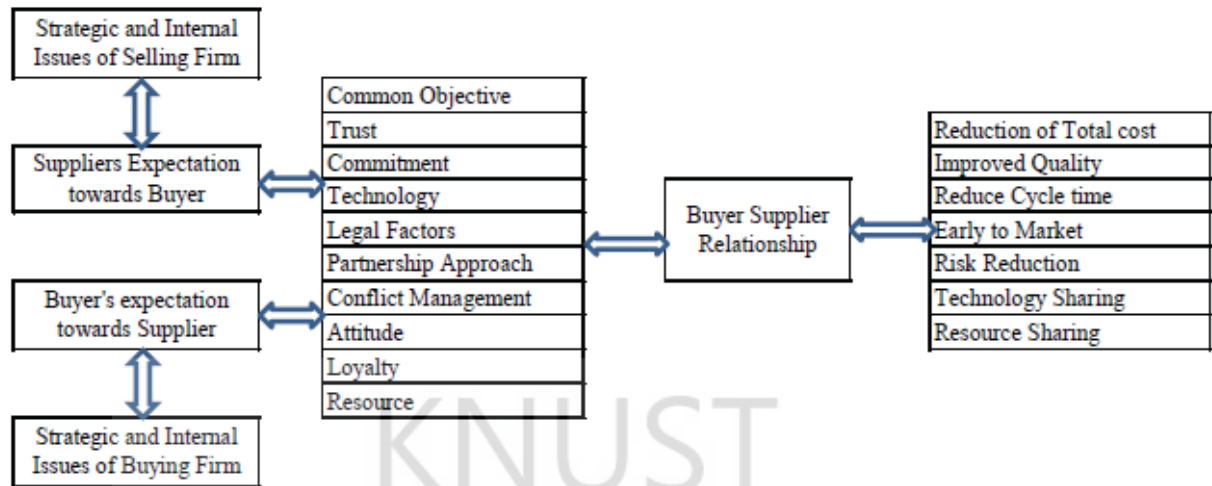
Every civilized organization works with the mind-set of establishing a healthy, long lasting, strong and cooperative relationship with its business partners or suppliers. Deloitte (2011) indicated that, eventhough relationship exist within every community, the effectiveness of such relationships differ from one community to others, such as a relationship between a community and suppliers. The Concise English Oxford Dictionary (Eleventh Edition) defined relationship as “the way in which two or more people or things are connected, or the state of being connected” or “the way in which two or more people or groups regard and behave towards each other” (Soanes and Stevenson, 2008). The global business environment is very competitive (Agyei et al, 2013;Andersson et al, 2000) between users of the same products and suppliers, moreover; the long lasting and sustainable relationships between the buyer and the supplier travels a long way in providing good and quality service delivery to the buyer (Giannakis, 2007). Whittington



(2010) and Zhou et al (2008) indicated that, most relationships established between a buyer and a suppliers works when the two parties have repeatedly embarked on several projects and the core values of the two firms are the same or similar. Whittington (2010) revealed that, most relationships are initiated by the buyer based on the importance of the products the supply is offering and the dependability of the supply.

NZBCSD (2003) and Monczka et al (2010) posited that, the greatest opportunity for the buyer is to work in close ties with every supplier because the suppliers are well versed in the services they are providing and more importantly can comment or propose to the buyer the efficient ways of embarking on an activity at a very affordable cost. Mohanty and Gahan (2012) developed a framework which describes the an ideal relationships between buyers and suppliers (Figure 2.1), notwithstanding that every buyer supplier relationship should be based on “trust, mutual respect for each other, understanding, communication, interpersonal relationship, cooperation, partnership approach, fairness in order of management, conflict management, technical capability of the supplier, organizational strategy know-how of the buyer and power-dependence”.

This relationship can be maintained and strengthened by aligning the evaluation of procurement entities’ expectations from the views of suppliers’ and contractors on the buying organization’s performance (Wong, 2000).



**Figure 2-2 Buyer Supplier Relationship Model**

**Source: Mohanty and Gahan, 2012**

A long-term relationship between the company and its suppliers require that both parties are equally satisfied and fair to each other's performance. An unsatisfied supplier may demonstrate lack of commitment, loyalty and trust which form the foundation of a good relationship (Snyder, 2003). Recently, the industrialized economy considers cooperation with suppliers rather than confrontation (Turner et al., 2008). Performance evaluation of suppliers from the buyer's perspective alone is not sufficient for better supply chain performance or long-term relationships (Cousins et al., 2008). Satisfaction of suppliers is one of the key drivers for long-term sustainable procurement. According to Essig and Amann (2009) supplier's satisfaction is the feeling and perception about the fairness with regard to buyer's incentives. There is the need to ensure that both parties to the exchange process feel satisfied to a large extent about what they are getting from the transaction. Satisfaction of both parties to the transaction is paramount, if cooperation and collaborations are met as expected from the relationship. In addition, the crucial factors

that establishes and maintains buyer-supplier relationship is effective communication. Communication is the heart of every relationship, the ways and manner in which the parties in a relationship determines the life span of the relationship (Whittington, 2010).

**Table 2.3 Factors for effective buyer-supplier relationship**

Item	Factors for effective buyer-supplier relationship	REFERENCE
1	Suppliers trustworthiness	(Mohanty and Gahan, 2012), (Snyder, 2003), (Whittington, 2010), (Andersson et al, 2000), (Matevz and Maja, 2013)
2	Dependability on the side of suppliers	(Mohanty and Gahan, 2012), (Deloitte, 2011), (Paiva, Phonlor, & D'avila, 2008)
3	Suppliers commitment to buyers	(Snyder, 2003), (Matevz and Maja, 2013), (Paiva, Phonlor, & D'avila, 2008)
4	Effective communication	(Whittington, 2010), (Mwikali and Kavale, 2012), (Paiva, Phonlor, & D'avila, 2008), (Mohanty & Gahan, 2012)
5	Quality of supplier's staff and services	(Whittington, 2010), (Andersson et al, 2000)
6	Flexibility in the terms of contract	(Whittington, 2010), (Raskovic & Brencic, 2013), (Mohanty & Gahan, 2012)
7	Interpersonal relationship between buyer and supplier	(Mohanty and Gahan, 2012)
8	Early supplier involvement	(Monczka et al, 2010), (Deloitte, 2011), (Mohanty & Gahan, 2012)
9	Common beliefs	(Zhou et al, 2008), (Mohanty & Gahan, 2012)
10	Suppliers performance	(Mohanty and Gahan, 2012), (Cousins et al, 2008), (Mwikali and Kavale, 2012)
11	Importance of products	(Andersson et al, 2000)
12	Supplier's satisfaction	(Essig & Amann, 2009), (Whittington, 2010)
13	Periodic review of situation	(Whittington, 2010), (Mohanty & Gahan, 2012)
14	Partnership with suppliers	(Whittington, 2010), (Deloitte, 2011), (Matevz and Maja, 2013), (Mohanty & Gahan, 2012)
15	Fairness	(Whittington, 2010), (Mohanty & Gahan, 2012)
16	Equal opportunity	(Andersson et al, 2000), (Mohanty & Gahan, 2012)



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

Naoum (1998) posited that, after an extensive review of literature, an important component of the work depends on how data will be collected, how to select the study size as well as how the data will be analyzed. This chapter elaborates on the approaches adopted by the researcher such as the research method, population of suppliers, criteria for the selection of the sample size to partake in the study, the sampling technique, sources of data for the study, the data collection instruments adopted and how the collected data will be analyzed.

#### **3.2 RESEARCH STRATEGY**

Research strategy defines the method adopted by the researcher; mostly the choice of a research strategy is solely based on the kind of objectives better still the rationale upon which the study is conducted (Bouma and Atkinson, 1995). Bouma and Atkinson (1995), Hancock (1998) and Kothari (2004) declared that quantitative and qualitative research strategy are the two recognised strategies in research and the decision to opt for any of these strategies is dependent on the purpose of the study, the type and availability of information required.

### **3.2.1 QUALITATIVE RESEARCH STRATEGY**

Respectively, qualitative research are geared towards behavioural sciences which undercover the rationale for human actions (Hancock, 1998). According to Hancock (1998), qualitative research deals with the opinions, experiences and feelings of people involved in the study. It involves the use of interviews, case studies, observation, word association tests as a form of data collection. It is argued that, qualitative research is subjective (Kothari, 2004). Denzin and Lincoln (1998) posited that, to develop a hypothesis for a social reasoning or meaning and establishing a relationship among variables, qualitative approach is the best.

### **3.2.2 QUANTITATIVE RESEARCH STRATEGY**

Hancock (1998) posited that, quantitative research is a method of deducing an understanding of a situation subjecting it to an objective reasoning. Creswell (1994) noted that quantitative research is an inquiry into a social or human problem, based on testing a hypothesis or a theory composed of variables, measured with numbers, and analyzed with statistical procedures, in order to determine whether the hypothesis or the theory hold true. Bouma and Atkinson (1995) indicated that quantitative data is, therefore, not abstract, they are hard and reliable; they are measurements of tangible, countable, sensate features of the world. It uses structured tools to generate numerical data and uses statistics to interpret, organize and represent the collected data (Burns and Grove, 2001). The study adopted the quantitative research strategy because it measured features of human behaviours.

### **3.3 POPULATION OF INTEREST**

The Ghana Bauxite Company cooperates with a large number of suppliers because the NZBCSD (2003) asserted that, without the services of these organizations it would be difficult for Mining companies to function which GBC is not an exception. Currently, the supplier based of the GBC amount to hundreds because it operates in a vast area of specializations which needs the services of people in those fields.

#### **3.3.1 SAMPLING SIZE**

In a study conducted by Osei-Tutu et al., (2011), some mining companies were selected based on their in-depth knowledge concerning the Mining Industry, the Ghana Bauxite Company has very large supplier base as indicated in the previous section. 53 suppliers were identified as the sample size because the Ghana Bauxite Companies has work with them on a countless number of projects. These suppliers are credible enough to contribute genuinely to this study.

#### **3.3.2 SAMPLING TECHNIQUE**

The study employed purposive and convenience sampling. Because the study was to explore the perception of suppliers on the Ghana Bauxite Company Limited, only the suppliers who have worked with the company were selected for the study because they are in the right position to provide credible and quality information to the study. In addition, convenience sampling was also employed because the readiness and availability of the suppliers to partake in the study also informed the decision to opt for this technique.

### **3.4 METHODS OF DATA COLLECTION**

Data simply means proof. Scientific educational researches need data to buttress its argument. Data serves as the foundation for any research (Singh, 2006). It is the data which direct the researcher towards his aim. Close ended questionnaire and checklist was used for collecting data from respondents.

### **3.5 SOURCES OF INFORMATION**

Information is crucial to the researcher because without it, the researcher will be stranded as to how to formulate its objectives, the kind of works to depend on, how to design questionnaires for the study and even how to analyze data (Gunter, 2009). This study retrieve information from the various sources, these are;

Journal articles

Books

Conference papers

Internet searches

### **3.6 DATA ANALYSIS**

The study employed descriptive and mean score analysis of the Statistical Package for Social Scientist Version 16 (SPSS). The descriptive was used to analyze the data and

presented the results in the form of pie chart and frequency table. Respondents were asked to rank on a Likert Scale from one (1) to five (5) to identify the other of importance, level of agreement, and significance of some factors. Using the one sample t-test, these factors were analyzed with a test value of 3.5. When the mean score of the factors is 3.5 or above 3.5, it indicates that the factor is important, significant and agrees to the respective headings for these factors.



## **CHAPTER FOUR**

### **DATA ANALYSIS AND DISCUSSION OF RESULTS**

#### **4.1 INTRODUCTION**

The aim of the study is to explore the perception of suppliers towards the procurement practices of Ghana Bauxite Company Limited. This chapter presents the results from the analysis acquired from the field survey. The analysis considered only 43 critical suppliers of Ghana Bauxite Company Limited. The analysis employed descriptive which are presented in pie chart and the one sample t-test with a test value of 3.5 ( $p>0.05$ ). The presentation of the discussion will be in this format;

Demographic information

Challenges faced by suppliers

Causes of the challenges

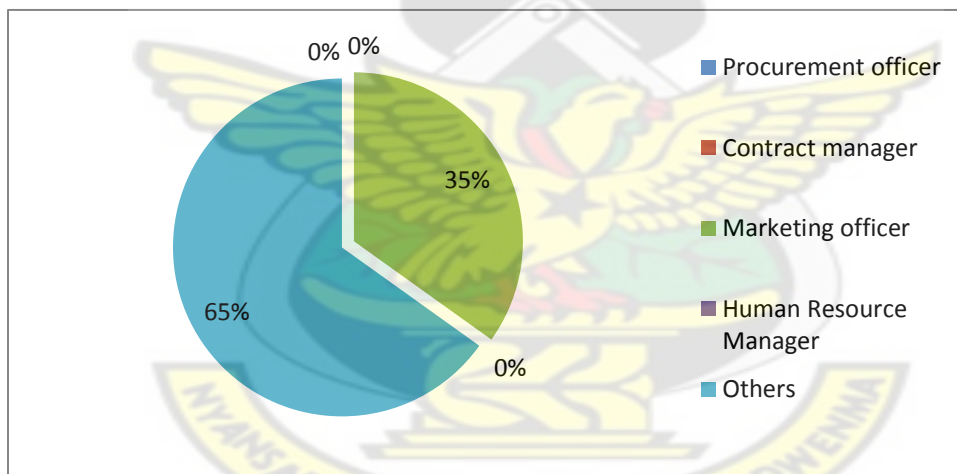
Factors for effective buyer-supplier relationship

#### **4.2 DEMOGRAPHIC INFORMATION**

##### **4.2.1 Position of respondents**

The study (Figure 4.1) revealed that no procurement officer, contract manager, human resource manager were part of the study however; 35% of the respondents were marketing officers whilst the 65% were classified under others including branch manager,

marketing executive, account manager, sales engineer, logistics manager, Managing Director, security coordinator, sales, surveyor, business department manager, project manager. This indicates that, various portfolios have been created within the supplying firms although most of them are having the same responsibilities such as sales engineer, sales, marketing executive and marketing officers connotes the same portfolios. It can also be deduced from the positions that, other professionals from different fields such as the surveyor, project manager and security coordinator also contributes to the Mining Industry. The finding also concur with exchange Committee on Technologies for the Mining Industry; Committee on Earth Resources; National Research Council (2002) assertion that the Mining Industry employs professional from different discipline.



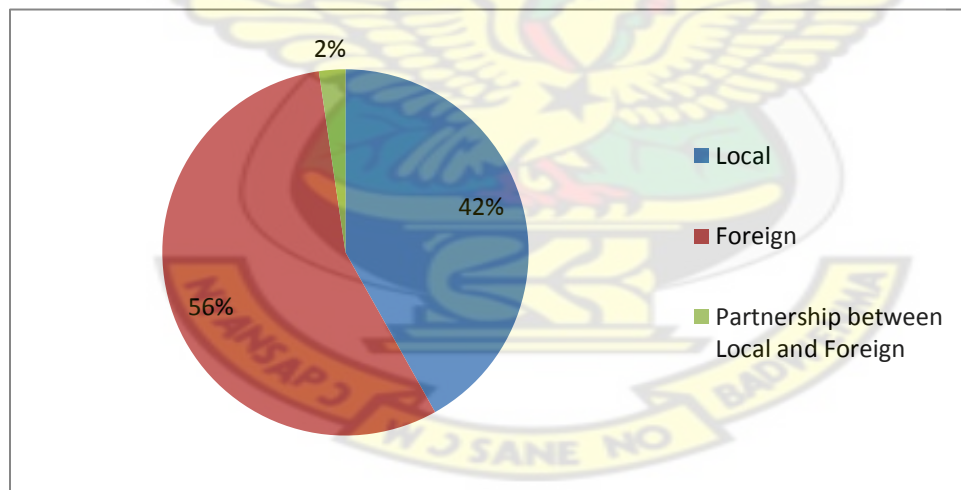
**Figure 4.3 Position of respondents in their respective organizations**

**Source: Field Survey (2014)**



#### 4.2.2 Ownership of companies

Earlier, Chisompola (2009) in her conclusion revealed that, the Mining Industry contracts the services of expatriate firms more than the local firms. From Figure 4.2, foreign firms or expatriate firms represent 56% which is not contrary to the thought of Chisompola. However, the local firms representing 42% of the ownership criteria indicates that, the Ghana Bauxite Company Limited is creating room for local content in their supply base and their work as a whole. A little of 2% are partners between local and foreign firms also revealing that, the Ghana Bauxite Company Limited accepts all kinds of services from every legal business organization. In addition, the results confirm Agyei et al (2013) statement that, the Mining Industry directly and indirectly attracts many investors annually.

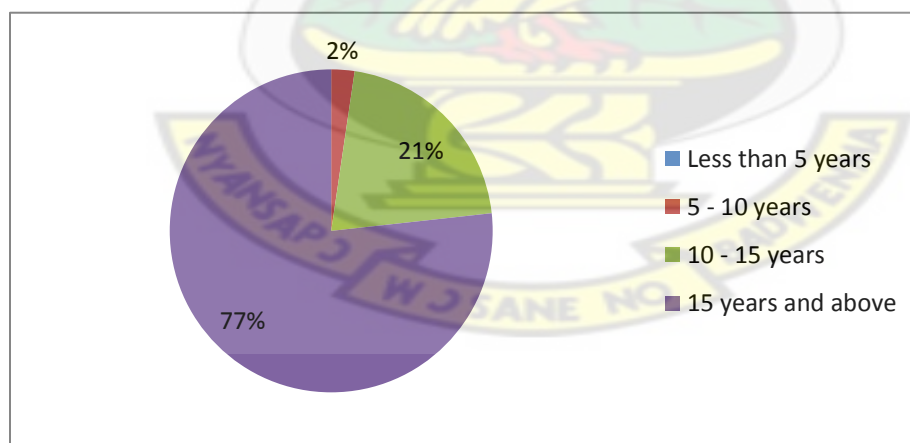


**Figure 4.4 Ownership of respective organizations**

**Source: Field Survey, 2014**

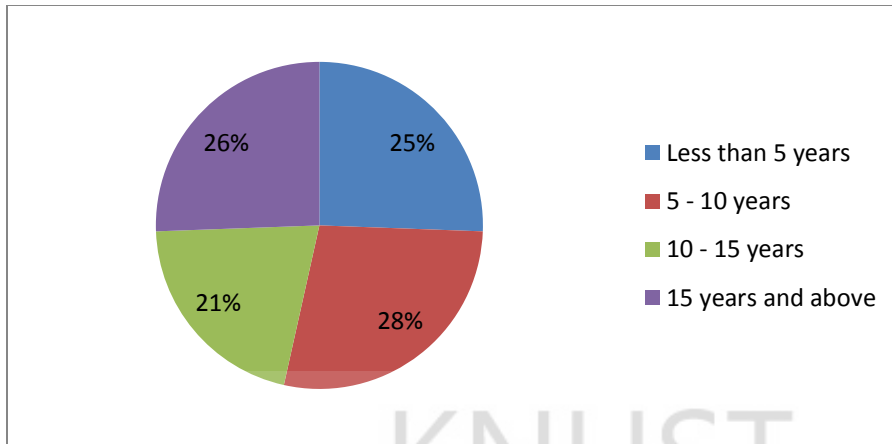
#### 4.2.3 Years of companies' existence and experience with GBCL

Figure 4.3 indicates that, none of the companies have existed within the past five (5) years, 2% have existed within the past 5 – 10 years, 21% have existed within the past 10 – 15 years and a majority of 77% within the past 15 years and more. Figure 4.4 also indicated that, 25% have gained experience with GBCL within the past 5 years, 28% have worked with GBCL within the past 5 – 10 years whilst 21% showed that, they have worked with GBCL for the past 10 – 15 years and 26% about 15 years ago and above. It can be deduced from Figure 4.3 and Figure 4.4 that, Although majority of the companies(77%) from Figure 4.3 have been in existence more than the past fifteen (15) years however, only 26% of the companies have worked with GBCL more than the past fifteen(15) years. It can be inferred from this comparison that, entrant into the supplier base of GBCL is difficult which can be attributed to unreliability and qualifications of companies.



**Figure 4.5 Years or existence**

**Source: Field Survey, 2014**

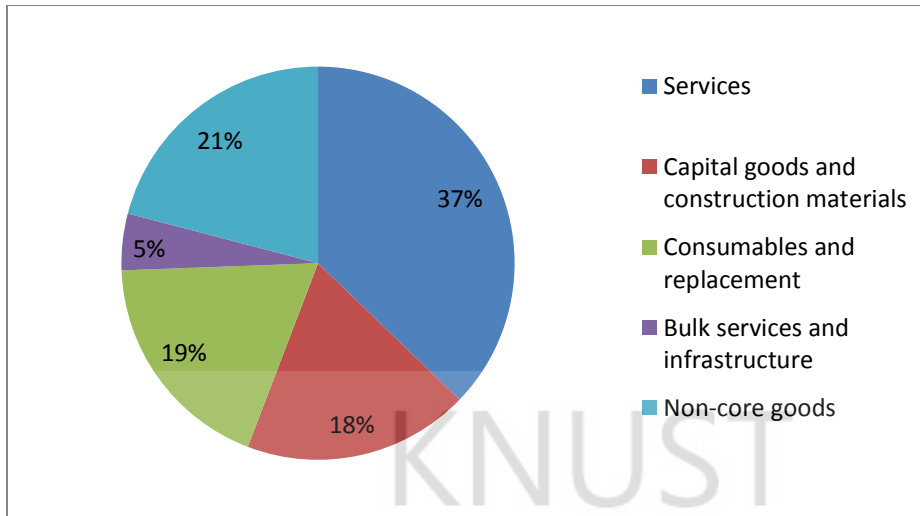


**Figure 4.6 Working experience with Ghana Bauxite Company Limited**

**Source: Field Survey, 2014**

#### **4.2.4 Services provided by suppliers**

From Figure 4.5, 37% represented services such including legal, mining and drilling, security, environmental rehabilitation and logistics, 21% non-core goods including such as protective and safety equipment such as overalls, lamps, boots, fire protection helmets, air quality monitoring devices, 19% consumables and replacement such as explosives and accessories, lime, chemicals, fuels and lubricants, 18% capital goods and construction materials such as kilns, plastic products, cement and electrical equipment and 5% bulk services and fracture such as electricity and telecommunications. All these services were earlier identified by The World Bank (2014) and buttress New Zealand Business Council for Sustainable Development (2003) and Deloitte (2011) points that, the Mining Industry is not an island but depends on other sectors of the national economy.



**Figure 4.7 Types of services provided**

**Source: Field Survey, 2014**

### **4.3 CHALLENGES FACED BY SUPPLIERS**

Thirteen (13) factors were identified from literature as challenges faced by suppliers, with a test value of 3.5 ( $p > 0.05$ ) of one sample t-test indicated that only five (5) of these factors are significant challenges faced by suppliers of GBCL (Table 4.1). In order of significance, regulatory risk, operational risk, difficult for new entrant, lack of supplier development and high selection criteria of suppliers are the factors.

#### **4.3.1 Regulatory risk**

All sectors within every economy drive on structures and standards laid in place by government institutions assign to such sectors. Deloitte (2011) and Ayee et al (2011) indicated that, regulatory risks impede the operations of suppliers in the GBCL and the

Mining Industry as a whole. Because the services provided by some suppliers are not needed due to health and environmental side-effects, of such activities. Amponsah-Tawiah and Dartey-Baah (2011) argued that there are regulatory frameworks in the Mining Industry however, its implementation is very weak in the case of developing countries, contrary, the study revealed regulatory risk as the highest ranked challenge faced by suppliers. Meaning that, the GBCL adheres to and implements all regulation sets up various regulatory bodies in Ghana which agrees with Deloitte (2011) and Ayee et al (2011). In-addition, suppliers are reluctant at working in locations that serve as treat to their core values (suppliers' institutional regulation). Geographical location of mining sites (1<sup>st</sup> rank in Table 4.2) is the rationale for ranking regulatory risk as the highest significant factor under challenges.

**Table 4.4 Challenges faced by suppliers**

	Mean	Std. Deviation	Ranking
Regulatory risk	3.9767	.34423	1 <sup>st</sup>
Operational risk	3.8605	.46708	2 <sup>nd</sup>
Difficult for new entrant	3.8372	.68765	3 <sup>rd</sup>
Lack of supplier development	3.7674	.47994	4 <sup>th</sup>
High supplier selection criteria	3.6977	.51339	5 <sup>th</sup>
Financial risk	3.3721	.81717	6 <sup>th</sup>
Corruption on the part of suppliers	3.3256	.86523	7 <sup>th</sup>
Bureaucratic procedures	3.2791	.62965	8 <sup>th</sup>
Access to finance	3.2326	.94711	9 <sup>th</sup>
Low compliance of GBCL Procurement policy	3.0233	.96334	10 <sup>th</sup>
Lack of transparency in supplier selection	2.9070	.75005	11 <sup>th</sup>
Nepotism from GBCL Staff	2.8837	.85103	12 <sup>th</sup>
Non-conducive working environment	2.5116	.66805	13 <sup>th</sup>

**Source: Field Survey, 2014**

#### **4.3.2 Operational risk**

Mwikali and Kavale (2012) earlier posited that, the manner in which suppliers conduct themselves determines the smoothness and easiness of their activities within the Mining Industry. Deloitte (2011) also asserted that, the Mining Industry have realised the difficulty in meeting their demands from the suppliers. It can be concluded from this effect that, suppliers response to delivery of service to the GBCL is poor and can be attributed to supplier's organizational management system.

#### **4.3.3 Difficult for new entrant**

Pressey et al (2009) asserted earlier that, new suppliers in the supplying sector have tough time in entering the supply base of companies. The argument dwells on the strict procurement policies and tendering processes of companies. This study agrees with Pressey et al (2009) assertion and also argues that, this challenge emanate from suppliers not conversant with procurement processes (13<sup>th</sup> rank in Table 4.2) and exorbitant rates due to in-experience (6<sup>th</sup> rank from Table 4.2). This argument support the results in Figure 4.3 and 4.4 because of the difference between the years of existence and their working experience with GBCL.

#### **4.3.4 lack of supplier development**

Supplier development come in fruition after the supplier is accepted in the supply base of a company. Deloitte (2011) earlier stated that, the healthy management of suppliers by buying firms translate into improve quality of services provided by supplying companies. The significant of this particular factor reveals that, buying companies are only interested



in the services provided by suppliers whilst suppliers are looking for a long lasting relationship, this arguments corresponds to differences in priorities between buyer-supplier (12<sup>th</sup> rank in Table 4.2).

#### **4.3.5 High supplier selection criteria**

Many researchers and authors (Delloite,2011; Prescott and Coates,2012; Pressey et al,2009; Mwikali and Kavale,2012) suggested criteria for the selection of suppliers and also indicated the complications attached in such proceedings. From inferrance, the high criteria for selection of suppliers is caused by the unreliability of suppliers, limited technology, competitiveness among suppliers and exorbitant rates by suppliers (Table 4.2).

#### **4.4 CAUSES OF THE CHALLENGES FACED BY SUPPLIERS**

Twelve (12) out of the nineteen (19) factors identified from literature were ranked as the most important factors. Geographical location of mining sites, unreliability among suppliers, competitiveness among suppliers, delay in payment of certificates, limited technology and exorbitant rates by suppliers are the highly ranked factors. From analytical point of view, most of the challenges faced by suppliers are caused by themselves, because in relating the highest ranked factors in Table 4.1 and 4.2, unreliability of suppliers, limited technology and exorbitant rates by suppliers (Table 4.2) are responsible for all the significant challenges in Table 4.1. Lack of management skills in financial accountability (Chisompola, 2009), suppliers' institutional constraint



(Chisompola, 2009), lack of management skills in debt management (Chisompola, 2009), and unskilled procurement officials (Telgen, 2004; Deloitte, 2011) were identified as non-important causes of challenges identified in Table 4.1.

#### **4.4.1 Geographical area of mining sites**

Suppliers by nature prefer to operate within their comfort zones. Deloitte (2011) indicated that, mining companies operates around many and different geographical areas which can be against the core values of supplying firm and prevent potential suppliers from tendering for projects within such vicinity. Although, the suppliers aims to make profit on every activity it's embark however, they consider the repercussions on the well-being of their operations. Table 4.2 ranked geographical as the significant causes of challenges faced by suppliers, these results affirms Deloitte position and also relate to the results in Table 4.1 because it is not always the case that, suppliers do not tender because it goes against their core values but the regulatory framework within a geographical area (Deloitte,2011; Ayee et al,2011). In conclusion, it can be realised that, GBCL adherence to regulatory frameworks put many suppliers off.

#### **4.4.2 Unreliability of suppliers**

NZBCSD (2003) ealier posited that, the effectiveness and efficiency of the Mining Industry depends on other things most importantly services from suppliers. Deloitte (2011) also indicated that the external sourcing (services) increase the overall performance of the MininG Industry. The argument of Mohanty and Gahan (2012) reveals that, it is not any supplier who can contribute to the effectiveness and efficiency as asserted by NZBCSD (2003) and Deloitte (2011). The challenge of high supplier

selection criteria (Table 4.1) can be attributed supplier's un-readiness to fulfill their part of contract or unreliability (Table 4.2).

#### **4.4.3 Competitiveness among suppliers**

Competition is the hallmark of every industry and dictates the standard or level of industry. Mohanty and Gahan (2012) asserted that competition among suppliers underpins challenges faced by some suppliers. The study supports his argument with the explanation that, competition also bring out the best suppliers among the rest, difficulty for new entrant (Pressey et al, 2009) as well as high supplier selection criteria (Mwikali and Kavale, 2012;Deloitte, 2011) indicated in Table 4.1 is the end results of competition in supplier selection.

#### **4.4.4 Unskilled procurement officials**

Earlier, Telgen (2004) pointed out that, lack of professional expertise in the area of procurement management accounts for challenges experienced by supplying firms as well as Deloitte (2012). Table 4.2 revealed unskilled procurement officials as the least ranked cause of challenges faced by suppliers. The study concurs with the statement by Telgen (2004) and Deloitte (2012) with the interpretation that, the suppliers have personnel competent to handle procurement related issues.

**Table 4.5 Causes of challenges faced by suppliers**

	Mean	Std Deviation	Ranking
Geographical location of mining sites	4.7209	.45385	1 <sup>st</sup>
Unreliability of suppliers	4.3256	.94418	2nd
Competitiveness among suppliers	4.2791	.88171	3rd
Delay in payment of certificates	4.2558	.81920	4th
Limited technology	4.0233	.59715	5th
Exorbitant rates by suppliers	4.0000	1.25357	6th
Lack of government support	3.8837	.69725	7th
Delay in delivery of service	3.8605	.88859	8th
Weak bargaining power of suppliers	3.8372	.81446	9th
Unqualified labour from the suppliers	3.6279	.78750	10th
Poor quality of services provided by suppliers	3.6047	1.09413	11th
Differences in priorities between buyers and suppliers	3.5349	1.31564	12th
Suppliers not conversant with procurement process	3.3256	.80832	13th
Kickbacks from suppliers	3.1860	1.00607	14th
Business associations of suppliers	3.0465	1.13292	15th
Lack of management skills in financial accountability	2.6047	1.09413	16th
Suppliers institutional constraint	2.6047	.95468	17th
Lack of management skills in debt management	2.6047	1.09413	18th
Unskilled procurement officials	2.5581	.98325	19th

Source: Field Survey, 2014



## 4.5 FACTORS FOR EFFECTIVE BUYER-SUPPLIER RELATIONSHIP

**Table 4.6 Factors for effective buyer-supplier relationship**

	Mean	Std Deviation	Ranking
Fairness	4.6977	.46470	1st
Dependability on the side of suppliers	4.6744	.47414	2nd
Supplier's trustworthiness	4.6512	.48224	3rd
Supplier's commitment	4.6047	.49471	4th
Partnership with suppliers	4.5814	.49917	5th
Suppliers performance	4.5714	.50087	6th
Effective communication	4.5581	.54782	7th
Quality of supplier's staff	4.5476	.55005	8th
Supplier and buyer satisfaction	4.5116	.55085	9th
Periodic review of situation	4.5116	.55085	10th
Flexibility in the terms of contract	4.4651	.59156	11th
Equal opportunity	4.4651	.54984	12th
Common beliefs	4.4419	.58969	13th
Importance of products	4.3953	.62257	14th
Early supplier involvement	4.3256	.71451	15th
Personal relationship with buyer	3.5581	1.38534	16th

Source: Field Survey, 2014

All the sixteen (16) factors identified were agreed by suppliers as the factors that are responsible for effective buyer-supplier relationship using the one sample t-test analysis with a test value of 3.5 ( $p < 0.05$ ). Notwithstanding that, “fairness, dependability on the side of suppliers, suppliers’ trustworthiness and suppliers’ commitment (Table 4.3) were identified as the highly recognized factors. Importance of products, early supplier involvement, personal relationship with buyer were the least rank.

### 4.5.1 Suppliers trustworthiness

Many researchers (Mohanty and Gahan, 2012; Snyder, 2003;Whittington, 2010; Andersson et al, 2000;Matevz and Maja, 2013) indicated that most at times buyers relate

well with suppliers when the suppliers wholeheartedly fulfill their part of the contract. Trustworthiness can also be taken from the instance where the suppliers operate as their buyers by understanding the perception of buyers.

#### **4.5.2 Dependability on the side of suppliers**

Deloitte (2012) described dependability as the ability of the supplier to be available at all times to provide services to the buyer. Snyder (2003) earlier suggested that, unsatisfied supplier will always frustrate its buyers when the buyer do not appreciate and acknowledge the essence of their services and roles to the buying firm. The study revealed that (Table 4.3), dependability is the second ranked factor among the 16 factors with a mean score of 4.6744.

#### **4.5.3 Importance of product**

Andersson et al (2000) earlier argued that, the easiest way to win and have a long lasting relationship with your buyer is depends of the importance of your products to the buyer. The study ranked it as the 14<sup>th</sup> with mean score of 4.3953 suggesting that, the study agrees with Anderson et al assertion. Although, it is among the least on the table, but is a significant factor for establishing relationship between buyer and supplier.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

The study sought to explore the perception of suppliers towards the procurement practices of Ghana Bauxite Company Limited. The study employed questionnaire survey; suppliers of Ghana Bauxite Company Limited formed the sample size. The data retrieved from respondents were analyzed using descriptive analysis presented in the form of pie chart and one sample t-test with a test value of 3.5 ( $p < 0.05$ ).

#### **5.2 SUMMARY OF FINDINGS**

In order to achieve the stated aim, the following objectives were formulated to guide the study; to identify the challenges faced by suppliers of GBCL, to identify the causes of the challenges and to identify the factors for effective buyer-supplier relationship.

##### **5.2.1 Objective 1: To identify the challenges faced by suppliers of GBCL**

Thirteen (13) factors were identified from literature as challenges faced by suppliers. Notwithstanding that, five (5) out of the thirteen (13) were the significant factors recognized by GBCL suppliers, these are; regulatory risk, operational risk, difficult for new entrant, lack of supplier development and high selection criteria of suppliers are the factors.



### **5.2.2 Objective 2: To identify the causes of the challenges**

Twelve (12) out of the nineteen (19) factors identified from literature were ranked as the most important factors. Geographical location of mining sites, unreliability among suppliers, competitiveness among suppliers, delay in payment of certificates, limited technology and exorbitant rates by suppliers, lack of government support, delay in delivery of service, weak bargaining power of suppliers, unqualified labour from the suppliers, poor quality of services provided by suppliers, differences in priorities between buyers and suppliers.

### **5.2.3 Objective 3: To identify the factors for effective buyer-supplier relationship**

All the sixteen (16) factors identified were agreed by suppliers as the factors that are responsible for effective buyer-supplier relationship, these are; “fairness, dependability on the side of suppliers, suppliers’ trustworthiness, suppliers’ commitment, partnership with suppliers, suppliers performance, effective communication, quality of suppliers staff, supplier and buyer satisfaction, periodic review of situation, flexibility in terms of contract, equal opportunity, common beliefs, importance of products, early supplier involvement, and personal relationship with buyer.

#### **5.2.4 Other findings**

It was identified that, various portfolios have been created within the supplying firms although most of them are having the same responsibilities such as sales engineer, sales, marketing executive and marketing officers connotes the same portfolios. It can also be deduced from the positions that, other professionals from different fields such as the surveyor, project manager and security coordinator also contributes to the Mining Industry. In-addition, most of the supplying companies are owned by foreigners (56%) whilst 42% are fully owned by Ghanaian whilst 2% are a mix of the two (2).

#### **5.3 CONCLUSION**

Procurement is not a one off event in an institution but a continuous event or process and also involved two parties; a buyer and supplier. Suppliers are critical contributors to the well-being of production companies without their role it will be difficult for production companies to positively affect the economy. The challenges faced by suppliers as identified should be carefully considered by the GBCL because inability to consider the interest of the suppliers will cost GBCL to lose its suppliers.

#### **5.4 RECOMMENDATION**

Based on the findings identified from the study, the following recommendations were made;

#### **5.4.1 Recommendation to government**

The government regulates the Ghana Mining Industry, the study revealed that GBCL strictly abide by regulations (Such as EPA Act) established by the government making it impossible for some suppliers to win any contract. The study recommend that, government should task it institutions to ensure that all companies within the Mining Industry adhere to and establish an award scheme to commend companies who abide by regulations established by the government.

The study also revealed that, there is inadequate support from government in terms of local content although Local Content policy has been formulated and most of the suppliers of GBCL are expatriate firms. The study recommend that, government should task all companies in the Ghana Mining Industry to allow a percentage of local content with respect to local suppliers in their contract.

#### **5.4.2 Recommendation to GBCL**

As the findings of the study revealed that, expatriate firms are awarded contracts in the GBCL most often than local firms. The study recommend that, a local content procurement should be adapted to allow local firms into the supplier base of GBCL as implemented in other jurisdiction. In implementing this strategy, create employment opportunities for inhabitants of the host nation.

The study also revealed that, GBCL do not recognize and implement the concept of supplier development. The study also recommend that, GBCL should embark on a routine exercise or organize frequent workshops to provide capacity building for suppliers. Including this approach in the supplier development concept results in quality of services provided by suppliers, boost their confidence and establish a long lasting relationships with suppliers.

The study also revealed that, GBCL delay in the payment of certificates to suppliers. The study recommend that, GBCL should prepare a workable budget before awarding contracts to suppliers in order not to affect the cashflow of suppliers.

#### **5.4.3 Recommendation to GBCL suppliers**

Regulatory risk was identified to be a challenge to suppliers, the study recommend that suppliers should always compromise and accept issues that will be detrimental to the protection of the environment as well as man. Suppliers should therefore demand for government regulations and institutional regulation before tendering for a project.

The study also reviewed that operational risk is a challenge faced by suppliers. The study recommend that, proper organizational management system should be implemented to

prevent the delay of service delivery, unqualified labour and unreliability on the side of suppliers.

Moreover, the study recommend that Local supplying firms should form Joint Ventures to satisfy the selection criteria set by GBCL in order to win contracts from the GBCL.

#### **5.4.4 Recommendation for further research**

The study recommend that, further research should be undertaken in the following are;

The content and significance of supplier development.

Challenges faced by GBCL procurement unit in working with suppliers.



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## **APPENDIX I**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COLLEGE OF ARCHITECTURE AND PLANNING**

**DEPARTMENT OF BUILDING TECHNOLOGY**



**TOPIC:**

**SUPPLIER PERCEPTION OF PROCUREMENT PRACTICES IN GHANA**

**BAUXITE COMPANY LIMITED**

**QUESTIONNAIRE**

The research is purely an academic exercise and your views and responses will be treated with utmost confidentiality. Your anonymity is guaranteed whilst the information you provide will be used for the purpose of this research only.

PLEASE TICK WHERE APPLICABLE

Name of Institution (Company).....

Position in Organization?

☐ Procurement officer    ☐ Contract manager    ☐ Marketing officer

☐ Human Resource Manager    ☐ Others .....

## SECTION A

Ownership of company?

☐ Local ownership    ☐ Foreign ownership    ☐ partnership between Local  
and Foreigners

How long has your company being in existence?

☐ Less than 5 years    ☐ 5 – 10 years    ☐ 10 – 15 years    ☐ 15 years and above

How long has your company worked with the Ghana Bauxite Company?

☐ Less than 5 years    ☐ 5 – 10 years    ☐ 10 – 15 years    ☐ 15 years and above

What services do you provide to the Ghana Bauxite Company

[ ] Services

[ ] Capital goods and construction materials

[ ] Consumables and replacement parts

[ ] Bulk services and infrastructure

[ ] Non-core goods

## SECTION B

In your experience, rank on a likert scale of 1 – 5, the level of significance of challenges faced by your firm in relation to the procurement practices of Ghana Bauxite Company. 1 = Highly insignificant 2 = insignificant 3 = neutral 4 = significant 5 = highly significant

ITEM	CHALLENGES FACED BY SUPPLIERS	LEVEL OF SIGNIFICANCE				
		1	2	3	4	5
1	Difficult for new entrant					
2	High supplier selection criteria					
3	Lack of transparency in supplier selection					
4	Bureaucratic procedures					
5	Non-conducive working environment					
6	Access to finance					
7	Corruption on the part of suppliers					
8	Nepotism from GBC Staff					
9	Financial risk					
10	Lack of supplier development					
11	Regulatory risk					
12	Operational risk					
13	Low compliance of GBC Procurement policy					
14	Others					

\*Please specify others.....

## SECTION C

In your experience, rank on a likert scale of 1 – 5, the level of importance of causes of the challenges faced by your firm in relation to the procurement practices of Ghana Bauxite Company.

1 = Highly not important    2 = not important    3 = neutral    4 = important    5 = very important

ITEM	CAUSES OF CHALLENGES FACED BY SUPPLIERS	1	2	3	4	5
1	Suppliers institutional constraint					
2	Lack of management skills in financial accountability					
3	Lack of management skills in debt management					
4	Business associations of suppliers					
5	Limited technology					
6	Weak bargaining power of suppliers					
7	Unskilled procurement officials					
8	Poor quality of services provided by suppliers					
9	Delay in delivery of service					
10	Suppliers not conversant with procurement process					
11	Unqualified labour from the suppliers					
12	Competitiveness among suppliers					
13	Kickbacks from suppliers					
14	Delay in payment of certificates					
15	Lack of government support					
16	Differences in priorities between buyers and suppliers					
17	Geographical location of mining sites					
18	Unreliability of suppliers					
19	Exorbitant rates by suppliers					
19	Others					

\*Please specify others.....



## SECTION D

In your experience, rank on a likert scale of 1 – 5, the level of your agreement to the factors responsible for establishing effective buyer – supplier relationship.

1 = Highly disagree 2 = disagree 3 = neutral 4 = agree 5 = highly agree

ITEM	FACTORS FOR EFFECTIVE BUYER-SUPPLIER RELATIONSHIP	1	2	3	4	5
1	Supplier's trustworthiness					
2	Dependability on the side of suppliers					
3	Supplier's commitment to the buyer					
4	Effective communication					
5	Quality of supplier's staff					
6	Acceptance of both buyer and supplier recommendations					
7	Flexibility in the terms of contract					
8	Personal relationship with buyer					
9	Early supplier involvement					
10	Accommodative					
11	Periodic review of situation					
12	Fairness					
13	Equal opportunity					
14	Common beliefs					
15	Partnership approach					
16	Suppliers performance					
17	Others					

\*Please specify others.....

THANK YOU