

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COLLEGE OF ARCHITECTURE AND PLANNING**

**DEPARTMENT OF BUILDING TECHNOLOGY**

**ASSESSING THE CHALLENGES OF PROCUREMENT OUTSOURCING IN  
GHANA (A CASE STUDY OF OWERE GOLD MINES LIMITED)**

**BY**

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**A THESIS SUBMITTED TO THE DEPARTMENT OF BUILDING  
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## DECLARATION

I hereby declare that this submission is my own work towards the Master of Science in Procurement Management 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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## **DEDICATION**

This thesis is firstly dedicated to my entire family including my parents Mr. John Dapaah and Mrs. Gladys Birago Agyapong; and my siblings, Eric Dwamena, Robert Agyapong, Ophelia Akyere Dapaah, Rosina Owusuaa Dapaah and John Kyere Dapaah Jnr.

I also dedicate this thesis to two wonderful friends of mine who have been there for me:  
Ms. Joyce Owusu Kwartemaa Marfo and Mr. Francis Opuni Kesseh.



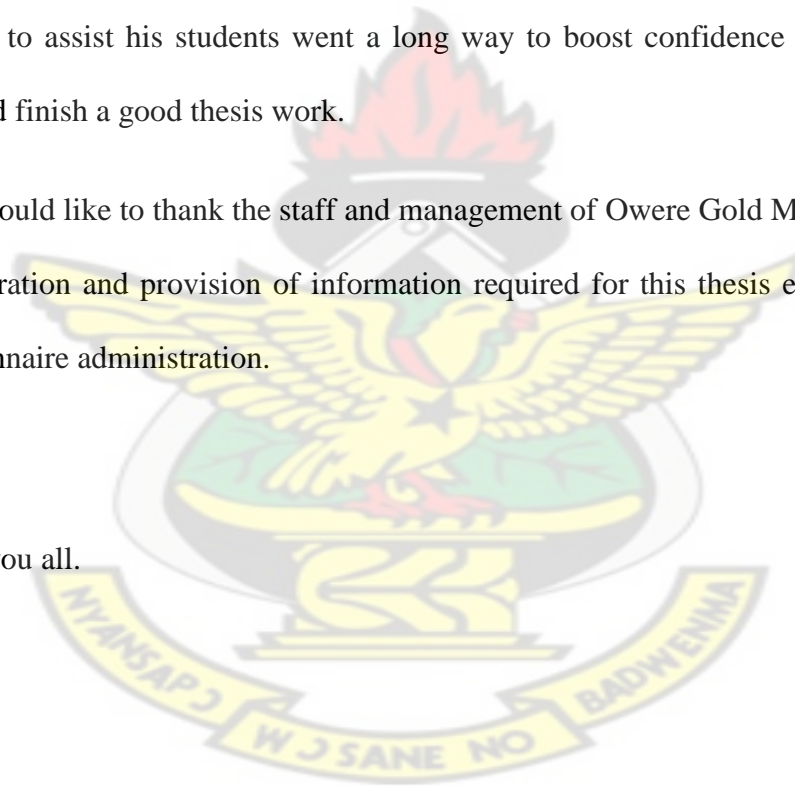
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God bless you all.



## ABSTRACT

The research style employed for this study was a single case study on Owere Gold Mines Limited to access the challenges of procurement outsourcing in Ghana. Fifty (50) participants (senior members, unit heads and key staff including procurement officers and finance officers) who are engaged in procurement process and or activity at Owere Mines Limited were purposively selected for this study. The research also used descriptive statistics in the data analysis.

The research findings point to three main conclusions: (1) that the main purpose or rationale for procurement outsourcing at Owere Gold Mines Limited is no other reason than to improve the focus of the company, (2) there are indeed challenges associated with procurement outsourcing. From the case company's perspective, hidden cost is the most common challenge they encounter so far as procurement outsourcing is concern, and (3) the study concluded that these challenges identified could be managed when outsourcing organizations do exercise tactfulness in the selection of outsourcing service providers with a wide skill-set and operational coverage.

The researcher again recommended that future research should try and include other stakeholders of procurement as far as the company is concerned. This is because other stakeholders such as contractor/suppliers, transporters etc. could volunteer vital information that could enrich the findings of the study.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study**

The impact of procurement is growing lately at a faster rate in terms of both decision-making and strategic prominence. The management of procurement in particular and the entire Supply Chain in general has emerged from being sets of functional skills to being recognized as a driving corporate business philosophy – a profit creation centre, rather than simply a cost saving function( <http://www.strath.ac.uk/business/>). In procurement, it is critical that goods, works or services are appropriate and acquired at the best competitive price.

In the light of this, strategies are often designed by management to maximize operations of the company whilst having cost reduction at the other side of it. Outsourcing is notably adopted by business organizations to help realize this idea.

Outsourcing is a tactical sourcing option that is progressively being adopted by organizations across a wide and complex range of business functions (Hanson & Olson, 2005). Whilst outsourcing can offer organizations the potential to save money and improve business effectiveness (Domberger, 1998; Greaver, 1999), there are many lessons to be learned from those with outsourcing experience, with as many negative outsourcing stories as positive ones. Organisations typically spend twice as much with their suppliers as they do on staff costs. As a result, reducing supplier spend can have a proportionally bigger effect on earnings than the same percentage reduction in staff or staff costs. This effect is often further amplified as supplier savings have a direct earnings benefits whereas staff costs carry other overheads and so do not have a direct one-to-one effect ([www.alsbridge.eu](http://www.alsbridge.eu), 2013)

Outsourcing has increasingly become an important strategy that can significantly assist organizations to leverage their skills and resources to achieve greater competitiveness. It is therefore, a fast growing aspect of the world economy (Quinn et al., 1994).

Procurement outsourcing is the action of a company outsourcing their procurement functions, with the acquisition of goods and services, through a third party. This does not mean that the company loses control, but it utilizes third party services. The outsourced procurement can mean cost reduction, improved efficiency, improved compliance, and enhanced performance. Procurement outsourcing can involve some or all of the company's staff, technology, systems, and vendor management or everything can be directed by the procurement outsourcing firm for the company (Sigaria, Ltd., Procurement Leaders).

Many companies do not know what procurement outsourcing is and why it is becoming a vital part of their operations. It was only in the 1990's *AT Kearney* started procurement outsourcing and began selling procurement outsourcing consulting services. Since then, procurement outsourcing is gained momentum (Ahn et al., 1990).

There are several reasons for the emergence and grow of procurement outsourcing world wide perhaps, the most predominant motive from literature could be attributed to cost reduction that organizations reap as a result of this strategy. As procurement outsourcing continues to gain momentum, cost reduction has been the major pivot for which companies outsource their procurement activities. Before an organisation can fully reap the benefits of procurement outsourcing, a comprehensive analysis of the subject matter must be sought. The challenges, risk, impact and why it should become a part of a company's regular operating procedure needs to be explained.

More and more companies view procurement functions as a key component of their core business strategy. In Ghana, most mining industries are beginning to see procurement outsourcing (PO) as a viable option. Institutions in both public and private sectors of the Ghanaian economy are outsourcing one or more procurement functions. Despite many promising features and factors provided by a number of procurement service providers, a question still remains as to why procurement functions should be outsourced. The study tries to bring a holistic view on procurement outsourcing activities and build models for companies to select optimal procurement outsourcing option.

The case study company, Owere Gold Mines Limited is ideal for this study because it has embraced the strategy of outsourcing its procurement activities since the commencement of mining activities in 2009. Owere is a gold mining company situated at Konongo in the Asante Akyem Central Municipality of Ashanti region.

## **1.2 Problem statement**

Organisations looking for improvement of corporate performance often look to Business Process Outsourcing (BPO) services to streamline business processes and improve operational performance (Browning, 2007). In the quest for greater business value, cost savings and high performance through business process outsourcing, senior executives from nearly every industry are turning their attention to their procurement function (Accenture, 2010).

Outsourcing of business processes globally has been predicted by various pundits to increase significantly over the next few years. Even though most business executives know the significant benefits that can be reaped from effectively implementing procurement outsourcing, the subject has received very little attention and publication in Africa particularly Ghana.

A recent investigation of procurement directors conducted in major industrial countries found that most intend to substantively increase outsourcing activity (Heffes & Marshall, 2004). In February 2005 the Harvard Business Review commented on a Bain survey of large organisations in Europe, Asia Pacific and North America, which identified that 82% have outsourcing arrangements of some kind (Gottfredson et al., 2005). The overall values associated with outsourcing are startling. Reporting on global outsourcing, the United States Employment Policy Foundation identified an increase in outsourcing value from US\$364 billion in 1980 to US\$1.6 trillion in 2002. Industry analysts estimate this figure will be close to US\$6 trillion by end 2007 (Kelly-Services, 2005).

Global spending on procurement outsourcing has not been well reported. The Gartner group (Pring, 2006) estimated the global worth to be US\$2.9 billion with growth expected of 17% annually to US\$10 billion by 2010. In contrast Wilmott (2004) estimates the overall outsourcing procurement market at US\$200 million and expected growth to \$640 million by 2008. The huge difference in estimates and difficulty in finding additional sources suggest that this business area is not yet well understood (Beaumont & Sohal, 2004) and reflect inconsistencies in the business activities which make up procurement.

However, contrary to the optimistic portrayal of outsourcing by vendors and the marketplace, outsourcing is an extraordinarily complex process and the anticipated benefits often fail to materialize (Deloitte, 2005).

Despite a substantial growth in outsourcing in the past several years, procurement outsourcing is less 2% of all outsourcing activities (A.T. Kearney, 2007). Procurement is not as easily outsourced as other functions. The reason is that procurement results tie directly into the cost of goods sold and organisation's profit-and-loss statements. As far as 1999, an assessment of excellence in procurement study, executives said they expected to

increase their outsourcing of day-to-day procurement activities significantly, and deploy more strategically consortia. Yet more than a decade later, procurement outsourcing continues to trail outsourcing in other functions (A.T. Kearney, 2007).

More so, in spite of the dramatic rise in procurement outsourcing practices, few empirical investigations have been conducted in this area and not so many people really understand the meaning of procurement outsourcing, including those who are currently working in this field or related field. As a result, this study attempts to close the gap in this area by explicitly studying procurement outsourcing in the mining sector of Ghana using Owere Gold Mines Limited as a case study.

The study hereby aims to investigate the challenges/pitfalls of procurement outsourcing and their effects on Owere Mines Limited. It also discusses the rational/reasons for outsourcing as procurement strategy at Owere Gold Mines Limited.

### **1.3 Research questions**

The above scenario raises the following pertinent research questions:

1. What is the main purpose or rationale for procurement outsourcing at Owere Mines Limited (OML)?
2. What are the challenges encountered in procurement outsourcing at Owere Mines Limited?

### **1.4 Aim and Objectives**

The aim of the study is to assess the challenges of procurement outsourcing in Ghana, a case study of Owere Gold Mines Limited.



### **1.4.1 Specific Objectives**

The specific objectives of the study include:

1. Identify the purpose for procurement outsourcing at Owere Mines Limited.
2. Identify the challenges encountered in procurement outsourcings.
3. Propose strategies for managing the challenges of outsourcing.

### **1.5 Scope and methodology of the study**

The study is mostly dwelled on the challenges of procurement outsourcing at Owere Gold Mines Limited.

The information used in this study was obtained from both primary and secondary sources relating to procurement outsourcing around the globe. Primary data was obtained from a structured question. The use of questionnaires as a primary source of information gave fast and reliable data.

The study also benefited from secondary sources or existing published materials on outsourcing in in Africa and the World at large including World Bank Reports, Journals, books, Research Institutes, Government agencies, the internet and other appropriate sources. Secondary information was used because they are available and inexpensive to obtain. These sources were used as a means to get information to enrich the content of literature and evaluate the research questions. For instance, the secondary data was used for the literature review while the primary data was utilized to analyze the information. Statistical tools like SPSS and Microsoft Excel was used for data analysis. It is assumed that this enabled the researcher to arrive at some useful academic and empirical evidence and data that facilitated the establishment of the sort of relationships anticipated in the objectives enumerated above.



### **1.6 Significance of the study**

Findings from this study would be of great significance to the procurement stakeholders in Ghana especially Owere Mines Limited.

Findings would again help reveal the trends, challenges and benefits of procurement outsourcing at Owere Mines limited and consequently make recommendations as to how best to tackle those challenges.

Moreover, findings of this study would add to the already existing body of knowledge on procurement outsourcing in all sectors of the economy.

### **1.7 Justification of the study**

The business process outsourcing (BPO) industry is expanding even post-recession, due to the benefits it offers to companies in terms of compliance and the ability to focus on core operations. Today not only non-core work is outsourced, but also more value-added work, such as procurement and logistics, knowledge and legal processes (Capgemini & Procurement Leaders, 2010).

By outsourcing, organisations strive to deploy their limited resources and improve operations in order to function more effectively in a highly competitive, consumer oriented market place (Insinga and Werle, 2000).

Outsourcing is a viable business strategy because turning non-core functions over to external suppliers enables companies to leverage their resources, spread risks, and concentrate on issues critical to survival and future growth (Badick 2005).

Even though procurement is becoming more common in both public and private sectors globally, there seems to be little research done that considers procurement outsourcing activities and the rationale behind its implementation. Motivated by the rapid increase in

procurement outsourcing activities in recent years, the research seeks to find out the rationale behind these practices and challenges that organisations face as a result of this practice. It is therefore worth conducting scientific research into the subject matter for effective and efficient understanding of the parameters which called for an outsourcing decision to be made by a company as well as its challenges.

For business executives especially those in Owere Mines Limited, this thesis will also prove useful. They will realize that procurement outsourcing activities influences every aspect of their management decisions, and will impact not only on the product and processes of the organization, but also the people working in the organization and the organizational culture. By studying this thesis, managers can better understand the subject and put this knowledge in practice.

Also, the study aims to provide stakeholders with insight into the challenges one organization can face as a result of employing outsourcing as a procurement strategy. Efforts shall be made to find possible solutions to the challenges being posed by procurement outsourcing at Owere Mines Limited in particular and other procurement outsourcing entities in the region.

Additionally, a contribution of this thesis is the possibility to further improve the understanding of the outsourcing phenomenon from both a customer and supplier perspectives.

Lastly, in the academic world it can contribute to a greater knowledge of procurement outsourcing activities in the mining sector in general, because not much research has yet focused on this sector with regards to this topic. More specifically, this thesis attempts to take a more complete perspective by examining the challenges of procurement outsourcing and their effects on the mines' operations. This can lead to greater in depth

understanding of procurement outsourcing in the mining sector, and will allow for further research in this direction.

### **1.8 Limitations to the Study**

A single case study was adopted on Owere Gold Mines Limited as result of limited time available for executing this research. Therefore, generalizing findings from this study to other companies especially mining must be done with utmost care and comparative analysis.

The study was executed in the Ashanti Region of Ghana; however, the third party is located in the Greater Accra region of Ghana. The process of procuring goods, works and services are most likely to differ from one region to the other. Hence findings from this study may not necessarily serve as a true reflection of what might pertain to other companies with both the procurement entity and outsourcing company located in the same region.

### **1.7 Organization of Study**

The entire study is divided into five chapters including this chapter which provides an introduction and covers the problem statement, research questions, objective of the study, justification of the study, summary of methodology and the scope of the study. Chapter Two focuses on literature review and discusses the theoretical and analytical framework in the area of procurement outsourcing. Chapter Three dwells on the various methodologies that would be used in the study. Chapter Four comprises of presentation and analysis of research data. The last chapter, chapter Five, provides the research findings, provides recommendations and conclusion.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The study described here was designed to assess the challenges of procurement outsourcing in Ghana, a single case study of Owere Gold Mines Limited. This chapter presents a review on available literature and examines major themes associated with procurement outsourcing internationally and within Ghana.

#### **2.2 Definition**

In order to convincingly define procurement outsourcing, it is important to explain and analyze each term separately.

##### **2.2.1 Procurement**

One of the worries in defining the term ‘procurement’ is that it does not deal with a single action or process. Procurement encompasses the complete range of events from the identification of a need for a good or service through to its disposal or cessation. Procurement involves activities and events before and after the signing of a contract as well as the general management activities associated with a range of contracts (CIPSA, 2005):

- pre-contract activities such as planning, needs identification and analysis, and sourcing,
- post-contract activities such as contract management, supply chain management and disposal, and
- general undertakings such as corporate governance, supplier relationship management, risk management and regulatory compliance.

The term Procurement can then be defined as the business management function that ensures identification, sourcing, access and management of the external resources that an organisation needs or may need to fulfill its strategic objectives (CIPSA, 2005). There is very little variation in procurement descriptions in Ghana or internationally; e.g

- The process necessary to acquire goods and services, (Project Management Institute, 2004).
- The provision of goods, supplies and services to keep the company in operation (Farney, Pooler & Pooler, 2004).
- Acquiring goods and services (Handfield, Monczka & Trent, 2005).
- The process of deciding how to provide needed goods or services (Office of the Controller and Auditor-General, 2001).
- The Aqua Group (1999) defines procurement as the process of obtaining or acquiring goods and services from another for some consideration.
- The International Bank for Reconstruction and Development Guidelines for Procurement also define procurement as the acquisition of goods, buying or purchase of works, hiring contractors and consultants services (IBRDGP, 2004).
- Procurement, according to the Public Procurement Act, 2003 (Act 663), is ‘the acquisition of goods, works and services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place for the direct benefit or use of governments, corporations, or individuals, generally via a contract’ (PPA Module, 2007). In other words, Public Procurement is the process by which organizations acquire goods, works and services using public funds. It is a comprehensive process that runs from proper procurement planning, budget allocation, bids invitation, bids evaluation, award of contract, contract management, performance measurement, monitoring, auditing and reporting.



From the various definitions above, procurement can then be deduced as the process by which an entity obtains materials, services and equipment needed to carry out its activities in order to achieve its objectives or goals. It is also the process, which creates, manages and terminates contract. Procurement is therefore concerned with activities that both precede and follow the signing of a contract within a legal framework.

Procurement exists to explore supply market opportunities and to implement resourcing strategies that deliver the best possible supply outcome to the organisation, its stakeholders and customers. Procurement applies the science and art of external resource and supply management through a body of knowledge interpreted by competent practitioners and professionals.

Procurement delivers a range of benefits. It does not only seek to reduce costs and to ensure supply, it also supports strategic organisational objectives such as market expansion and product innovation.

### **2.2.2 Outsourcing**

Outsourcing embroils dependence on outside skills and capabilities. However, there are various definitions of outsourcing in the literature. Somewhat traditional definition of outsourcing was provided by Lei & Hitt (1995) who defined outsourcing as “the dependence on external sources for manufacturing components and other value-adding activities”. In very general level, outsourcing exists when a business function or process is farm out to an external supplier, who is then responsible for the delivery of goods and services that would have been produced internally in other case (Kakabadse and Kakabadse 2000).

Ellram and Billington (2001), define outsourcing as the transfer of the production of goods or services that had been performed internally to an external party. Heywood

(2001) defines it as transferring of an internal business function or functions, plus any associated assets, to an external supplier or service provider who offer a service for a specified period of time, at an agreed but probably qualified price. Along similar lines, Wasner (1999) defines outsourcing as to turn over to an external vendor, the control of an in-house activity, or an activity for which an immediate ability exists to performing it internally. Wasner (1999) further states that outsourcing is composed of a make-or-buy decision together with transfer.

Outsourcing is akin to subcontracting, joint venturing, and strategic partnering concepts. For example, Greaver (1999: 10) claims that the process of contracting external service provider is referred to as outsourcing. By his definition, outsourcing is: “the act of transferring some of a company’s repeated internal activities and decision rights to outside providers, as set forth in a contract”. However, some scholars argue that outsourcing cannot be used as a synonym for contracting-out because, outsourcing entails a long-term relationships with a high degree of risk sharing, whereas contracting out refers more to work conducted by an outside supplier on job-by-job basis, cost being the practically the only decision making criteria (Hätönen & Eriksson 2009: 145).

Some argue that what separate outsourcing from these similar concepts is the fact that originally “internal” activities are being transferred out (Lei & Hitt 1995). Hätönen & Eriksson (2009) found out in their research review that in the “early-days” of outsourcing, the outsourcing strategy included cost based contracting out as well. As the practices have developed and increasingly strategic operations are being outsourced, the relationships have evolved beyond the arms-length, purely transactional arrangements. Nonetheless, they state out that “it is not that the theory has become obsolete; it is perhaps the evolution of the practice that has complicated the theory”.



Gilley and Rasheed (2000) made a distinction between substitution-based and abstention-based outsourcing and with that leverage the definition of outsourcing to cover both, existing functions and future ones. With substitution, firms discontinue its production of goods and services and replace it with capabilities provided from outside markets. The firm's scope is then determined by comparison of the performance differential between existing internal capabilities and those available in external markets (Holcomb & Hitt, 2007).

On the contrary, abstention-based outsourcing occurs when firms acquire capabilities from intermediate markets, rather than be involved in the necessary investments to internalize production. Thus, the firm's scope is also determined by evaluating the difference of costs between internal and external developing of needed capabilities (Gottfredson, Puryear & Phillips 2005). Based on that, Gilley and Rasheed (2000) defines outsourcing as procuring something that was either originally sourced internally (i.e. vertical disintegration) or could have been sourced internally notwithstanding the decision to go outside (i.e. make or buy). With that, Gilley and Rasheed provide clarification for the definitional confusion of the difference between the internal and external outsourcing (Harland et al. 2005: 2).

Among the definitions of these different authors, it is clearly found that they come to a common background in which they agree that outsourcing could be summarized in the functions to make or to buy decisions and transfer the job to a third party. This helps the organization to focus on its core business activities while handling non-business activities to others who are specialist in order to reduce cost and to increase job efficiency. This leads to definition of outsourcing which is not very far from what has been discussed above. Outsourcing is viewed as the decision to make or buy process held by a third party firm that will manage clients' non-core activities in order to achieve competitive

advantage. In a commercial manner, outsourcing helps to reduce the firm's costs and increase its efficiency in new business and other activities.

### **2.2.3 Procurement Outsourcing**

Procurement outsourcing is a combination of both components i.e. procurement and outsourcing. Poisson (2003) describes this as, "reassigning the operation of sourcing and spend management to a third party service provider". Hanson and Olson (2005), have a related but more comprehensive definition, "the transfer to a third party of all or part of a range of sourcing-to-settlement processes including sourcing, tactical buying, requisitioning, accounts payable and supplier management".

While it be crucial to consider definitions from literature, in the researcher's view, the following summary of features are more useful when considering what is meant by procurement outsourcing;

- Depending on an external party to provide tailored procurement services
- Exploiting expertise of a third party to deliver targeted and complimentary procurement services to an organisation.

Likewise, Procurement leaders (2011) defined Procurement outsourcing as "the action of a company outsourcing their procurement functions, i.e. the acquisition of goods and services, through a third party". This does not mean that the company loses control, but it utilizes third party services. The outsourced procurement can mean cost reduction, improved efficiency, improved compliance, and enhanced performance. Procurement outsourcing can involve some or all of the company's staff, technology, systems, and vendor management or everything can be directed by the procurement outsourcing firm for the company (Procurement Leaders 2011)

According to Aberdeen, procurement outsourcing is either full or incremental. Full procurement entails leveraging an outsourcing provider to manage all aspects (all processes and categories) of the source-to-settle cycle.

Incremental outsourcing involves utilizing an outsourcing provider to manage either distinct source-to settle processes across specific categories of spend, or a combination of these approaches (Aberdeen, 2007).

In a white paper report by Wipro Technologies in 2003, procurement outsourcing was defined on the other hand as a process wherein organizations take a calculated approach of moving some of their processes around source to pay to a specialist. This involves organizations identifying the core and non-core activities with source to pay and start outsourcing non-core activities to a specialist. This process involves different approaches:

- Full outsourcing – Survey shows only 17% take this approach - Only leaders adopt this route
- Incremental outsourcing – Survey shoes 83% take this approach
- Hybrid approach towards strategic and transactional activities

Today leading organizations are adopting PO as a key approach to improve corporate performance, standardize processes, and consolidate operations. Procurement outsourcing unlike other areas has an added advantage of achieving strategic value over and above cost cutting. The potential of procurement outsourcing is that it can deliver five times potential savings compared to others (Wipro Technologies, 2003).

### **2.3 Theoretical Bases of Outsourcing**

There are several research streams supporting the definitions of the concept of outsourcing. The phenomenon of outsourcing as a practice originated in the 1950s, but it was widely adopted as a strategy in the 1980s. After that, the strategy has evolved from a cost focused approach towards more cooperative nature. Today, cost is not regarded as a biggest decision-making criterion, instead more critical and knowledge-intensive business components are outsourced and often developed in close cooperation with the vendor (Hätönen & Eriksson 2009).

Lately, outsourcing is pursued locally and internationally. International outsourcing can also be termed as offshore outsourcing, and it include the transfer of both the ownership and the location of the operations. Offshoring is mostly used synonymously with offshore outsourcing which actually means the strategy of transferring activities across national borders (Harland et al. 2005).

Apparently, outsourcing has three obvious types since its first generation: Manufacturing outsourcing, Information technology outsourcing and Business process outsourcing (Mahmoodzadeh, Jalalinia & Yazdi, 2009). Manufacturing outsourcing is the production of a part, component part or service and IT outsourcing includes the outsourcing of IT resources. Business process outsourcing represents the outsourcing of a whole business process, to which the service provider takes full responsibility. Business process outsourcing varies from traditional outsourcing procedure in that it influences higher level of expertise than knowledge, which recently has been ignored by the threats of outsourcing (Duan et al. 2009).

In literature, the most used theoretical viewpoints of outsourcing are transaction cost theory, resource-based view, and core-competences. The transaction cost theory has led

companies on what to outsource and focused more especially confine outsourcing to more specialized and repetitive activities, such as manufacturing, logistics and maintenance. Whereas, the theory of resource-based view as well as its' descendant, core competencies, have directed companies to focus on core competencies and have provided a context to explain outsourcing of more visible and potentially sensitive functions as a strategic arrangements (Holcomb & Hitt 2007).

### **2.3.1 Transaction Cost Theory**

Traditional but very popular theoretical approach for firms' borderline decision is transaction cost theory. Transaction cost theory advocates that the decision of whether the products and services are bought or provided in-house is determined by the most lucrative choice (Holcomb & Hitt 2007). Simply, if using the markets results in lower transaction costs than doing that activity within, then it should be bought from the market (Hätönen & Eriksson 2009: 145).

Transaction can be categorized with the degree of asset specificity, the complexity of the transactional relationship and the frequency of the transaction (Greenberg, Greenberg & Antonucci 2008). Therefore, transaction costs evolve from three elements: the transaction itself, business environment and the transaction parties. Transaction costs involve the costs of selecting suppliers, negotiating prices, writing contracts, monitoring the performance, as well as the potential for opportunism from suppliers (Grover & Malhotra 2003). The potential for opportunism increases if investments have to be done which are specific to a particular relationship.

However, according to Holcomb and Hitt (2007) transaction cost theory suggests that all firms facing a similar transactional features and a set of exchange conditions will end up with the same internalization decisions. In reality buyers are looking for a wider range of



strategic contributions from their suppliers. Beyond short-term cost savings, there are several other motivations for outsourcing, for example acquiring greater resources and knowledge and competences from external providers.

### **2.3.2 Resource-Based View**

The resource-based view sees the firm as a bundled of assets and resources that if employed in unique ways can form competitive advantage. Resource-based viewpoint is based on the theory that companies use outsourcing to get resources not available internally. The theory was coined after transaction cost theory lost some importance in that the cost being literally only decision-making criteria (Holcomb & Hitt 2007). Resource-based view of the firm buttresses the importance of resources in guiding firm activity.

According to the theory, the management of a firm's collection of capabilities is in central to company's competitive advantage (Lonsdale 1999; Harland et al. 2005; Handley & Benton 2012). More precisely, the theory opposes the reasons for outsourcing is linked to the conditions that enable firms to begin, maintain, and use capabilities more efficiently than markets can do (Holcomb & Hitt 2007). In that, the operational efficiency is determined by how effectively companies employ their resources: the ones which are internal and the ones which can be procured from outside providers (Logan 2000; Hästönen & Eriksson 2009).

Nonetheless, as the transaction cost theory, the resource-based view have been remarked for being too simple approach to explain more intricate reality (Dyer & Singh 1998) and also that strategic capabilities and resources are often hard to identify in practice. Despite all of that, the resource-based view subscribed a competitive strategy model rather than a decision model of outsourcing (Dekkers, 2011). Possibly that explains why in recent

years, some transaction cost scholars have acknowledged that transaction-based and resource-based perspectives “deal with partly overlapping phenomena, often in complementary ways” (Holcomb and Hitt, 2007). When resource based view has directed companies to focus core competencies, the transaction cost theory helps the organization to decide which of their non-core functions they should buy and what to make in-house (Logan 2000).

### **2.3.3 Core Competencies**

Somewhat consistent with opinions of resource-based view, theory of core competencies focuses on strategic decision making itself (Dekkers 2011). According to this theory, focusing on core-competencies (Prahalad and Hamel, 1990) nurtures the key issue on which areas a company should focus more in order to balance their make-or-buy decisions (Gilley & Rasheed, 2000). For example, Dekkers (2011) found out that the core competencies approach has mostly motivated the outsourcing decisions made by the companies. His study of manufacturing firms and their outsourcing decisions also reveals that the operational issues had been barely accounted for during the decision making.

In literature, there is still many ambiguities’ defining what is meant by company’s core competencies. For example, some scholars favour core activities to be core competencies, which are the ones firm is unceasingly engaged in, whereas peripheral activities are more intermitted and can rather be outsourced (Quinn & Hilmer 1994). On the other hand, some scholars state that core competencies are those activities which provide long-term competitive advantage, and must be kept in-house to secure that (Prahalad & Hamel 1990). Some scholars find core to be more related to the productive capabilities than governance of capabilities. Jacobides and Hitt (2005, p.1222) examined how capability differences shape the make-versus-buy decision concluding that, “productive capabilities



can and do play a major role in the purpose of vertical scope”. The focus of their study was stated more to the comparative advantage than competitive advantage of the firm.

#### **2.3.4 Strategic Outsourcing**

Outsourcing initiative becomes strategic when it goes along with the organization’s long-term strategies Greaver (1999). When strategic or tactical outsourcing is more featured with a problem-solving approach, takes strategic outsourcing to a higher level. Strategic outsourcing ought to take account of the whole performance and arrangement of the organization by asking questions about outsourcing’s relevance to the organization and its vision of its future, present and future core competencies, present and future costs and present and future competitive advantages. (Greaver, 1999).

One of the ancestors of outsourcing literature, Ansoff (1965) debated that the most significant questions to the firm’s organizational strategy are what to produce internal (vertical integration) and what to buy from external providers (outsource). Early scholars adopting the strategic perspective argue that core activities should stay in-house, whilst non-core activities can be outsourced, in order to sustain core competencies (Prahalad and Hamel, 1990; Quinn and Hilmer, 1994; Lonsdale 1999). Therefore, a definition of firm’s limits and organizational strategy culminates in the make-or-buy-decision.

Similar to Quinn and Hilmer (1994), who claim that outsourcing processes have faced an evolution from traditional to strategic outsourcing. Outsourcing is considered traditional when firm is outsourcing processes that are not considered critical for the organization. For instance activities that do not need specific capabilities by the supplier like cleaning or canteen services. Simply put, strategic outsourcing happens when companies outsource everything except those special processes and activities which could provide a unique competitive advantage to the company (Quinn & Hilmer, 1994). However, by then Quinn

and Hilmer (1994) used the term “strategic outsourcing” in order to identify what is the strategic core of the firm and what are those activities which are crucial to attain the strategic goal of the firm (Quinn 1999; Kakabadse & Kakabadse 2000).

Mahmoodzadeh et al. (2009) takes the same direction and divides the outsourcing decision to be either tactical or strategic. Strategic outsourcing looks for overall business improvement rather than simple cutting costs. Therefore, a company could achieve its strategic goals by focusing on fundamental activities to organizational realization. Tactical outsourcing has a short-term focus on reducing operational costs or optimizing cost-savings. But according to Gilley and Rasheed (2000) outsourcing is certainly not simply a purchasing decision. The outsourcing decision itself contains a fundamental choice to reject the internalization of an activity. Because of that, outsourcing is a highly strategic decision.

Holcomb and Hitt (2007) draw a gap between strategic outsourcing and strategic purchasing. Strategic purchasing refers to the on-going process of soliciting, negotiating, and contracting for the delivery of goods and services from suppliers that involve arms-length transactions with suppliers (Chen & Paulraj, 2004). Organizations generally purchase products and services from suppliers on a frequent or repetitive basis for example to the procurement of production inputs or to the purchase of commodities for administrative use. These decisions tend to base more to the routine and rarely involve the transfer of resources. According to Holcomb and Hitt (2007), strategic outsourcing involves linkages with exchange partners that provide access to desired specialized capabilities which cannot be realized through internalization. Because of that, the strategic outsourcing reflects a primary relational view and cannot, therefor, equate with the purchase of goods and services.

## **2.4 Purpose/Rationale for Outsourcing**

The purpose or motive why organisations select outsourcing is connected to business performance and improvement. Initial decisions to outsource were based almost entirely on expected financial benefits (Greaver, 1999), with any other business improvement benefits seen as secondary (Halvey & Melby, 2000). Belcourt (2006) also pinpointed cost reduction as the primary purpose why most organisations adopt outsourcing as a business strategy. However, outsourcing has become more tempting and popular amongst companies for a large number of reasons.

These are mostly from the viewpoint of organisations and experts with in-depth knowledge about the subject:

Moreover, an internet survey by the Outsourcing Institute of global business executives identified the following reasons for procurement outsourcing:

- **Reduction and Control of Operating Cost**

Traditionally a predominant intention for outsourcing has been a short-term cost reduction (Jennings, 2002; Kakabadse & Kakabadse, 2000; Quelin & Duhamel, 2003; Zhu et al, 2001). According to Lonsdale & Cox (1998) outsourcing can be an effective way to reduce costs in the short term, and there is nothing inherently wrong with having that objective.

One of the key areas where savings are expected is labor (Lonsdale & Cox, 1998). Intensifying global competition has created pressures of cost reduction typically by moving low-skilled, labor-intensive activities to Asia and other low cost locations (Leavy, 2004; Kumar & Eickhoff, 2005). Labor cost reductions in other markets can be significant (Kumar & Eickhoff, 2005).

The second area of potential cost reduction is through the third party offering greater responsiveness through new technologies which have undermined the need for the vertical integration and have also helped achieve economies of scale (Kakabadse & Kakabadse, 2000; Lonsdale & Cox, 1998). Cost reductions can be gained, when suppliers' costs are low enough and even with added overhead, profit and transaction costs supplier can deliver a service or product for lower price (Kremic et al, 2006). Because of mass production efficiencies and labor specialization, specialized suppliers' unit costs are less expensive (Lacity et al, 1994). According to Belcourt (2006) specialized suppliers are more efficient because they divide the costs of training personnel and undertaking research and development across more user.

Another financial motive for outsourcing is cost control (Lacity et al, 1994). When an activity or service is outsourced, supplier charges for each use of the service. For this reason use of the service may be more cautious compared to in-house service (Belcourt, 2006). Belcourt again mentions training as a good example. Moreover, outsourcing enables more direct and precise cost allocation (Lacity et al, 1994).

- **Improve Company Focus**

Many organisations make a decision to outsource some organisational activities. This is because they want to focus on their core competencies, and put less emphasis on developing in-house activities outside of this core (Cooper, 2007; Potkány, 2008).

The decision to focus on a company's core business processes while delegating non-core business functions to experts outside the company puts the organization in pole position to realize its visions and mission.

- **Gain Access to World-Class Capabilities**

More so, many companies do not have the expertise to embark on effective procurement processes and activities internally. Therefore, choosing outsourcing as a business strategy is seen as a crucial component of such companies.

Outsourcing in a whole enables companies to tap in to and leverage a global knowledge base, having access to world class capabilities.

- **Free Internal Resources for Other Purpose**

Outsourcing helps companies to free up internal resources that could be put in to effective use for other purposes.

Sometimes, other professionals who do not possess the required know how and skills are tasked to double as procurement professionals. This could be attributed to the fact that there is lack of expertise readily available to perform such functions.

- **Resources Are Not Available Internally**

Factors of production such as skilled labour, raw materials, plant and machinery are not easy to come by. To help curtail this challenge, many world class enterprises outsource to gain access to resources not available internally.

- **Function Difficult To Manage/Out of Control**

Business process of any form requires some level of knowledge and expertise. Companies employ outsourcing and delegate responsibilities to external service providers that possess the needed expertise to handle functions that are difficult to manage and control while realizing their benefits.



- **Share Risk**

In addition, outsourcing helps companies mitigate risk. This is because companies transfer part or all process to a third party provider with the associate risk.

- **Capital Infusion**

Some companies also outsource to help them expand and gain access to new market areas, by taking the point of production or service delivery closer to their end users.

- **Make Capital Funds Available**

Many a time, outsourcing is undertaken to provide a buffer capital fund to companies that could be leveraged in a manner that best profits the company. (The Outsourcing Institute, 2005b)

Whilst most authors agree with these reasons for outsourcing, Hanson and Olson (2005) prefer to focus on just three key benefits, “lower costs, increased focus on core competencies and improved operating performance” (p.18). Halvey and Melby (2000) go further and include the following additional reasons;

- Enhancing and improving methodologies and processes
- Benefiting from industry knowledge or experience
- Streamlining and standardising processes across an organization
- Sharing resources or technologies
- Committing less upfront investment to new methodologies

Driving lower operating costs and better business performance as benefits of procurement outsourcing are implied by Halvey and Melby (2000) without being explicit in their listing.

A survey of real estate management practices of over 457 New Zealand organisations (Hayward & McDonagh, 2000) identified outsourcing of business processes as a growing trend but highlighted that 65% of respondents did not have a written outsourcing strategy.

Whilst consistent with the themes identified by other authors, Greaver (1999) suggests consideration of a balanced range of business drivers when evaluating a potential outsourcing opportunity and the subsequent monitoring and measurement of the success of each outsourcing project.

## **2.5 Benefits of Outsourcing**

Similar to other strategies available to the business, due diligence should be exercised before outsourcing decision is taken by any business entity. The result of an outsourcing exercise can greatly benefit the entity depending on how well it is planned and executed.

### **Access to Experts and Advanced Technology**

Some organisations need expertise and advanced technology for the success of their business operations. As such, they source special knowledge, skills, experiences, improved technology and automation capabilities from the vendors (Kakabadse, 2002).

### **Time Pressure**

Organisations which are unable to cope with time-sensitive issues and competing demand, especially during peak periods, may outsource in order to cope with their time pressure (Greer et al., 1999; Laabs, 1993).



### **Reduce Costs**

Organisations gain cost advantage by using external vendors to perform administrative and routine activities. Since external vendors have the economies of scale and the capital investments, they perform the business activities more efficiently and effectively (Gupta and Gupta, 1992; Laabs, 1993; Elmuti, 2003)

### **Strategic Focus**

Outsourcing permits the organisations to move away from administrative functions and concentrate on strategic business activities (Gupta and Gupta, 1992; Greer et al., 1999).

### **Flexibility**

Outsourcing provides organisations with greater capacity for flexibility in responding to changing market conditions rather than trying to cope by investing in rapidly changing machines and technologies as well as other complex systems (Quinn, 1999; Kliem, 1999).

### **Improve Quality**

Outsourcing permits organisations to get better quality services especially from the experts. The assumption is that once quality economic inputs are employed to the production process, it ensures quality end product and subsequently high profit. (Elmuti, 2003; Laabs, 1993)

### **Shift the Burden of Risk and Uncertainty**

Outsourcing helps the organisation to transfer the risks and uncertainties associated with performing the functions to outside providers (Cooke et al., 2005).

## **2.6 Challenges of Outsourcing**

Like any restructuring exercise and management decision making in business, there are risks associated with outsourcing that procurement managers or top management need to consider carefully and these may include the following:

### **Loss of Management Control**

Organisations that become too dependent on external vendors for the performance of their business activities may find themselves locked into specific arrangements that erode their internal abilities to execute activities critical to competitiveness (Bettis, et-al, 1992; Quinn and Hilmer, 1994).

### **Loss of Internal Expertise and Skills**

An organisation that is overly dependent on external vendors may not emphasize enough on internal skills. This leads to loss of critical and functional skills within the organisation and the development of wrong skill sets (Laabs, 1998; Adler, 2003; Quinn and Hilmer, 1994; Domberger, 1998).

### **Costs Consideration**

The cost savings expected from an outsourcing exercise may be negated by other costs that are under-scoped at the outset, such as, search cost (cost to gather information on suitable vendors) and contracting cost (Gilley and Rasheed, 2000; Tukul, and Rom, 2006; Elmuti, 2003).

### **Declining Innovation**

Outsourcing lead to a loss of long run Research and Development competitiveness since it is often used as a substitute for innovation. Organisations also stay behind new

technology breakthroughs that offer opportunities for product and process innovation (Kotabe, 1992; Teece, et-al, 1997).

### **Effect on Employees' Morale**

Outsourcing may have a profound effect on the relationship between employer and organisation. This condition may lead to deteriorating impact on the employees' morale in which they may feel insecure or unappreciated by their management (Gupta and Gupta, 1992; Stroh and Treehuboff, 2003; Elmuti, 2003)

### **Potential Lower Service Quality**

Some organisations which outsource their business activities may suffer from low quality output by vendors who have shallow knowledge of the activities and the objectives of the organisations concerned (Barthelemy, 2003; Elmuti, 2003)

### **Disruptions and Clashes of Opinions**

External vendors' inadequate knowledge of the organisations' culture and values often leads to clashes of opinions between the vendors and the organisations (Stroh and Treehuboff, 2003; Elmuti, 2003)

## **2.7 Measures to Manage Outsourcing Challenges and Risks.**

As the trend towards outsourcing continues, experience enables organisations to better understand the critical considerations required to increase the likelihood of success. The Accenture outsourcing survey found the more experience organisations have at outsourcing the better they are at doing it (Chong, 2004; Gay & Essinger, 2000), and that experienced outsourcers, (defined as organisations with two or more years of outsourcing experience), followed some unofficial but consistent guidelines, these included;

- Clarifying objectives
- Paying close attention to performance management
- Incorporating business outcomes as performance measures from the arrangement's outset
- Selecting outsourcing providers with a wide skill-set
- Using risk/reward provisions as incentives for higher performance outsourcing
- Actively managing the outsourcing arrangement for maximum performance
- Tasking executives talented with exceptional relationship management skills with optimising outsourcing arrangements

Accenture maintains that these guidelines are critical for successful outsourcing. They also concluded that high performing procurement outsourcing can be directly aligned to high performing businesses. This view is supported by business improvement authors not focused specifically on procurement outsourcing; Kleiner et al. (1999) point out that organisations that perform exceptionally well require specialisation, innovation and continuous learning involving all business stakeholders. The CEO of the Semco group of companies, passionately advocates that any business activity that can be done better by someone else, should almost certainly be outsourced (Semler, 2003).

## **2.8 Background of the Case Study Company**

Owere Gold Mines Limited is a Ghanaian/Australian-owned mining company that started its full operations in 2009 at the Asante Akyem North Municipality of the Ashanti Region.

Signature Metals Limited is an Australian-listed gold mining company. Its flagship operation is 70%-owned Owere Mines, which holds 100% of the Konongo Project. Its concessions cover 192 square kilometres within Ghana's renowned Ashanti Gold Belt,

with a gold resource of nearly 1.5 million ounces. The area has a rich gold mining history. Since the early 1900s, Konongo has produced over 1.6 million ounces of gold from high-grade ore at 11.8 grams per tonne, mostly mined from underground.

LionGold acquired a 76% interest in ASX-listed Signature Metals in April 2012 following a successful off-market scrip takeover bid for the company. The Group's shareholding has been subsequently raised to 77% following the completion of an exercise to consolidate odd-lot holdings.

The Konongo and adjoining Kurofa concessions cover 192 square kilometres and are along the strike of the prolific gold-producing Ashanti Sheer Zone. A processing plant is located northwest of the capital city of Accra, about 50 kilometres from the country's second largest city, Kumasi, which supports mining activities in the area. Facilities here include a 250 tonne per hour crushing plant, a ball mill, a 200,000 tonne per year Carbon in Pulp/Carbon in Leach (CIP/CIL) plant, a trommel with Knelson concentrator and an RG200 APT gravity plant. Management works closely with the 18 surrounding agrarian communities which reside on the concession land to mitigate impact of the mining operations on farming activities and to coordinate additional social welfare efforts.

Under the directive of a new management team, Signature announced in the March 2013 quarter a change in operational focus in the interest of optimising capital expenditure and to fast-track an assessment of the more extensive high-grade refractory sulphide gold ore underground. Trial mining was ceased as this had yielded only 8,600 ounces of gold bullion from March to December 2012. Site activities reverted to an aggressive exploration programme which is continuing into 2014 financial year. A technical life-of mine study to assess the commercial viability of a larger scale underground mining

operation is now underway, and a metallurgical assessment is also being carried out on the deeper segments of the ore body (<http://www.thebftonline.com>).

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## **CHAPTER THREE**

### **METHODOLOGY OF THE STUDY**

#### **3.1 Introduction**

This Chapter describes how the study was conducted and the various steps taken from the beginning to the completion of the study. It starts with the research design in the first section. The second section of the chapter considers the research approach. Then, sampling procedure and case study are discussed in the third and fourth sections respectively. Data collection instruments, validity and reliability and pretesting are also discussed in the sub-sequent section. The chapter ends with the methods of data analysis.

#### **3.2 Research Approach and Design**

Research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information (Zikmund, 2003). The objective is to ensure that information gathered is appropriate for solving the problem (Zikmund, 2003).

The study focused on a single case study which utilizes 50 purposively selected employees involved in procurement activities and or process from the seven (7) departments at Owere Mines Limited. The respondents were selected based on their positions and roles they play in procurement process/ activity in the organization.

The research questions were tackled through the use of both qualitative and quantitative approach. The qualitative method was employed to handle description, comparison of both similarities and differences as demanded by the research.

The quantitative method also assisted the researcher to employ statistical techniques to generate and analyze data to come up with new information that helped the researcher to

answer the research question with regards to the challenges of procurement outsourcing which may differ from one entity to another and best appreciated by figures and charts.

More so, the researcher adopted both open and closed ended questionnaire to collect the needed information. The open ended questionnaire was designed to gather qualitative data whilst closed ended questionnaires were meant for quantitative information where statistical techniques were required.

### **3.3 Sampling Procedure**

#### **3.3.1 Study Population**

The study targeted all employees of Owere Mines Limited involved in procurement activities and or process as the study population.

#### **3.3.2 Sample size and Sampling Technique**

Ideally the study should have covered the whole population but a sample size of 55 employees consisting of senior members, heads of department, heads of unit, key personnel, procurement officers, finance officers, as well as some originating officials from the seven departments within the company.

Sampling technique on the other hand is a process of selecting a few (a sample) from a bigger group of population (the sampling population) to determine the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group.

The purposive sampling technique was used because it was helpful in selecting respondents who engage or understand procurement process and or activity in one way or another.

### 3.4 Case Study

The study used case study approach of research. Case study is mainly used to research into a single or multiple examples of particular object(s). The choice of case study helps the researcher to explore and analyze phenomena in the study organization (Biggam, 2011).

Again, the research focused on a single case study to assess the challenges of procurement outsourcing in Ghana with emphasis on Owere Gold Mines limited. Single case study in particular allows for a comprehensive examination that is not possible in a wide cross sectional survey.

The three types of case studies include; explanatory, descriptive and exploratory (Biggam, 2011). The case study for qualitative model can be seen as descriptive. This working process was carried out through description of the case company. It adopted questionnaires to gain holistic information of the case company. Using descriptive case studies, this study compared qualitative model with case company's current working process.

The case studies were implemented by five steps upon Yin (2009) work. First step is to define and determine the research questions. Selecting the suitable case and determining techniques for gathering data is the next step. Thirdly, it is important to collect relevant data. Analyse and evaluate the data is followed after data collation. The final step is to display the results.

### **3.5 Data Collection**

Data for any form of research can be obtained in diverse ways such as surveys, interviews, observations, publications etc to analyze the research problem and make logical conclusions. In the light of this, researchers are expected to be creative when it comes to the selection of data collection method.

For the purpose of realizing the research objectives, the researcher used primary data to achieve the aim of the study. Though there are quite a number of methods for collecting primary data, the researcher adhered to questionnaires and its explanation is given under the data collection instrument.

#### **3.5.1 Primary Data:**

This type of data is initiated by the researcher from the source for the single purpose of finding answers to the identified problem at hand (Malhotra and Brik, 2003). Data collection techniques for primary data include; personal interviews, questionnaires, survey and observations.

Primary data in itself is original and it is collated fresh from the source for a specific study (Shao, 2002). Moreover, primary data does not simply apply to an industry, but gives the researcher the needed information on a particular question or problem that needs to be answered. One key advantage of using primary data is that it guarantees the right information to address the problem at hand. Already existing data may not be relevant or out of context to tackle the subject matter as the researcher wanted to assess the challenges of procurement outsourcing in Ghana.

### 3.5.2 Data Collection Instrument

The researcher used both structured and unstructured sets of questions to solicit the required information. The principal objective is to transform the researcher's information needs into a set of specific questions that respondents are willing and able to answer. Questionnaires may appear simple and direct, perhaps questions may yield very different and unexpected answers.

Structured questions bring to bear the set of responses as well as their format. A structured question may offer multiple-choices, or a scale. Multiple choice questions are easier for respondents to answer. They are also easier to analyze and tabulate than open-ended questions. Structured questionnaires also ensure that interviewer bias is reduced, given that these forms of questions work very well in self-administered conditions. Respondent cooperation in general is improved if the majority of the questions are structured.

The unstructured questions on the other hand are open-ended questions that respondents answer in their own words. They are also referred to as free-response or free-answer questions. Open-ended questions allow the respondent to express their attitudes or opinions without the bias associated with limiting responses to predefined alternatives (Malhotra, 2004).

The researcher chose questionnaires ahead of any other tool for the following reasons: First of all, questionnaires concentration on required information into a set of definite questions that respondent can and will reply. Secondly, it inspires the respondent to become involved in interview. Last but not least, questionnaires minimize the error margin of responses, (Malhotra and Briks, 2003).

### **3.6 Reliability and Validity**

The quality of any research is largely attributed to the validity and reliability of the research approach and data. Validity is explained to be said to be the extent to which concepts, measurements or conclusions of any a research work conforms to what actually persists in the study settings (Meeker and Escobar, 1998).

To ensure validity, the researcher personally administered the questionnaires and further gave clarification to respondents where necessary. The questions were in clear and simple language for the understanding on the respondents and to prevent vagueness.

Malhotra and Birks (2000) explained that “validity is the degree to which variations in observed scale scores reflects true differences among objects on the characteristics being measured rather than systematic or random errors”.

The rate at which research measurement is free from errors is called reliability (Stangor, 2007). Reliability focuses on the possibility of a given measuring instrument repeatedly producing the same result.

### **3.7 Pretest of the Survey Instrument**

Before administering the full scale questionnaires, a pretest was done on two senior officials at the procurement department of Anglo Gold Ashanti Limited to solicit their views on the structure of the questionnaires and also ensure that the questions being addressed were appropriate. Their views and comments were accordingly incorporated in the actual questionnaires. The reason for the choice of pretest location was as a result of similarity in terms operations as the case company proximity to the researcher.



### **3.8 Data Analysis**

After the necessary steps of the study have been duly followed that is; clearly defining the research problem, establishing the appropriate research approach and design, administration of questionnaires, the researcher continued to data processing and analysis.

The administration of questionnaires assisted the researcher to gather quantitative and qualitative data which was coded and analyzed.

The analysis for structured questions was aided by the use of Statistical Package for Social Sciences (SPSS) and Microsoft Excel. This enhanced descriptive analysis where data was presented in tables, and even percentages. The Excel spreadsheet was then used to produce frequency tables that were analyzed. Details of data analysis can be found in chapter four.

### **3.9 Ethical Issues**

Having access to respondents and ethics are critical aspects of conducting a research and for the researcher to collect data needed, depend on gaining access to the respondents. In order to have access to the respondents, the researcher introduced himself with an introductory letter from the department as a postgraduate student from KNUST, Building Technology Department who is using their institution as an academic study for a research titled “Assessing the Challenges of Procurement Outsourcing in Ghana, a case study of Owere Mines Limited”.

The researcher explained to the mine manager and respondents that the study was purely academic, to be used as a requirement for the award of a degree in Master of Science in Procurement Management.

The respondents were informed of their role in providing value information and the purpose for which the information was being used. To enhance confidentiality, anonymity and privacy, the questionnaires did not request for personal identification. Similarly, the final report did not comment on individual responses.

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## **CHAPTER FOUR**

### **RESULTS PRESENTATION AND DATA ANALYSIS**

#### **4.1 Introduction**

This chapter is devoted to the presentation, analysis and interpretation of the study by making use of frequency tables and statistical representation. The data gathered was analyzed by using descriptive statistics generated from the use of Statistical Package for Social Science (SPSS) and Microsoft Excel.

#### **4.2 Characteristics of Sample**

This section of the survey observed the following issues like the job position and roles respondents play in procurement process or activity at Owere Mines Limited.

The findings were then presented in figures and in tabular form as seen in table 4.1 below. The main interest for the sample here was on the job category (i.e. senior members, unit heads and key officers) of respondents having the focus at the challenges of procurement outsourcing at Owere Mines Limited. The targeted sample size for the research was 55 but this was not the case since 50 questionnaires were received giving a response rate of 90.91%. 32(64%) of the respondents were key staff, 14(28%) of the respondents unit heads and 5(8%) belonged to the senior management category.

**Table 4.1 Demographic characteristics of respondents.**

Variable	Frequency	Percentage
<b>Work Position</b>		
Senior Members	4	8%
Unit Heads	14	28%
Key Staff	32	64%
<b>Role in Procurement process/activity at Owere Mines Limited</b>		
Store Keeping	4	8%
Contract Administration	14	28%
Payment of Contractors and Specification	6	12%
Preparation of Specifications	8	16%
Inspection of Deliveries and Projects	12	24%
Sourcing and Procurement	6	12%

**Source: (Author's Field Data, 2014)**

On the specific roles play by respondents, majority of respondents (14) engage in contact administration of all kinds in the company. This role was mainly executed by unit heads. Inspection of deliveries and projects were done by key staff members with (12) respondents engaging in that role. Again, (8) respondent were engaged in preparation of specifications. This category included key staff members from the units and procurement department. Moreover 6 respondents each were identified to perform; Sourcing and procurement as well as payment of contractors and suppliers. These categories were made of procurement officers, key staff and finance officers. Also, four (4) respondents performed store keeping role and they were mainly from the central and plant stores at Owere Mines Limited. Inspection of deliveries and projects were performed by key staff

members including procurement officers, finance officers and representative of user departments. The implication is that these respondents engage in one procurement process or activity in the company and per the position they occupy, they understand they were abreast with the questions asked.

#### **4.3 Purpose for procurement Outsourcing at Owere Mines Limited**

There are several reasons or rationale behind the choice of outsourcing as business strategy for one organization or another. The objective one of this study was to identify the purpose or rationale for procurement outsourcing at Owere Gold Mines Limited. After carefully analyzing the field data, the result proved that the major purpose or motive for procurement outsourcing can be attributed to improvement of company's focus.

This conclusion was based on mean comparison of other possible reasons for outsourcing. Improve company focus ranked first with a mean of 4.68 closely followed by cost reduction with a mean of 4.64. By approximation, the mean value of 4.68 for the variables being considered gives a mean value of 5.0 which is interpreted on the Likert scale as "Strongly Agree" and also with the lowest standard deviation value shows the strength of consensus of the respondents. Other purposes included; gain access to world class capabilities with a mean of 4.60, risk sharing and difficulty to manage procurement functions with means 4.13 and 2.17 respectively. The results further showed that 48 respondents out of 50 consisting of 38 strongly agree and 10 agree were in favour of the first ranked variable.

The decision to focus on a company's core business processes while delegating non-core business functions to experts outside the company puts the organization in pole position to realize its long term vision.

The next most important driver for procurement outsourcing at OML was reduction and control of operating cost. It has been observed that most organisations worldwide resort to outsourcing as a tool for reducing operating cost, the case was not exactly so from Owere's perspective. From table one, 46 respondents out of 50 did either strongly agree or agree to cost reduction as a major purpose or rationale for procurement outsourcing at OML.

However, 28 respondents either disagreed or strongly agreed about the fact that outsourcing was pursued as a result of difficulty in performing procurement functions.

**Table 4.2 Purpose/Rationale for Procurement Outsourcing at Owere Mines Limited**

<i>Variable</i>	<b>Mean</b>	<b>SD</b>	<b>RII</b>	<b>Rank</b>
<b>Reduce and control operating costs</b>	4.64	0.757	0.928	2nd
<b>Improve company focus</b>	4.68	0.690	0.936	1st
<b>Gain access to world-class capabilities</b>	4.60	0.500	0.92	3rd
<b>Procurement function difficult to manage</b>	2.72	1.745	0.544	5th
<b>Share risks</b>	4.13	0.537	0.825	4th

Source: (Author's Field Data, 2014)

#### **4.4 Challenges of Procurement Outsourcing at Owere Mines Limited**

From literature, there are equally a lot of challenges or risks associated with outsourcing as benefits. The main challenges we identified through this study are ranked in table 4.3 below.



**Table 4.3 Challenges encountered in Procurement Outsourcing**

<i>Variable</i>	<b>Mean</b>	<b>SD</b>	<b>RII</b>	<b>Rank</b>
<b>Hidden cost</b>	4.56	0.712	0.912	1st
<b>Possibility of weak management</b>	3.79	1.021	0.758333	4th
<b>Cultural differences</b>	1.68	1.108	0.336	6th
<b>Fear of loss of control</b>	4.00	0.780	0.8	3rd
<b>Miscommunication</b>	4.28	0.792	0.856	2nd
<b>Poor infrastructure</b>	2.76	1.562	0.552	5th

**Source: (Author's Field Data, 2014)**

The said table shows the opinions of respondents on the challenges encountered in procurement outsourcing at Owerre Mines Limited.

Using both Mean and Relative Importance Index (RII), respondents ranked hidden cost as the most renowned challenge encountered in procurement outsourcing at OML. It is established that one of the most important reason or purpose to outsource a particular function or activity is to reduce costs, but the risk of hidden costs is perhaps the most dangerous one. Most of the time companies underestimate the setup costs, redeployment costs, delivery cost, relocation costs, longer-than-expected costs and international travel expenses. Hidden cost ranked highest with a mean of 4.56. The result showed that 44 respondents out of 50 did confirm hidden cost as the major challenge confronting the company as a result of procurement outsourcing. The other 6 respondents remained neutral or in other words were indifferent with regard to hidden cost as the topmost challenge of procurement outsourcing.

Respondents again placed miscommunication second on the ladder of procurement outsourcing challenges at OML. Miscommunication had a mean of 4.28 and 0.856 for RII.

By approximation, the mean value of 4.28 for the variables being considered gives a mean value of 4.3 is interpreted on the Likert scale as near “Strongly Agree” and also with the lowest standard deviation value shows the strength of consensus of the respondents. By implication the result is fit for making generalizations. This phenomenon can be attributed to the locational differences between the client (Owere Mines Limited) and the outsourcing service provider. This forms risks in the way of communication, paper work and agreements that need to be done before a particular procurement process is completed.

It can also be noted from table 4.3 that fear of loss of control was ranked 3rd by respondents as a risk or challenge of procurement outsourcing. This is shown in the mean value of 4.00 which corresponds to “agree” with the Likert scale.

The assumption is that the outsourcing organisation in this case Owere Gold Mines Limited will not have such close control over those aspects of its business, which it has contracted out. This might not matter if the contractor does a good job, but it could mean that no-one within the organisation knows the market rates for the services and posts involved and an excessive level of reliance might therefore be placed on the outsourcing service provider.

Possibility of weak management with a relative important index of 0.75833 and poor infrastructure with an RII of 0.55 was ranked 4th and 5th by respondents respectively whilst cultural differences with RII of 0.32 came last on the ranking of the challenges of

procurement outsourcing at Owere Mines limited. To Owere, they do not find differences in cultures as threat to procurement outsourcing.

Moreover, respondents pinpointed other challenges that procurement stakeholders encounter in the company as a result of the subject matter. These identified challenges included; delay in the delivery of deliverables as scheduled, financial constraint on the part of Owere Mines Limited which intends delay their financial commitment to its service provider.

#### **4.5 Measures to manage challenges encountered in procurement outsourcing**

In other to sustain procurement outsourcing as a strategic business process at Owere Mines limited, respondent ranked possible measures or strategies that can be taken to curb the challenges encountered in procurement outsourcing.

Selecting outsourcing providers with a wide skill-set with an RII 0.96 was ranked first by respondents as topmost measure of dealing with the challenges or risk of procurement outsourcing. Outsourcing service provider with several years of experience and skill is believed to have a lot advantage on the market for better deals in the acquisition of the needed economic resources over newly established entities. Even though, Ghana is not different from the rest of many African countries where there is limited number of renowned outsourcing service providers, clients or outsourcing organizations should endeavor to employ the services of the few well-acclaimed entities with the required expertise to embark on procurement outsourcing.

Employment of qualified and trained procurement professionals and paying close attention to performance management were placed 2<sup>nd</sup> and 3<sup>rd</sup> with RII of 0.944 and 0.936 respectively from Table 4.4 below. The contradiction is seen where respondents strongly disagreed to the fact that procurement function is difficult to perform perhaps, it was not a

major driver for organizations to outsource their procurement functions however, they agreed that employing qualified and trained procurement professionals by both the client and the service provider could minimize or curtail the challenges encountered in procurement outsourcing.

Table 4.4 again put organizing refresher programme for procurement practitioners with an RII of 0.904 ahead of actively managing the outsourcing arrangement for maximum performance with RII of 0.896 and using risk/reward provisions as incentives for higher performance outsourcing with RII of 0.841667 in the pecking order. The implication is that procurement outsourcing organizations should emphasize on these proposed strategies to effectively manage procurement outsourcing challenges.

**Table 4.4 Measures for managing the challenges encountered in procurement outsourcing**

<i>Variable</i>	Mean	SD	RII	Rank
<b>Paying close attention to performance management</b>	4.68	0.476	0.936	3rd
<b>Selecting outsourcing providers with a wide skill-set</b>	4.80	0.408	0.96	1st
<b>Using risk/reward provisions as incentives for higher performance outsourcing</b>	4.21	0.721	0.8416 67	6th
<b>Actively managing the outsourcing arrangement for maximum performance</b>	4.48	0.586	0.896	5th
<b>Employment of qualified and trained procurement professionals</b>	4.72	0.458	0.944	2nd
<b>Organise refresher training for procurement practitioners</b>	4.52	0.510	0.904	4th

Source: (Author's Field Data, 2014)

## **CHAPTER FIVE**

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

#### **5.1 Introduction**

This chapter presents the complete summary of findings centered on the results and its discussions in connection to the objectives and problem statement of the study. This chapter will focus on the conclusion and recommendations for the research.

The main focus of this chapter is on the conclusion and recommendations to address the challenges of procurement outsourcing in Ghana using Owere Gold Mines Limited as the case study.

#### **5.2 Summary of Findings**

The key findings of the study are summarized as follows: purpose or rationale for procurement outsourcing at Owere Mines Limited, challenges encountered in procurement outsourcing at Owere Mines Limited, and measures or strategies to manage the challenges encountered in procurement outsourcing at Owere Mines Limited.

##### **5.2.1 Rationale for Procurement Outsourcing at Owere Mines Limited**

There are several motives or drivers that may influence one organization to outsource part or whole of a particular business function. This decision is dependent on the organisation's strategic direction at one point in time. It can be concluded from the preceding chapter that improving the company's focus was the purpose or rationale for procurement outsourcing at Owere Mines Limited. This conclusion was that "improve company focus" ranked first with a mean of 4.68 and approximation, the mean value of 4.68 for the variables being considered gives a mean value of 5.0 is interpreted on the Likert scale as "Strongly Agree" and also with the lowest standard deviation value shows



the strength of consensus of the respondents. Owere Gold Mines Limited as the name depicts is a gold mining company that places premium on the production of gold therefore outsourcing was employed as a strategy to relief the company from non-core functions that divides its focus on the company's core duties or tasks.

Beside the main rationale or purpose for procurement outsourcing, there were other supporting motives identified in the study. The likert scale ranked the other motives in descending order based on the magnitude of the mean. These were reduction and control operating costs with a mean of 4.64, gain access to world-class capabilities with a mean of 4.60 and sharing of risks with a mean of 4.13.

Furthermore, the study also revealed that organizations do not outsource its procurement functions not because procurement functions are too difficult to perform. The variable had a mean value of 2.72 which is interpreted on the Likert scale as "Disagree" and also with the highest standard deviation value shows the strength of disagreement of the respondents.

### **5.2.2 Challenges Encountered in Procurement Outsourcing at Owere Mines Limited**

The most notable risk or challenge that Owere mines encounters in procurement outsourcing was hidden cost associated with outsourcing. The comparison of both the Mean and Relative Importance Index (RII) ranked hidden cost on the summit of the challenges.

Also, the research revealed miscommunication as the second highest ranked challenge of procurement outsourcing at Owere mines limited. This was closely followed by fear of loss of control.



Furthermore, possibility of weak management and poor infrastructure were ranked 4<sup>th</sup> and 5<sup>th</sup> respectively. Other challenges identified were delays in the delivery of items and payment delays for items that had been supplied

Last but not least, that study failed to confirm to the fact that cultural differences of the outsourcing company (Owere Mines Limited) and its outsourcing service provider constituted a challenge in procurement outsourcing.

### **5.2.3 Measures for Managing the Challenges Encountered in Procurement**

#### **Outsourcing**

The following include measures for ensuring that the identified challenges do not erode potential benefits of procurement outsourcing.

- **Selecting Outsourcing Provider with a wide skill-Set**

Management should attach emphasis on the selection of outsourcing service provider. The success of outsourcing is partly dependent on the kind of service provider selected. This assessment should include skill, experience and capacity of the selected outsourcing service provider.

Since mining is a going concern, the outsourcing organization either incurs additional transportation cost for fast tracking delivery of items or procures urgent items outside the service provider's arrangement which soars up the company expenditure. From chapter four, the company's topmost challenge of procurement outsourcing is hidden cost which could be linked to several factors such as late delivery of items etc.

This challenge can be tackled when outsourcing organizations engage the services of an established service provider with wide knowledge base and the capacity to effectively enhance job performance. The assumption is that a highly experienced service provider

understands lead time stages such as pre-order planning, procurement, production and warehouse lead times. Knowledge in this area can hugely prevent undue delays of items to the mining site by the service provider.

- **Employment Of Qualified And Trained Procurement Professionals**

Though the respondents disagreed to the fact that procurement function is difficult to perform, it is still crucial to employ qualified and trained procurement professionals who really understand the intricacies of procurement outsourcing or procurement management in general.

Qualified procurement experts will ensure that all stakeholders perform their roles as expected. For instance, user departments will be prompted as to when to put in request for urgent items and when to expect deliveries. In so doing, the second most noticeable challenge of procurement outsourcing at Owere Mines limited being miscommunication can be dealt with.

- **Paying Close Attention To Performance Management**

This is one serious factor why most organizations fail to realize the full benefits of a particular strategy. It is recommended that outsourcing organizations should not create any form of blockage that will make it difficult to monitor the performance of service providers.

The expectation is that if Owere Mines Limited closely monitors the performance of its service provider, it will not only enhance the expectation of outsourcing relationship but also drives the fear factor of losing control over to the outsourcing service provider.

- **Organise Refresher Training For Procurement Practitioners**

Refresher programmes go a long way to enhance the job delivery and performance of employees. Top management should inculcate refresher training programmes into their system in a routine basis to continuously enhance job performance. The reason being that there are challenges associated with outsourcing and that any measure with the tendency to manage these challenges should be pursued with diligence.

More so, refresher programmes go a long way to remind stakeholders of their roles and responsibilities within the company. It again has the potential to cushion job performance of stakeholders within the mine thereby ensuring that weak management which is seen as another challenge associated with procurement outsourcing of the company will be reduced.

### **5.3 Conclusion**

Using the findings as the basis, the study came to a conclusion that the main purpose or rationale for procurement outsourcing at Owere Gold Mines Limited is no other reason than to improve the focus of the company. There are other motives behind the choice of outsourcing as a procurement operation strategy such as reduce and control cost, gain access to world-class capabilities and share risk with the outsourcing service provider, the company's utmost drive was to delegate non-core function to a third party that has comparative advantage in outsourcing and rather concentrated on the gold production which represents the main service area of Owere Gold Mines Limited.

Again, it can be concluded that the story about procurement outsourcing does only depict rosy lines throughout. There are equally challenges or risks associated with this strategy as positive. Owere Mines Limited saw hidden cost in procurement outsourcing as their number challenge.

Miscommunication, possibility of weak management, poor infrastructure, and delay in payment of items supplied are some of the identified challenges of outsourcing at Owere Gold Mines Limited.

The study concluded that these challenges identified could be managed when outsourcing organizations do exercise tactfulness in the selection of outsourcing service provider with a wide skill set and operational coverage. This will help both the outsourcing company and outsourcing service provider minimize hidden costs associated with outsourcing. For instance, if the outsourcing service for Owere mines had presence in the Ashanti region, the cost of transporting items to the mine site would reduce and so is the rate at which items are delayed.

From literature, analysis and the findings of the study, it can be said that the adoption of procurement outsourcing by organization as business process strategy is a step in the right direction. This is because procurement outsourcing has the potential to make procurement organizations profit centres as compared to the traditional notion of cost saving function.

#### **5.4 Recommendations**

The recommendations of the study were based on the summary of findings and conclusion from the results and discussion. Premised on the above the following recommendations have been made.

Since procurement outsourcing is not immune to operational risks and challenges, the following are some of the key recommendations that organizations should consider when venturing into procurement outsourcing.

1. Organisations planning to venture into procurement outsourcing should evaluate the competency level of its internal procurement. This involves a thorough assessment of

staff and capacity to engage in outsourcing service provider. In doing this potential risks are noticed and proper measures instituted to manage these potential internal and external risks. Again, this thoroughly assessment will assist the outsourcing organisation to employ the services an outsourcing service provider with the needed skill-set and capacity to provide the required services that can boost the company's profit margin

2. One very key step for successful implementation of procurement outsourcing is to ensure the involvement of qualified and trained procurement professionals in the assessment and also engage an advisor from a key procurement service provider to support the assessment.
3. Again, after the selection of procurement service provider, the entity should pay close attention to performance management. In so doing, loopholes in outsourcing relationship can be detected in time to prevent the failure of the business process. The success of every procurement outsourcing relationship is highly dependent on the service provider selected and how it manages the relationship.
4. In a situation there are already existing best practices around procurement process, the outsourcing organisation can maintain the standards through the organisation of refresher programmes for procurement stakeholders. This enhances the job delivery and performance of employees and subsequently growth of the company's output.

### **5.5 Suggestion for Future Research**

Like any other research work, there were some areas that can be improved upon in the future. For instance, this research work adopted a single case study approach where only one company that is Owere Gold Mines Limited was studied. It is therefore recommended that future work must include other companies outside the mining sector so as to access the detailed challenges of procurement outsourcing in Ghana.

The research also failed to seek the challenges of procurement outsourcing from service providers' perspective. It is again recommended that involvement of all major stakeholders such as contractors/suppliers, transporters etc. are made in the future to give more credibility to results and presentation.

More so, the focus of this study was to identify the challenges of procurement outsourcing in Ghana using Owere Gold Mines limited as a case study. The research again failed to access the underlying causes of these challenges hence; future research should explore the underlying causes of those identified challenges.





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## **APPENDIX 1**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COLLEGE OF ARCHITECTURE AND PLANNING**

**DEPARTMENT OF BUILDING TECHNOLOGY**

**MASTER OF SCIENCE**

**(PROCUREMENT MANAGEMENT)**

### **SURVEY QUESTIONNAIRE**

The researcher is conducting a survey on the topic “**Assessing the Challenges of Procurement Outsourcing in Ghana (A case study of Owere Mines Limited)**”.

All responses would be kept completely anonymous and confidential.

Please do not hesitate to contact the researcher for any further clarifications you may need.

**JOSEPH AFARI BUABENG**

Telephone: 0242784766

Email: omegaafari@yahoo.com

**Thank you**



## SECTION A: BACKGROUND CHARACTERISTICS

1. Job Title.....

2. What role do you play in the procurement process/activity at Owere Mines Limited?

- 1. Store Keeping ☐
- 2. Contract Administration ☐
- 3. Payment of contractors and suppliers ☐
- 4. Preparation of Specifications ☐
- 5. Inspection of deliveries/projects ☐
- 6. Sourcing and procurement ☐

### Instruction:

These sets of questions or statements are categorized under three sub-headings namely: purpose/rational for outsourcing, challenges of outsourcing and strategies to manage the challenges of outsourcing.

Please, read every statement carefully and circle the number that corresponds to your answer. Use the following Rating Scale. There is no right or wrong answer.

### Rating Scale

1 = Strongly disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly agree

Statement		Please Circle				
<b>B1. Purpose/Rational for Procurement Outsourcing</b>						
1.	Reduce and control operating costs	1	2	3	4	5
2.	Improve company focus	1	2	3	4	5
3.	Gain access to world-class capabilities	1	2	3	4	5
4.	Procurement function difficult to manage	1	2	3	4	5
5.	Share risks	1	2	3	4	5
<b>B2. Please list and rank other purpose for procurement outsourcing at OML if any</b>						
6.		1	2	3	4	5
7.		1	2	3	4	5
8.		1	2	3	4	5
9.		1	2	3	4	5
10.		1	2	3	4	5
<b>C1. Challenges of Outsourcing</b>						
1.	Hidden cost	1	2	3	4	5
2.	Possibility of weak management	1	2	3	4	5
3.	Cultural differences	1	2	3	4	5
4.	Fear of loss of control	1	2	3	4	5
5.	Miscommunication	1	2	3	4	5
6.	Poor infrastructure	1	2	3	4	5
<b>C2. What other challenge(s) of procurement outsourcing do you encounter? Please list and rank</b>						
7.		1	2	3	4	5
8.		1	2	3	4	5
9.		1	2	3	4	5
10.		1	2	3	4	5
11.		1	2	3	4	5
12.		1	2	3	4	5
<b>D1. Measures to Manage the Challenges</b>						

1.	Paying close attention to performance management	1	2	3	4	5
2.	Selecting outsourcing providers with a wide skill-set	1	2	3	4	5
3.	Using risk/reward provisions as incentives for higher performance outsourcing	1	2	3	4	5
4.	Actively managing the outsourcing arrangement for maximum performance	1	2	3	4	5
5.	Employment of qualified and trained procurement professionals	1	2	3	4	5
6.	Organise refresher training for procurement practitioners	1	2	3	4	5

**D2. Identify and rank other measures that can be taken to manage challenges of procurement outsourcing if any**

7.		1	2	3	4	5
8.		1	2	3	4	5
9.		1	2	3	4	5
10.		1	2	3	4	5
11.		1	2	3	4	5
12.		1	2	3	4	5

**END OF EXERCISE**

## APPENDIX 2

### Purpose/Rationale for Procurement Outsourcing at Owere Mines Limited

<i>Variable</i>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>No. successfully answered</b>	<b>Mean</b>	<b>SD</b>	<b>RII</b>	<b>Rank</b>
Reduce and control operating costs	38(76%)	8(20%)	2(4%)	2(4%)	0(0%)	50	4.64	0.757	0.928	2nd
Improve company focus	38(76%)	10(20%)	0(0%)	2(4%)	0(0%)	50	4.68	0.690	0.936	1st
Gain access to world-class capabilities	30(60%)	20(40%)	0(0%)	0(0%)	0(0%)	50	4.60	0.500	0.92	3rd
Procurement function difficult to manage	14(28%)	6 (12%)	2(4%)	8(16%)	20(40%)	50	2.72	1.745	0.544	5th
Share risks	10(20.8%)	34(70.8%)	4(8.3%)	0(0%)	0(0%)	48	4.13	0.537	0.825	4th

### APPENDIX 3

#### Challenges encountered in Procurement Outsourcing at Owere Mines Limited

<i>Variable</i>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>No. successfully answered</b>	<b>Mean</b>	<b>SD</b>	<b>RII</b>	<b>Rank</b>
Hidden cost	34(68%)	10(20%)	6(12%)	0(0%)	0(0%)	50	4.56	0.712	0.912	1st
Possibility of weak management	14(29.2%)	14(29.2%)	18(37.5%)	0(0%)	2(4.2%)	50	3.79	1.021	0.758333	4th
Cultural differences	0(0%)	6(12%)	6(12%)	4(8%)	34(68%)	50	1.68	1.108	0.336	6th
Fear of loss of control	12(25%)	13(54.2%)	8(16.7%)	2(4.2%)	0(0%)	48	4.00	0.780	0.8	3rd
Miscommunication	22(44%)	11(44%)	4(8%)	2(4%)	0(0%)	50	4.28	0.792	0.856	2nd
Poor infrastructure	8(16%)	14(28%)	2(4%)	10(20%)	16(32%)	50	2.76	1.562	0.552	5th

## APPENDIX 4

### Measures for managing the challenges encountered in procurement outsourcing at Owere Mines Limited

<i>Variable</i>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>No. successfully answered</b>	<b>Mean</b>	<b>SD</b>	<b>RII</b>	<b>Rank</b>
Paying close attention to performance management	34(68%)	16(32%)	0(0%)	0(0%)	0(0%)	50	4.68	0.476	0.936	3rd
Selecting outsourcing providers with a wide skill-set	40(80%)	10 (20%)	0(0%)	0(0%)	0(0%)	50	4.80	0.408	0.96	1st
Using risk/reward provisions as incentives for higher performance outsourcing	16(33.3%)	28(58.3%)	2(4.2%)	2(4.2%)	0(0%)	48	4.21	0.721	0.841667	6th
Actively managing the outsourcing arrangement for maximum performance	26(52%)	22 (44%)	2(4.0%)	0(0%)	0(0%)	50	4.48	0.586	0.896	5th
Employment of qualified and trained procurement professionals	36(72%)	14(28%)	0(0%)	0(0%)	0(0%)	50	4.72	0.458	0.944	2nd
Organise refresher training for procurement practitioners	26(52%)	14(28%)	0(0%)	0(0%)	0(0%)	50	4.52	0.510	0.904	4th