EVALUATION OF COMPETITIVE STRATEGIES OF THE LICENSED COCOA BUYING COMPANIES (LBCs) IN GHANA: A CASE STUDY OF PRODUCE BUYING COMPANY LTD

by

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DECLARATION

I hereby declare that this submission is my own work piece towards the award of the Commonwealth Executive Master of Business Administration degree and that, to the best of my knowledge contains no material previously published by another person or 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

I dedicate this work to my beautiful daughters Emmanuella Adwoa Adjei-Ababio, Danielle Selorm Adjei-Ababio and Mary Akua Achiaa Adjei-Ababio for their love and moral support.

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ABSTRACT

The study was aimed at evaluating the competitive strategies adopted by the Licensed Buying Companies in the cocoa industry in Ghana with a special focus on the Produce Buying Company Limited (PBC). The main objectives of the study were to analyse the current competitive strategies being pursued by the company, determine the impact of such strategies on the company's performance, assess the sustainability of the strategies and to make recommendations to improve the company's strategic competitive advantage in the industry. The review of literature was related, among other issues, to the concepts of strategy, competitive strategies and competitive advantage and how they have been used to impact on performance. For this research the methods employed were by survey and interviews. The instrument used for collection of relevant data for the study was a questionnaire and the semi-structured interview approach. Questionnaires were given out to both staff and farmers at the selected purchasing centers of PBC. A sample size of two hundred (200), comprising thirty (30) staff and one hundred and seventy (170) farmers of the targeted population of two thousand, six hundred (2,600) were selected using the non-probability sampling method of random sampling, specifically, the purposive sampling technique. Data collected were collated and analyzed using both quantitative and qualitative methods of analysis. Findings indicated that PBC has adopted the cost leadership strategy which has had a significant impact on general performance, increased market shares, corporate image and profitability. Lack of public relations department, permanent strategic department, lack of information communication technology strategy, prefinance and port discrepancies were identified as bottlenecks in the company's bid to attain higher competitive advantage. Recommendations made include the need for PBC to diversify its operations, look for offshore loans, adopt adequate monitoring strategy, establish corporate strategy and public relations departments, computerise the company's operations and many others.

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

In this chapter, the background to the study is given, a statement of the research problem is made, the objectives of the study are spelt out, the research questions are posed, the significance of the study captured and the structure of the study outlined; a list of definitions of terms is provided.

The importance of the competitive edge in the world of business today has probably never been more important than it is today. Modern technology and the crumbling of trade barriers through legislations and pacts have created a playing field that has given rise to competition and opportunities beyond the restrictions of geographic location of contemporary organizations. By the same token, it has created opportunities, and it is the skilled, motivated, and creative leadership of an organization that seizes upon the opportunities to increase their company's profit margin by meeting the competition head on, rather than pulling back in fear of it. A business approaches competition as a "compilation of process," and meets those competitive challenges with five pillars of performance that lead to success: strategic vision; innovation; ideas; performance, and leadership (Corrigan 2004).

Competition in the arena of business could be described as the battle between businesses and for that matter an important catalyst for an organization to win consumer acceptance and loyalty. In a liberalized society or economy the system ensures that businesses make decisions about what to produce, how to produce it, and what price to charge for the product or service. Basically, it is believed that having more than one business entity competing for the same consumers will cause the products and/or services to be provided at a better quality and a lower cost than if there were no competitors. In other words, competition should provide the consumers with the best value for their hard-earned money.

In economics competition is a term that encompasses the notion of individuals and firms striving for a greater share of a market to sell or buy goods and services. However, the Merriam-Webster dictionary defines competition in business as "the effort of two or more parties acting independently to secure the business of a third party by offering the most favorable terms." Adam Smith and other later economists described it as allocating productive resources to their most highly-valued uses and encouraging efficiency (Wikipedia, 2009).

The microeconomic theory further distinguished between perfect competition and imperfect competition, concluding that no system of resource allocation is more efficient than perfect competition. Competition, according to the theory, causes commercial firms to develop new products, services and technologies, which would give consumers greater selection and better products. The greater selection typically causes lower prices for the products, compared to what the price would be if there was no competition (monopoly) or little competition (oligopoly) (ibid).

The landscape of the Cocoa industry has seen dramatic changes over the years. Ghana's Cocoa has single handedly established itself as the bastion of its economy; and

Governments over the years have not made it a secret by placing it under the close supervision of the Ministry of Finance using the main agency overseeing the sector, Ghana Cocoa Board (Cocobod), as an instrument of socio-economic development in Ghana. Its contribution to the development of agenda of Ghana could not be overemphasized, particularly, in the area of education, appropriate health centre, feeder roads and other pertinent infrastructure in almost every sectors of the economy. The industry is not without problems, notably, the most serious threat being the unstable world market price and Ghana losing the top spot as the leading cocoa producing nation to Cote d'ivoire with 1.11 million tons leading to a market share of about 40.5% while Indonesia, Brazil, Nigeria, Cameroon and Malaysia follow in that order (PBC Mini Prospectus 2009).

The economy is extremely vulnerable to negative trends in the world market price due to its massive dependence on cocoa. In spite of the dislodgement from the leading position, Ghana stands perilously from being overtaken from the second spot if she should rest on its oars; thus, the need to take advantage of its superlative quality produce (because of the superior fat content and preferred flavours of her beans) and consequently earning an average price premium of about US 60/ ton (A Committee Report 2001) as a competitive edge. Ghana has been able to maintain a high export quality because of the established practices of the farmer who is very quality conscious. Indeed it has been argued that 80% of the quality is dependent on the correct growing, drying and fermentation methods of the farmer (Cocoa Sector Development Strategy 1999 P. 57).

1.1 Background of the Study

The planning process in strategy is to establish a competitive advantage over rival firms. Porter describes competitive advantage as "the way a firm can choose and implement a generic strategy to achieve a sustainable and competitive advantage". This concept was extended by Coyne (1986) with the idea that without sustainability a competitive advantage becomes uncertain. A firm can achieve a sustainable competitive advantage if the customers perceive a consistent difference in attributes between its products or services and those of the competitors: this difference is the direct consequence of a capability gap between the firm and the competitors and can be expected to endure over time. The key to sustainability is the differentiation among competitors' products and for a producer to enjoy a competitive advantage in a product/market segment; the difference between the organization and its competitors must be felt in the marketplace: that is, they must be reflected in some product/delivery attribute that is the key buying criterion for the market (www.iStadia.com, 2010).

A company without a strategy is like an airplane weaving through the skies, hurled up and down, slammed by winds and lost in the thunder heads (Toffler, 2003). If lightning or crushing winds do not destroy it, it will simply run out of gas. Furthermore, Ross et al (2000) note that without strategy an organization is like a ship without a rudder. It goes round in circles and like a tramp has no specific place to go.

Pitts et al (2003) affirm that exceptional situations also arise when some companies gain not because they had in place any strategy but because they just benefited from some sudden conditions in the external environment. For example, after the September 11, 2001 terrorists attack on the World Trade Centre, Pentagon and in Pennsylvania all in the United States of America, air travel within and across that country dropped drastically in favour of rail and road transport which were thought to be safer. Rail and road transporters therefore, enjoyed a sudden and unexpected boom.

On the other hand, and still consistent with the need to constantly review an organization's strategy, it is equally important to note that having a sound strategy in itself does not necessarily translate into desired performance goals until it is properly implemented' using the appropriate resources and environment. In much clearer terms, both strategy and implementation must be good and timely too in order to achieve the required positive results. As for a company driven by wrong strategic planning, Malamud (2004) likens it to a train on a wrong track saying, every station it comes to is the wrong station." These fundamental principles largely hold true for all industries globally and as should be expected, the cocoa industry is subject no less to the dynamics of these global market trends.

1.2 Statement of the Problem

Organizational results are the consequences of the decisions made by its leaders. The framework that guides and focuses these decisions is strategy. The framework that guides competitive positioning decisions is called competitive strategy. The purpose of competitive strategy is to build a sustainable competitive advantage over the organization's rivals. It defines the fundamental decisions that guide the organization's marketing, financial management and operating strategies. The key to strategy formulation lies in understanding and overcoming the system barriers that obstruct the attainment of organizational goals. An effective strategy recognizes these barriers and develops decisions and choices that circumvent them.

Obviously, there are uncertainties about Ghana's continuous dependent on cocoa for sustained economic development. The volatility of the world market has brought to the fore the fact that attempts at increasing production are met with downward pressures on the price of cocoa; the changing environment of the marketing of the commodity both internal and external is likely to pose a threat to maintenance of quality.

The statement of the problem is that lack of effective competitive strategies by the Licenced Buying Companies (LBCs) in Ghana has led to the switching of farmers from one company to another due to dissatisfaction, high overhead costs and dwindling market share coupled with low profitability.

Nonetheless, in order to overcome the problem, and achieve the requisite competitive advantage and efficiency, the LBCs and for that matter, Produce Buying Company has to seek profitable and efficient ways to differentiate themselves by adopting prudent strategies to reach success; especially, during these era of turbulent competition in the cocoa sector. The intensified focus has made quality as a business objective where service quality is a key success factor that can bring about the much sought after strategic competitive edge, particularly as Ghana seeks to re- capture the first spot as the world's largest cocoa producer.

1.3 Objectives of the Study

The main objective of the study is to identify the strategies adopted by LBCs to gain competitive advantage in the cocoa industry with particular reference to Produce Buying Company.

Specific objectives are:

- To analyze the current competitive strategies being pursued by the PBC.
- To determine the impact of PBC's strategy on the company's performance in relation to industrial benchmarks.
- To assess the sustainability of the PBC's competitive strategy.
- To make recommendations to improve the strategic competitive advantage of PBC in the cocoa industry.

1.4 Research Questions

In order to achieve the above stated objectives the following questions were posed:

1. What are the current competitive forces in the cocoa buying sector in Ghana?
2. Which strategies are perceived to give the PBC a competitive advantage/edge?
3. Are the current strategies capable of surviving the industrial competition?
4. Which strategies can best be practiced by the PBC to either gain or regain competitive advantage?

1.5 Significance of the Study

In general terms the study is expected to impact on experts/professionals, management of the cocoa industry, regulators, academia and the general public.

Academia

The output of this study contributes to knowledge and literature in the subject is under investigation. It is useful as a source of reference to researchers, academics, students, policy makers, marketing professionals and other stakeholders interested in the effectiveness of competitive strategies the Ghanaian internal cocoa marketing industry.

Management of PBC

The study would help management, workers as well as farmers of PBC and other similar organizations in the cocoa industry to identify the current competitive strategic challenges of LBC so as to meet the needs and expectations of the afore mentioned. The findings and results also provides a more reliable scientific measure and perspective for describing and evaluating the level of efficiency of new competitive strategies and its effect on corporate performance and customer satisfaction. It also serves as a source of information that brings to the fore the switching intentions of their current and potential farmers. Therefore providing the empirical support for management strategic decisions in several critical areas of their operations, and above all, provide a justifiably valid and reliable guide to designing workable service delivery improvement strategies for creating and delivering customer value for farmers; achieving customer satisfaction and loyalty, building long-term mutually beneficial relationship with profitable customers and achieve sustainable business growth in Ghana.

Regulators and Government

To policy makers like government agencies such as the Ministry of Finance and Economic planning and Cocobod, the finding and results of this study provides insights and a more reliable guide to monitoring the impact of the operations of

LBCs. It also serves as a benchmark for measuring partly their respective policy goals and objectives. It serves as assistance to Cocobod among other things to facilitate the availability of quality services to farmers and LBCs, to ensure that LBCs achieve the highest level of efficiency in the provision of competitive strategies; ensuring that the LBCs are responsive to farmer and community needs, and that farmers' interest is protected.

Experts/Professionals

This research is to bring to bear modern trends of competitive strategies for more cost effectiveness in the cocoa internal marketing industry; ensuring that customer/farmer satisfaction is attained. It would also help inventory managers to implement the necessary structures to curtail the high incidence of bad costs through the deterioration of stocks, among others.

Other Stakeholders

To stakeholders like investors, shareholders, employees, pressure groups, cocoa farmer associations, etc., the study provides information that suggests to the improvement in service delivery of the respective LBCs.

1.6 An Overview of Research Methodology

1.6.1 Data Collection

The sources of data for the study were both primary and secondary. Primary data were collected by the use of a structured questionnaire which were designed and administered to farmers and employees of the company alike. This is expected to provide information on the general perception of competitive strategies in relation to corporate performance of the company. Scheduled Interviews were another medium through which primary data were obtained. Stakeholders like farmers, management executives and staff of PBC and by extension COCOBOD was interviewed for input on this study.

In the case of secondary data, materials were hauled out from relevant textbooks, newspapers, reports/articles, journals, bulletins and documents presented by corporate strategists and policy makers and analysts. Most of the research was done in the British Council, KNUST and University of Ghana libraries.

1.6.2 Sample Design

The purposive random sampling method was used in attaining the sample size, by basically concentrating on PBC for the study. Due to time and limited resources constraints, a proportionate number of farmers and staff was sampled for input for this work. Approximately 170 farmers, 25 employees and 5 heads of department were contacted for data input.

1.7 Scope of the study

Resource limitations, access and time constraints could not allow the researcher to cover the entire industry and neither would a sample of them serve the research purpose. Hence a case study approach was adopted. The study was conducted within the framework of competitive strategies of internal cocoa marketing companies in the Ghanaian cocoa industry. The study was carried out at the Produce Buying Company Head Office in Accra as well as the Regional and District Offices and Buying Centres in

Brong Ahafo, Western and Ashanti Regions of Ghana. It is a case study approach of one particular LBC and did not cover others to reflect the entire industry response to issues worth investigating on competitive strategies. Hence the result was not generalized but its findings were placed in the relevant context of the individual LBC studied.

1.8 Limitations of the Study

This research has identified among others the following limitations that the study encountered:

- The unwillingness of management of the selected PBC purchasing centers to release information to enrich the study and also establish a strong validity and reliability.
- In spite of the selected purchasing centers, a nationwide study would have been more appropriate; and there were constraints of financial resources and unavailability of data as well as materials which made it impossible to undertake nationwide study. In addition, the researcher has to combine academic work with this study as well as his regular profession.
- Costs in terms of printing, photocopying, binding as well as opportunity cost were incurred without the requisite bursary from government.

1.9 Organization of the Study

The study is structured into five (5) chapters. Chapter one is the introductory chapter and gives the background to the study, states the research problem, objectives of the study, research questions, significance of study, structure of the study, the scope and limitations. Chapter two is on the review of literature relevant to the study and the conceptual framework by renowned scholars such as Michael Porter and other researchers in the field of strategic competitive advantage. In chapter three the researcher dealt with the specifics of steps, tools and procedures that were taken to collect data needed to address the research problems. Chapter four is dedicated to the analysis and discussion of data collected in the field surveys; while chapter five which is the final chapter captured the summary of findings, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is devoted to the review of literature that relate to the concept of competitive strategies, competitive advantage and how they have been used to impact on performance. Taylor (2008), indicated that literature review is an account and analysis of what renowned scholars and researchers have published on particular topics or fields of studies. Saunders et al (2007) define it as a detailed and justified analysis and commentary of the merits and faults of literature in a chosen area which demonstrates familiarity with what is already known about a research topic. This view is supported by (Jankowiscz's, 2005; Fisher, 2007) who argue that literature review makes the need to reinvent knowledge that already exist in the given area of study unnecessary and redundant.

2.1 The Concept of Strategy

The word "strategy" has always been associated with and indeed been prominent in any discussion on the subject of management of an organization because of its importance. Pitts et al (2003) explain that it is to ensure that an organization applies its strengths and distinctive competences in such a way that it gains a competitive advantage over its rivals in any given environment. Chandler (1962) defined it as "the determination of the long-term goals and objectives of an enterprise and the adoption of causes of action and the allocation of resources for carrying out these goals". It is the framework which guides those choices that determine the nature and direction of the firm (Tregoe, Benjamin and Zimmerman, 1980). In the view of (Johnson et al, 2008; and Mintzberg, 1994), strategy is a game plan, a pattern in a stream of decisions and actions, a position and a ploy intended to outwit competitor's whiles fulfilling stakeholders' expectations in line with the organization's scope of business.

The word strategy comes from the Greek word *Strategos* which refers to military generalship and combines *stratos* (the army) and ago (the lead). The history of strategic planning has its roots in and is a heritage of the military (David, 2003). The Webster's New World Dictionary alludes to this militarism defining strategy as the science of planning and directing large scale military operations of maneuvering forces into the most advantageous position prior to actual engagement with the enemy. Clearly, the key aim of both business and military strategy is to gain competitive advantage or combat superiority over competitors or foes as the case may be.

Military strategy books such as "The Art of War" by Sun Tzu (1965) "On War" by Von Clausewitz (1975) and "The Red Book" by Mao Zedong (1965) have been an invaluable knowledge base for many of the concepts especially on business tactics, the dynamic and unpredictable future and principles of guerrilla warfare; these have guided and informed the writing of many books on strategic management in general and marketing warfare strategy in particular (Wikipedia, 2009).

Nickols (2008) in his article on "Strategy, Strategic Management, Strategic Planning and Strategic Thinking" explained that before coming to a good understanding of the term "strategic planning" it is best to examine the terms separately. He thus deposes that strategic means "of or having to do with strategy" and being "of great significance or import". This underscores the reason why strategies exist or must exist at various levels of the organization to give a clear direction (where it is headed) and destination (what is it to become). For our purposes then, strategic means "of great importance" be it at the corporate, business unit or functional level and whether it be for medium or long-term; 2-7 years purposes (ibid).

Plans of action and planning whether for business or the battlefield always consider what is to be achieved (the ends, goals or objectives) and how it is to be achieved (the means; steps, actions or programmes). Simply, plans are a set of intended outcomes coupled with the actions by which those outcomes are to be achieved. On the other hand, (Ackoff, 1981; Nickols, 2008) point out that planning involves thinking about the future, identifying and specifying in advance (now) what has to be done or achieved (objectives) and selecting the most suitable means to accomplish these objectives.

Planning can be formal or informal involving a lot of documentation or very little. The information base could be large; stated in reports, studies, databases and analysis or depend on a few knowledgeable people. Plans, and thus the planning activities that produce the desired ends frequently set timeframes, milestones, detailed schedules and allocate resources whether in the form of money, people, equipment etc.(ibid)

2.2 Definition and Concept of Competitive Strategies

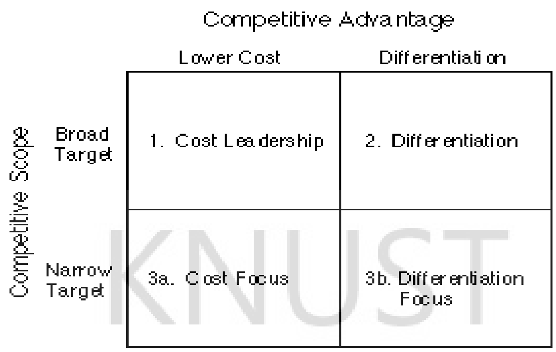
Wheelen and Hunger, (2006) defined Competitive Strategy as a strategy that states how a company or a business unit will compete in an industry. According to Pitts and Lei (2003), a company's competitive strategy deals exclusively with its plans for competing successfully – its specific efforts to please customers, its offensive moves to counter the maneuvers of rivals, its response to whatever market conditions prevail at the moment, and its initiatives to strengthen its market position.

Companies all over the world are imaginative in conceiving competitive strategies to win customer favour. At most companies the aim, quite simply, is to gain a competitive advantage by doing significantly better job than rivals by providing buyers with the best overall value. There are many routes to competitive advantage, but they all involve giving buyers what they perceive as superior value compared to the offerings of rival sellers (ibid).

Competitive advantage allows a firm to gain an edge over rivals when competing. Competitive advantage comes from a firm's ability to perform activities more distinctively or more effectively than rivals (Pitts and Lei, 2003). Investorworks.com (2010) further reiterates that Competitive Advantage is the condition which enables a company to operate in a more efficient or otherwise higher-quality manner than the companies it competes with, and which results in benefits accruing to that company.

2.3 Porter's Generic Competitive Strategies (Ways of Competing)

According to Porter (1996) a firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus (ifm.eng.cam.ac.uk, 2010).



Source: Michael Porter's Competitive Advantage

1. Cost Leadership

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average (ibid).

2. Differentiation

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions it to meet those needs. It is rewarded for its uniqueness with a premium price (ibid).

3. Focus

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

The focus strategy has two variants.

(a) In cost focus a firm seeks a cost advantage in its target segment, while in (b) differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments (ifm.eng.cam.ac.uk, 2010).

2.4 Strategic Approaches

Three basic strategic approaches are possible

- Offensive strategy - overcoming the barriers to goal achievement by changing the systemic relationships creating them. This strategy often requires significant capital investment and includes the following options.
    - Changing or altering the competitive structure or environment in your industry (forward or backward integration, acquiring competitors, etc.).

- Anticipating industry competitive structural change and positioning your organization to exploit this change before others recognize it (developing substitute products, changing the mode of sale or distribution, etc.).
- Diversifying into more attractive markets.

- o Defensive strategy – accepting the industry competitive forces as a given and positioning your organization to best defend against them. This could include harvesting and selling the business before competitive conditions cause its value to drop.
- o Guerilla or niche strategy – minimizing or neutralizing barriers by reducing the size of the playing field and taking an offensive or defensive position in a smaller, more attractive market segment.

Every business has a competitive strategy. However many strategies are implicit, having evolved over time, rather than explicitly formulated from a thinking and planning process. Implicit strategies lack focus, produce inconsistent decisions, and unknowingly become obsolete. Without a well-defined strategy, organizations will be driven by current operational issues rather than by a planned future vision. This model provides a process to make your competitive strategy explicit so it can be examined for focus, consistency, and comprehensiveness (Sigma Three Inc, 2010).

2.5 Risks in Competitive Strategies

Porter (1996) asserted that there are three fundamental strategies that can be applied in any organization: irrespective of their industry, products and services, environmental circumstances and resources; namely:

- Cost leadership: To become a cost leader by supplying products and services at the lowest possible cost to as many customers as possible;
- Differentiation: To provide a differentiated set of products and services that is difficult for competitors to replicate;
- Focus: To provide a set of products and services to a niche in the market with the intention of dominating market share.

Generic competitive strategies answer the most basic of questions facing all business organizations in forming a strategic choice: "What is going to be our source of competitive advantage?" In other words, every organization must take a position somewhere in the marketplace.

The challenge is to find a position that is both opportune and advantageous. As a result, some organizations try to out-compete their adversaries because they can provide their products and services cheaper; others compete on the basis of a unique product or service that is hard for others to replicate; others still attempt to position themselves as the exclusive supplier to a small but loyal niche in the marketplace.

No one competitive strategy is guaranteed to achieve success and some companies that have successfully implemented one of Porter's competitive strategies have found that they could not sustain the strategy (Wheelen and Hunger, 2006). Each of the generic strategies has risk; thus a company that adopts differentiation strategy should ensure that the higher price it charges for its higher quality is not too far above the price of the competition; otherwise, customers will not see the extra quality as worth the extra cost, which is termed *cost proximity* as illustrated in Table 1 below.

Figure1: Generic Strategies

Risks of Cost Leadership	Risk of Differentiation	Risk of Focus
Cost leadership is not sustained: • competitors imitate • technology changes • other bases for cost leadership erode	Differentiation is not sustained: • competitors imitate • Bases for differentiation become less important to buyers.	The focus strategy in imitated. The target segment becomes structurally unattractive: • Structure erodes. • Demand disappears
Proximity in differentiation is lost.	Cost proximity is lost.	Broadly targeted competitors overwhelm the segment: • The segment's differences from other segments narrow. • The advantages of a broad line increase.
Cost focusers achieve even lower cost in segments	Differentiation focusers achieve even greater differentiation in segments	New focusers sub-segment the industry.

Source: Michael Porter's Competitive Advantage (1985)

2.6 Issues in Competitive Strategies

Porter (1996) argues that to be successful, a company or business unit must achieve one of the previously mentioned generic competitive strategies. It is especially difficult to move between a narrow-target strategy and a broad-target strategy. Otherwise, the company or business unit is stuck in the middle of the competitive marketplace, with no competitive advantage, and is doomed to below-average performance. Although it may be difficult to move from a narrow-target to a broad-target scope strategy (vice-versa) successfully, research does not support the argument that a firm or unit must choose between differentiation and lower cost in order to be successful (Wheelen and Hunger, 2006). Although Porter agrees that it is possible for a company or a business unit to achieve low cost and differentiation simultaneously, he continues to argue that this state is often temporary.

2.7 Cooperative Strategies

Wheelen and Hunger (2006) revealed that a company uses competitive strategies and tactics to gain competitive advantage within an industry by battling against other firms. These are not, however, the only business strategy options available to a company or business unit for competing successfully within an industry. a company can also use cooperative strategies to gain competitive advantage within an industry by working with other firms. The two general types of cooperative strategies are collusion and strategies alliances.

2.8 The Concept of Competition

Merriam-Webster (1996) as cited in Wikipedia encyclopedia defines competition in business as "the effort of two or more parties acting independently to secure the business of a third party by offering the most favorable terms." Competition is a pillar of capitalism in that it may stimulate innovation, encourage efficiency, or drive down prices. In microeconomic theory, resource allocation is more efficient in pure competition. However, competition in this work would consider the profit margin, credit, deposits and customer base (wikipedia.org/wiki/Banker, 2010)

2.8.1 Competitor Analysis

This is management tool used in marketing and strategic management is an assessment of the strengths and weaknesses of current and potential competitors. It provides both an offensive and defensive strategic context through which to identify opportunities and threats. Competitor profiling coalesces all of the relevant sources of competitor analysis into one framework in the support of efficient and effective strategy formulation, implementation, monitoring and adjustment (Fleisher et al, 2003, 2007).

Given that competitor analysis is an essential component of corporate strategy, it is argued that most firms do not conduct this type of analysis systematically enough. Instead, many enterprises operate on what is called "informal impressions, conjectures, and intuition gained through the tidbits of information about competitors every manager continually receives." As a result, traditional environmental scanning places many firms at risk of dangerous competitive blind spots due to a lack of robust competitor analysis (Fleisher et al, 2007).

2.8.2 Competitor Array

One common and useful technique is constructing a competitor array. The steps include: Define your industry - scope and nature of the industry; Determine who your competitors are; Determine who your customers are and what benefits they expect; Determine what the key success factors are in your industry; Rank the key success factors by giving each one a weighting - The sum of all the weightings must add up to one; Rate each competitor on each of the key success factors; Multiply each cell in the matrix by the factor weighting; and Sum columns for a weighted assessment of the overall strength of each competitor relative to each other. This can best be displayed on a two dimensional matrix - competitors along the top and key success factors down the side. An example of a competitor array follows (Gordon, 1989).

Table 1: Competitor Array

	Key Industry Success Factors	Weighting	Competitor #1 Rating	Competitor #1 weighted	Competitor #2 rating	Competitor #2 weighted
1	**Extensive distribution**	0.4	6	2.4	3	1.2
2	**Customer focus**	0.3	4	1.2	5	1.5
3	**Economies of scale**	0.2	3	0.6	3	0.6
4	**Product innovation**	0.1	7	0.7	4	0.4
	Totals	**1.0**	**20**	**4.9**	**15**	**3.7**

Source: Gordon, Ian (1989)

In this example competitor #1 is rated higher than competitor #2 on product innovation ability (7 out of 10, compared to 4 out of 10) and distribution networks (6 out of 10), but competitor #2 is rated higher on customer focus (5 out of 10). Overall, competitor #1 is rated slightly higher than competitor #2 (20 out of 40 compared to 15 out of 40). When the success factors are weighted according to their importance, competitor #1 gets a far better rating (4.9 compared to 3.7).

2.8.3 Competitor Profiling

The strategic rationale of competitor profiling is powerfully simple. Superior knowledge of rivals offers a legitimate source of competitive advantage. The raw material of competitive advantage consists of offering superior customer value in the firm's chosen market. The definitive characteristic of customer value is the adjective, superior. Customer value is defined relative to rival offerings making competitor knowledge an intrinsic component of corporate strategy. Profiling facilitates this strategic objective in three important ways. First, profiling can reveal strategic weaknesses in rivals that the firm may exploit. Second, the proactive stance of competitor profiling will allow the firm to anticipate the strategic response of their rivals to the firm's planned strategies, the strategies of other competing firms, and changes in the environment. Third, this proactive knowledge will give the firms strategic agility. Offensive strategy can be implemented more quickly in order to exploit opportunities and capitalize on strengths. Similarly, defensive strategy can be employed more deftly in order to counter the threat of rival firms from exploiting the firm's own weaknesses (Fleisher et al, 2007).

Clearly, those firms practicing systematic and advanced competitor profiling have a significant advantage. As such, a comprehensive profiling capability is rapidly becoming a core competence required for successful competition. An appropriate analogy is to consider this advantage as akin to having a good idea of the next move that your opponent in a chess match will make. By staying one move ahead, checkmate is one step closer. Indeed, as in chess, a good offense is the best defense in the game of business as well (Fleisher et al, 2007).

A common technique is to create detailed profiles on each of your major competitors. These profiles give an in-depth description of the competitor's background, finances, products, markets, facilities, personnel, and strategies.

2.8.4 Competitor Analysis

This is management tool used in marketing and strategic management is an assessment of the strengths and weaknesses of current and potential competitors. It provides both an offensive and defensive strategic context through which to identify opportunities and threats. Competitor profiling coalesces all of the relevant sources of competitor analysis into one framework in the support of efficient and effective strategy formulation, implementation, monitoring and adjustment (Fleisher et al, 2003, 2007).

Given that competitor analysis is an essential component of corporate strategy, it is argued that most firms do not conduct this type of analysis systematically enough. Instead, many enterprises operate on what is called “informal impressions, conjectures, and intuition gained through the tidbits of information about competitors every manager continually receives.” As a result, traditional environmental scanning places many firms at risk of dangerous competitive blind spots due to a lack of robust competitor analysis (Fleisher et al, 2007).

2.8.5 Competitors and Customers

Competitors are organizations that offer the same, similar, or substitutable products or services in the business area in which a particular company operates (Wheelen and Hunger 2006).

New Competitors

In addition to analyzing current competitors, it is necessary to estimate future competitive threats. The most common sources of new competitors are Companies competing in a related product/market; Companies using related technologies; Companies already targeting your prime market segment but with unrelated products; Companies from other geographical areas and with similar products; and New start-up companies organized by former employees and/or managers of existing companies

The entrance of new competitors is likely when there are high profit margins in the industry; there is unmet demand (insufficient supply) in the industry; there are no major barriers to entry; there is future growth potential; Competitive rivalry is not intense; and gaining a competitive advantage over existing firms is feasible.

Competition and customer service

According to Albrecht and Zemke (1985), a growing number of organizations are giving increased attention to customer service. Financial institutions, hospitals, public utilities, airlines, retail stores, restaurants, manufacturers, and wholesalers face the problem of gaining and retaining the patronage of customers. Building long-term relationships with customers has been given a high priority by the majority of America's most successful enterprises. These companies realize that customer satisfaction is an important key to success. *Customer service* can be defined as those activities that enhance or facilitate the purchase and use of the product (Albrecht, and Zemke, 1985). In their book *The Real Heroes of Business . . . and Not a CEO among Them*, Fromm, and Schlesinger (1994) observed that we have entered the age of boundless competition, triggered in large part by an expanding global economy. In the view of the authors, Multinational competition has increased dramatically in recent years, and this means a one-world market exists for products ranging from cars to computers. To compete successfully in markets where products are the same or very similar, and prices are basically the same, service is often the only competitive advantage available, they stressed.

Winning Customer Service Strategies

According to the marketing concept, an organization must determine what customers want and use this information to create satisfying products and services (Pride and Ferrell, 1997). Federal Express redefined mail service by providing over-night, door-to-door delivery of packages and letters. The company discovered a need for speed, reliability, and courteous service by well-trained employees. The marketing concept is a management philosophy guiding all the organizational activities, including production, personnel, finance, distribution, and marketing. Excellent customer service is achieved by a three-dimensional process (see Figure 1) that includes a well-conceived service strategy, customer-driven systems, and customer-friendly people (Albrecht and Zemke, 1985).

Service Strategy and Competition

A well-conceived service strategy includes three important elements: market research to discover the customers' needs and wants; a clear vision of the firm's "reason for being"; and clearly stated beliefs and values that guide the enterprise (Albrecht and Zemke, 1985). Many organizations are creating a written vision or mission statement that directs the energies of the company and inspires employees to achieve greater heights. Ortho Biotech, based in Raritan, New Jersey, begins its vision statement with a bold prediction: "We will be the best in our business by providing customers with innovative solutions to significant medical problems through biotechnology and related science" (quoted in Lee, 1993). The creation of a sound set of beliefs and values can give stability to an organization. Customer service priorities also become clearer. Ben Edwards, chairman of A.G. Edwards and Sons, Inc., the seventh-largest securities firm in the nation, says following the Golden Rule is still the best way to achieve success in business (Kegley, 1990). He is of the opinion that this attitude has had a positive influence on the company's 7400 employees.

Customer friendly systems and Competition

Service systems are made up of all the various practices and procedures that personnel can use to meet customer needs. When you check into the Hyatt Regency Crown Center in Kansas City, Missouri, you are given a card that says, "Call 50 for a response to any concern within five minutes" (Manning and Reece, 1998). MBNA, a Wilmington, Delaware, financial services company wants every phone call answered within two rings. Employees achieve this goal nearly 100 percent of the time (Reece and Brandt, 1999). If you have a problem with your Dell computer, you can check the detailed troubleshooting guide provided by the company or get help from a member of the technical support staff. These examples are typical of the steps being taken by companies that want to meet, and in some cases exceed, the expectations of their customers. Customer-friendly systems are designed to make things easy for customers. Complaints should be handled in a timely fashion. Returning or exchanging products should not be difficult. Requests for assistance should be handled in a courteous and efficient manner. Customer-friendly systems add value and build customer loyalty.

Customer Friendly People and Competition

Carlzon (1987), in his *Moments of Truth"* had this to say in many cases, the customer's first impression of an organization comes during contact with frontline people". According to him the front-desk clerk or the queue walker at the banking hall often has the first opportunity to serve the customer. Unfortunately, too often these employees earn low pay, receive little formal training, and are given little recognition for the important duties they perform. The best frontline employees are both competent and caring. They have a certain level of maturity and possess the social skills needed to build customer loyalty.

Competition and Efficiency:

Weill (2004 as cited in Casu and Girardone 2006) investigates the relationship between competition and efficiency and concluded that increased competition breeds efficiency. The author used a stochastic parametric method and the set of independent variables include macro factors (GDP per capita and density of demand), an intermediation ratio (loans/deposits) and finally a dummy that corresponds to the geographical location.

2.8.6 Media scanning

Scanning competitor's ads can reveal much about what that competitor believes about marketing and their target market. Changes in a competitor's advertising message can reveal new product offerings, new production processes, a new branding strategy, a new positioning strategy, a new segmentation strategy, line extensions and contractions, problems with previous positions, insights from recent marketing or product research, a new strategic direction, a new source of sustainable competitive advantage, or value migrations within the industry. It might also indicate a new pricing strategy such as penetration, price discrimination, price skimming, product bundling, joint product pricing, discounts, or loss leaders. It may also indicate a new promotion strategy such as push, pull, balanced, short term sales generation, long term image creation, informational, comparative, affective, reminder, new creative objectives, new unique selling proposition, new creative concepts, appeals, tone, and themes, or a new advertising agency. It might also indicate a new distribution strategy, new distribution partners, more extensive distribution, more intensive distribution, a change in geographical focus, or exclusive distribution. Little of this intelligence is definitive: additional information is needed before conclusions should be drawn.

A competitor's media strategy reveals budget allocation, segmentation and targeting strategy, and selectivity and focus. From a tactical perspective, it can also be used to help a manager implement his own media plan. By knowing the competitor's media buy, media selection, frequency, reach, continuity, schedules, and flights, the manager can arrange his own media plan so that they do not coincide.

Other sources of corporate intelligence include trade shows, patent filings, mutual customers, annual reports, and trade associations. Some firms hire competitor intelligence professionals to obtain this information. The Society of Competitive Intelligence Professionals maintains a listing of individuals who provide these services.

2.9 The Cocoa Industry in Ghana

2.9.1 The Cocoa Economy in Ghana.

Ghana is located on the coast of West Africa between latitude 5oN and 11,5oN, and longitude 1oE and 3oW and covers a total area at 238,537 square kilometers. The total population in 2000 was approximately 18.5 million, based on the growth rate of 2.7 percent. The main economic activities are agriculture, mining, lumbering, manufacturing and services. Approximately, forty-nine (49) percent of the working populations are engaged in agriculture and related industries, 15.6% in the manufacturing and transport sector, 14.2% in the sales sector and 8.9% in the professional and technical services (Ghana Statistical Service, March 2002).

Cocoa has been the mainstay of the Ghanaian economy and at its peak was responsible for 60% of its export has second only to import duties as a source of central governmental revenue (Brown, 1986). Moreover, the taxation of cocoa exports has been second only to import duties as a source of central government revenue (Rourke, 1971). Although commercial and manufacturing activities in Ghana have dramatically changed in the past one and half decades, more than twenty (20) percent of the total labour force still draws its sustenance from the cocoa industry, comprising farming, cocoa marketing quality control, research, extension and processing. About one-third of Ghana's estimated total farm families are still engaged in cocoa production with over one million hectares of arable land under cultivation (Kumi, 1998).

2.9.2 Evolution of the Cocoa Industry in Ghana

Cocoa originated from around the headwaters of the Amazon in South America, its cultivation spread in olden times throughout Central America. The beans were used by the Native Americans to prepare chocolate drink or chocolate and as a form of currency for trading and payment of tributes to the kings. By 1528, the drink had popularized in the country and thus spread throughout Europe.

Large scale cultivation of cocoa started in the 16^{th} century by the Spanish in Central America. It spread to Brazil in the 18^{th} century. Form Brazil it was taken Fernando Po (now Equatorial Guinea) in 1840 from where it spread to other part of West African notable, the Gold coast (Ghana), Nigeria and Cote d'ivoire.

Dutch missionaries planted cocoa in the coastal areas of Ghana in 1815, while the Basel Missionaries introduced it at Aburi in 1857. However these efforts did not result in the spread of cocoa cultivation in Ghana. In 1879, Tetteh Quarshie, on his return from sojourning in Fernando Po , brought cocoa to Ghana and cultivated it in Mampong-Akwapim in the Eastern Region. Cocoa was subsequently cultivated in the other five cocoa growing regions of Ashanti, Brong Ahafo, Western, Central and Volta Regions (Ghana Cocoa Board, 2002)

The production of cocoa beans for export continued to expand until the early 1930,s when it started to decline as a result of severe outbreak of capsid pets and the swollen shoot disease. In addition, environmental degradation and declines in soil fertility rendered replanting of old farms a less productive venture. Form the mid 1940s, the center of production shifted to the Ashanti and Brong Ahafo Regions where fresh and fertile lands have been cultivated.

Due to the repaid expansion in cultivation, production reached 400,000 metric tons in 1960. The rising trend in production continued for about a decade to peak to 589,000 metric tons from 1964 to 1977 and by 1984 was 158,000 metric tons. Since 1980's the center of cocoa production has shifted to the Western Region, where migrant farmers from Ashanti, Brong-Ahafo and Eastern Regions have intensively cultivated prime forests (Ghana Cocoa Board, 2002). Ghana became the world's leading producer of cocoa in 1911 with 41.000 metric tones. In the early 1920,s it was producing between 165,000 and 213,000 metric tones which accounted for forty percent (40%) of the total world output (Ghana Cocoa Board, 2002). Ghana is now the second largest producer of cocoa with the contribution of about 465,000 metric tones, about fifteen percent (15%) of the total world's output (ICCO,2003)

Ghana lost the leadership position in global cocoa production to La Cote d'ivoire in 1976 as a result of economic, social and agronomy factors. Among the factors accounting for the decline in production were tower producer prices paid to farmers which acted as disincentive and encouraged smuggling, poor farm maintenance, pests and diseases such as swollen shoot and black pod and widespread bushfires which destroyed cocoa farms (Kumasi, 1998).

2.10 Regulation of Cocoa Marketing In Ghana

The marketing of cocoa in Ghana is conducted at two (2) levels, internal and external. The internal marketing or domestic level involves the purchasing of cocoa from the farmers at production or purchasing centers. The external marketing or the export level involves the sale of cocoa on the international market.

2.10.1 Historical Perspective

Before 1937, the cocoa trade was in the hands of expatriate merchants who controlled both the domestic and the export marketing of cocoa. However, after 1937, the cocoa farmers became increasingly dissatisfied with the low prices they received for their produce (Beckhman, 1981). The ensuing pressure on the British Government resulted in the establishment of the West African Produce Control Board in 1940. It was mandated to purchase cocoa from the West African colonies under guaranteed price.

In order to ensure proper co-ordination of activities involving the cultivation, marketing and export of cocoa, the Ghana Cocoa Marketing Board (GCMB) was established by ordinance number 16 in 1947 (Ghana Cocoa Marketing Board, 1977), it was charged with the responsibility of fixing and controlling, with the prior approval of the government, the producer prices for cocoa and other produce, organize the evacuation of the produce to the port, appoint licensed buying agents and regulate the marketing and export of cocoa. The Board was further charged under the Cocoa Industry Regulations (Consolidations) Decree 1968 (NLCD 278) to purchase market and export all cocoa and other agricultural produce (e.g. coffee and sheanuts) produced in Ghana and to ensure their suitability for export. Currently, the functions of the Ghana Cocoa Board have increased to cover the control of all aspects of the cocoa industry from production to purchasing, marketing and export, research, quality control, evacuation and processing (Ghana Cocoa Board, 2000).

2.10.2 Emergence of Licensed Buying Companies (LBCs)

Following the implementation of the Agricultural Sector Adjustment Credit (AGSAC) programme in June 1993, competition was introduced into the domestic marketing of cocoa by allowing individual Licensed Buying Companies (LBCs) to participate in the domestic marketing of cocoa.

The external sector (export) of cocoa marketing was however not liberalized. The Cocoa Marketing Company (Ghana) Limited (CMC), a subsidiary of Cocobod, exercises the sole right over the sale of cocoa beans. The CMC also exports semi-processed cocoa products to the external market.

Consequently, between 1993 and 1997, about twenty-two (22) LBCs include Transroyal Ghana Limited were registered with the COCOBOD to operate alongside the Produce Buying Company (PBC) which by then had the sole monopoly of the marketing of cocoa. The market share for PBC has, as a result, declined from 75% in 1995 to 40% in 2002, as the private LBCs continue to increase their market share (Research Department, COCOBOD).

2.10.3 Licensed Cocoa Buying Companies

COCOBOD in pursuance of Government policy to introduce competition into the internal marketing of cocoa prepared the requisite regulations and guidelines to the conduct of participants in the internal marketing trade. In 1993, some companies were licensed to compete with the then subsidiary of COCOBOD, the Produce Buying Company, in the internal cocoa trade. Since then competitive buying of cocoa from formers has been in operation (CMC, 2010).

The Government over the past four years further implemented strategic programme in the cocoa sector to increase output. These were Diseases and Pest Control, High-Tech and continuous payment of remunerative producer prices. As a result of the implementation of their programme coupled with better husbandry practices adopted by farmers. Ghana's cocoa output reached record high of 668,787 tones at the end of the 2003 / 4 main season (ibid).

Twenty-three (23) LBCs were licensed to purchase cocoa during the 2003 /4 main season which commenced on 24th October 2003 and ended on 3rd June 2004. However, eighteen (18) LBCs participated in the purchasing activities by the end of the season. Total cocoa graded by the Quality Control Division was 662,099 tonnes representing 99% of declared purchases of 668,787 tones. The composition of the 662,099 tonnes graded by QCD at the end of the main crop was 75% main crop-size category, 23% light-crop-size category and 25% small beans and other categories. This development followed a normal main crop pattern but fell slightly below what pertained in the 2002/3 main season where the main crop-bean size was light crop-size 15% and the remaining 1% represented small beans and other categories (ibid).

LBCs delivered 657,461 tons of cocoa to Cocoa Marketing Company (CMC) at the three take-over centers, Kaase, Takoradi and Tema. The flaw of delivery however was interrupted as result of the unprecedented volume of cocoa produced. The Kaase take-over center was the first to become full and all deliveries were re-directed to Tema and Takoradi. By January 2004, deliveries at the take-over centers were suspended and LBCs were asked to hold into their graded stocks in warehouses with capacities of 2,000 tones and above, C0COBOD Management agreed with the LBCs and paid 55% of the amount due on all graded and sealed stocks in the designated warehouses and also waived interest on all graded and sealed cocoa from 22nd January 2004 to 10th May, 2004 (ibid).

There were frequent cases of cocoa rejection at the take-over and up-country centers during the season. At the up country centers, rejections were mainly based on Not Thoroughly Dried (NTD) cocoa and admixtures. At the take-over centers, it was based on Admixtures, Adulteration, Short-weight, infestation, among others. It is worthy to note the there was no case of NTD at any of the takeover centers. This showed that QCD staff in the field actually made good use of the Aqua-buoys procured for them. An aggregate of 12,205 tons of cocoa (195,280 bags) were rejected at the three take-over centers. The prominent discrepancy at Kaasi and Takoradi was the delivery of short-weight bags which accounted for 83% of total rejections. Tema take-over center however witnessed 'weak' as the dominant discrepancy during the season. Weak and burst bags represented 48% of total cocoa rejected. Seven companies increased their market shares with the most prominent being Akuafo Adamfo Marketing Company. It increased in share from 7.56% to 10.70%. A new entrant, Sompa Kokoo Limited also made an in-road of 0.19 percent. Ten of the LBCs, however, recorded lower market shares. Armajaro Ghana Limited, the highest market share loser registered 1.34% followed by the produce Buying Company Limited with 1.22% (ibid).

Before the beginning of the season Cocobod arranged for external credit facility of $6.50 billion to finance the purchasing of cocoa locally an amount of $1.658 billion was therefore advanced to thirteen (13) LBCs at an interest of 21 percent per annum.

At the end of July 2004, accrued interest amounted to 150.15 billion. The beneficiary LBCs repaid 1,653.68 billion of the principal representing 99.7% seed fund and 149,34 billion representing 99% of the accumulated interest. Ten LBCs fully retired their seed fund and interests at COCOBOD leaving three. The three LBCs indebted to the fund of 4.845 million comprised 3,958 million seed fund and 890.713 million interest. The affected LBCs were Sunshine Commodities Limited, Farmers Alliance Company Limited and Ogyampah Marketing Company.

The following observations were made among others in the course of the season.

- The mode of payment to cocoa farmers was both cash and Akuafo cheques.
- It was noted that all active LBCs adjusted their society weighing scales to cheat cocoa farmers in all the regions even though Ghana Standard Board during its unannounced exercise in some part of Eastern Region arrested a few LBCs.
- Cocoa evacuation to the take-over centers slackened due to the limited warehousing space for the large volume of cocoa purchased. This necessitated the renting of additional warehouses and the waiver of interest on seed fund.
- The take-over weight at the three take-over centers was 64 kilograms or more and anything short of this was declared as short-weight. The approved weigh however was 63.8kg.
- Cocoa from several LBC was graded X5 and confiscated to COCOBOD.

2.11 Cocoa Quality in Ghana

The Quality Control Division (QCD) of Cocobod monitors quality at the take-over point between the PBC or LBCs and the CMC, and at the time of export. Quality checking is vigorous and residues are not exportable. The monopoly position of CMC ensures both the maintenance of these quality standards and quality reliability. Corruption is not seen as a problem, and since it is known that qualify standards will be enforced, there is little incentive for the LBCs to purchase poor quality beans.

The result of this determination to produce and market high quality cocoa has been a consistent Ghana premium, both over the London terminal market price and over lvorian cocoa. Historically, Ghanaian beans have traded of a premium of 2% and 5% relative to the London terminal market prices, although this has tended to decline over recent period. The quality and reliability of Ghanaian cocoa is liked by consumers, but it is not without costs.

There are two components to this cost. The direct costs of the QCD, estimated at about 1% of value and loss of revenue from rejected beans.

A recent consultant's report estimated that, in 1994, the total cost of quality control in Ghana was only slightly less than the revenue generated by the premium. Both elements of cost indicted above were large, but revenue loss from rejects was seen as around double the direct costs of quality control. This suggests that there is little scope for improving the cost effectiveness of Ghanaian quality control increased through efficiency. Delivering this quality is profitable only because quality assurance is labour intensive activity.

Even if maintaining high quality is just profitable for the country, it does not follow that other origins will find it profitable to emulate this for three reasons.

1. There may be a limited market for high quality cocoa. Over production to high quality beans would simply reduce or eliminate the current quality premium.
2. The position of the CMC as monopoly allows Cocoa to directly and consistently control quality levels. This is much more difficult in free market or liberalized structures. Attempts to control quality at the export stage in liberalized systems may result in degradation of average quality to minimum export standard, and also give opportunities for corruption.

3. Any attempt to market different grades of cocoa from the same origin is likely to increase transport cost particularly where cocoa is shipped loose in bulk either in containers or bulk carriers, increased shipping cost will offset any quality premium. More generally, it is doubtful whether any quality market systems will ever result in quality levels as high as that maintained by Cocobod.

Monopolization of exporting internalizes the cost of reputation degradation. In a free market system, individual exporters will need to establish their own reputation for quality and reliability but this may be difficult in a fragmented market where beans are identified by origin more than by exporter. Hence, irrespective of whether marking boards provide effective stabilization, they do appear to be good at delivering quality, but the market price of quality will not be sufficiently high to make it generally profitable for the private sector to try to achieve the same standards. Liberalization should therefore always be expected to result in some elimination of quality (Gilbert 1996, Pp 31 -32).

2.12 Quality under Internal Liberalization (Ghana)

Conflicting views have been expressed as regards the trends in quality since the internal liberalization of cocoa marketing in 1993. Minorities have argued that quality has definitely declined; a more scientific study by a major chocolate manufacture suggests that there has been no evidence of a decline in quality. Others have suggested that climatic factors, combined with the increasing use of hybrids, and some changes to drying methods have led to changes in the characteristics to some production.

Buyers are probably examining shipments more carefully because of concerns that quality might have deteriorated. As yet, however there is not substantial evidence available to suggest that quality has deteriorated because of internal marketing of cocoa due to shortage of sacks, tarpaulins and sheds, inadequate quality control by the LBCs Purchasing Clerks and problems in transportation. The report made various recommendations as regard the maintenance of quality including.

- Ensuring that routine disinfestations of all cocoa is carried out by the QCD, to be paid for by the LBCs.
- Training of Purchasing Clerks
- Enforcing the delivery of good quality cocoa with LBCs being penalized for the delivery of poor quality cocoa.
- Monitoring with great care the quality of cocoa, (LMC International Ltd. 1996 page -108).

2.13 Trends in Cocoa Quality

It is generally accepted that there has been a fall in the quality of cocoa traded on the world market during the past decade. There are several factors involved.

- Low cocoa prices particularly in the early 1990s led to reduced maintenance and the use of fewer inputs by growers.
- The failure of market liberalization to ensure that adequate quality control systems are established in some origins to replace previous system.
- The growing shares of Indonesian cocoa world trade –a sizeable proportion of Indonesian exports are unfermented cocoa.

- A declined in the quality of Cote d'ivoire exports in particular there has been mixing of minor and main crop beans and the hold-up of Ivorian cocoa which creates increased problems for processors.
- Another quality problem is the high percentage of free fatty acids (FFA). Several factors increased the FFA level in cocoa beans in recent years including poor husbandry, poor handling, wet weather, insufficient drying, incorrect and excessive storage, inadequate quality control and the hold-up and mixing of Ivorian cocoa.

London Commodity Exchange (LCE) and warehouse keeper data show that the failure rate of cocoa from Cote d'ivoire, Nigeria and Indonesia has increased dramatically over the past five years. The grading was undertaken by warehouse keepers and are based on 300 beans cut tests of samples drawn from parcels of newly arrived cocoa in Europe. The results indicate the annual average level of defectives; slay beans and beans counts since 1987.was very little for Ghana, Cameroon or Brazilian cocoa laundered to the LCE for grading. The results showed the marketed deterioration in quality of cocoa arriving from Cote d'ivoire since 1991. There has been a consistently high level of defective/slay from Nigeria, owing mainly to a high defective count and from Indonesia, primarily as a result of a high percentage of slay beans. Moreover, there is evidence of a further deterioration in quality of cocoa from the origins. The quality of Malaysia cocoa has remained comparatively high during the period, although there is some evidence of some deterioration in quality since 1992. The quality of Papua New Guinea beans has remained high throughout the period (LMC 1996 Page 108 –Page 109).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes in detail the methods used, specific steps taken, the tools employed in the collection and analysis of data needed to address the research problems.

Methodology is the theory of how research should be undertaken or conducted. This includes the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods adopted; (Saunders et al, 2007). It is the study of the method(s) of research that helps to identify vital data which makes solution of the research problem possible. The methods specifically refer to the techniques and procedures used to obtain and analyze data.

3.1 Population

The complete set of cases from which a sample is selected is called the population whether it describes human beings or not (Saunders et al, 2007). Wikipedia notes that it is a group of individuals or items that share one or more common characteristics from which data can be gathered or analyzed. In the Oxford Advanced Learners' Dictionary, population is defined as all the people who live in a particular city, country or area.

For purposes of this research the population of study comprised the management and staff of PBC as well as individual farmers dealing with the organization numbering over 2,600. The target population is as follows; PBC Managers - 50, PBC Non-managerial Staff – 200, Target Farmers – 2,350

3.2 Sample and Sampling Procedure

A sample is a sub-group or representative selection of a population that is examined or tested to obtain statistical data or information about the whole population (Encarta Dictionary; Saunders et al 2007). Sampling on the other hand is the process of selecting a group of people, items or cases to be used as a representative or random sample (ibid).

A sample size of two hundred (200) respondents out of the entire population of 2600 was selected for the research. The number was considered adequate, and representative (Henry, 1990) enough to give informed answers to the research problem. To ensure that all the various groups in the sampling frame were surveyed, the stratified sampling technique or approach was used at the first stage of the selection exercise. This conforms to the ideas of (Patton, 1990; Saunders et al 2007; Bradshaw and Stratford, 2000) who explain that stratified sampling ensures the selection of respondents from all the identifiable sub-groups within the sample population because of their varied knowledge or areas of expertise on the research topic or problem.

For purposes of this research five (5) management staff of PBC were selected given that they were only a handful and their inputs considered very vital. Twenty-five (25) PBC staff of the non-managerial grade and one hundred and seventy (170) farmers were however selected using the simple random sampling technique. Details of the sample size are illustrated in Table 2 below.

Table 2 Guide: sample size and technique for selecting respondents

Target Group	Sample Method Required		
	Estimated Number	**Sample Selected**	**Technique used**
Staff			
Non-Managerial	200	25	Questionnaire
Top Management	50	5	Interview
Farmers			
Farmers	2,350	170	Questionnaire
Total	**2,600**	**200**	

3.3 Sources of Data

Both secondary and primary data was collected for the purpose of this research. For clarity, Saunders et al, (2007) define data as facts, opinions and statistic that have been collected together and recorded for reference or for analysis.

3.3.1 Primary Data Source

Primary data is data that is used for a specific purpose for which it was gathered. For this study, it was obtained by administering questionnaire to respondents with the help of field assistants and colleagues due to time constraints and the geographical area of coverage.

3.3.2 Secondary Data Source

Secondary data is data that is used for a purpose other than for which it was originally obtained. It may be descriptive or explanatory (Saunders et al, 2007), raw (unprocessed) or summarized (Kervin, 1999). They can be categorized into documentary, multi-source or survey- based (Saunders et al, 2006). Secondary data for this research was collected by reviewing textbooks, journals, articles, magazines, publications, financial statements, industry reports, internal records of Produce Buying Company (PBC), newspapers etc. to gather historical perspectives of the research data from renowned authors and researchers; and from the British Council, KNUST and University of Ghana libraries.

3.4 Data Collection Method

There are various methods by which both secondary and primary data are obtained. Saunders et al, (2007) list questionnaire, interviews (semi-structured, in-depth and group) and observation as methods that are usable. For this research the methods employed were by survey and interviews. The instrument used for collection of relevant data for the study was a questionnaire and the semi-structured interview approach. Questionnaires were given out to both staff and farmers at the selected purchasing centers of PBC. A total of two hundred (200) respondents comprising staff and farmers were given questionnaires. The questionnaire was personally administered to the identified staff and farmers.

3.4.1 Questionnaire

This research instrument is a compilation of structured questions which were given to respondents for their completion or responses. The questions were close-ended multiple-choice questions giving respondents a choice from a range of answers based on the 5-point Likert-style rating scale. They had choices either to agree or disagree with the statements made within the range. This was to ensure that the choice of answers directly addressed issues at stake and make collation and analysis of the data simple. On the scale 1 is the lowest score and 5 the highest.

Furthermore, in-depth interviews were held with the managerial staff of PBC to solicit answers, opinions and suggestions on the study because of the peculiar knowledge they possess on the subject under study. This involved the use of semi-structured open-ended questions to allow for free but brief expression of relevant ideas, opinions and suggestions that might not have been captured by the closed- ended questions. Each interview lasted for fifteen (15) minutes since the managers have very busy schedules and little time to spare.

The questions were under six sections; Section A to Section E each with six questions. Section A covered the demographic (personal) data of respondents and included age, gender, marital status, educational background, income level etc. Sections B to Section E were categorized under headings that dealt with each of the evaluative indicators for measuring the impact of strategic competitive advantage on corporate performance at PBC. Prior to administering the questionnaire the importance of the research was explained to the respondents and they were encouraged to be truthful and diligent with their responses to make the research worthwhile.

3.5 Limitations to Data Collection

Some of the respondents saw the exercise as a waste of time as they put it and for that matter were not prepared to compromise few minutes of the precious time as it were to answer the questions. As a result 2400 of the targeted respondents out of the estimated 2600 could not be reached for their responses.

It took more than three months to get the approval and a further delay caused by the department in charge of required information is also worth mentioning. It was also with difficulty and a lot of resources getting the questionnaire that was given to the staff back, taking cognizance of the busy schedule of purchasing clerks.

3.6 Data and Information Processing

3.6.1 Quantitative

Data collected (via questionnaires and interviews for primary data) were collated and analyzed using the appropriate statistical techniques such as distribution tables, which culminated into bars and pie charts via the Microsoft Excel Software.

3.6.2 Qualitative

Information, such as specific comments and issues raised by respondents, were analyzed and summarized into tables.

3.7 Produce Buying Company, Ghana Limited

3.7.1 History

Cocoa has been the mainstay of Ghana's economy for a long time and remains a major source of foreign exchange. Ghana is currently the second world largest producer of cocoa. It produces over 650,000 metric tons annually and has the best quality cocoa in the world. It receives premium from the sale of the produce because of the high quality of the beans.

Produce Buying Company Limited (PBC Ltd) was a subsidiary of Ghana Cocoa

Board and was wholly responsible for the internal marketing of cocoa. However, the status changed when the internal marketing of cocoa was privatized by the government of Ghana in 1993 as a result of the cocoa sector reforms. PBC Ltd was incorporated as a Public Liability Company under the Companies Code of 1963 (Act 179) in September, 1999. In May 2000, the Company was listed on the Ghana Stock Exchange. Produce Buying Company is a 100% owned subsidiary of Ghana Cocoa Board and the single largest buyer of cocoa for the domestic market. The company operates throughout the cocoa buying districts of Ghana. Produce Buying Company purchases cocoa beans from farmers, and stores them in purpose-built sheds at village/society level, cart these to collection points for inspection, grading and sealing by the Cocoa Board's Quality Control Dept. (www.pbc.org,2010).

3.7.2 Vision Statement

Develop and maintain the Produce Buying Company Limited as the leading cocoa dealer in Ghana.

3.7.3 Mission Statement

Purchase high quality cocoa beans from farmers, store and ensure prompt delivery of the graded and sealed beans to designated Take Over Centers in the most efficient and profitable manner.

3.7.4 Main Objectives

- To satisfy cocoa farmers through quality service and other incentive packages.
- To produce adequate and well-maintained storage facilities for cocoa production

- To recruit and retain a well-developed and motivated workforce
- To encourage research institutions to develop technologically improved methods of cocoa production and their adoption by farmers to increase yield.

3.7.5 Achievement

PBC Ltd belongs to Ghana's most prestigious 100 companies known as Best 100 Companies League (Ghana Club 100) which other companies look up to, in Ghana's bid to become a middle income country. The company as a result of her impressive performance was adjudged the second best in 2003 and the third best in 2004. Again, for two successive years in 2003 and 2004 the company was adjudged the best in Trading by Ghana Club 100. These are enviable achievements by the company.

PBC Ltd, the only listed Licensed Buying Company (LBC) in internal marketing has the vision to develop and maintain it as the leading cocoa dealer in Ghana. This is to be achieved through the purchase of high quality cocoa beans from farmers, store and ensure prompt delivery of the graded and sealed beans to designated Take Over Centers in the most efficient and profitable manner.

3.7.6 Areas of Operation

The farmers are the Company's main customers and produce good quality cocoa which are purchased at prices determined by Government through COCOBOD. The company operates in all the cocoa growing regions, namely Ashanti, Brong-Ahafo, Central, Eastern, Western and Volta. The company operates through Commission Agents stationed in over 5,000 buying centers and designated as the buyer of last resort.

The company, in implementing a three-year Medium Term Corporate Plan has developed strategies to achieve her objectives. These include a well developed and motivated workforces, prompt and timely release of funds and operational inputs for distribution to the buying centers. The farmers ensure that cocoa produced are properly fermented, dried, bagged, stored and sent to the societies to preserve the quality. The farmers are also promptly paid to ensure their satisfaction and loyalty.
In spite of the keenness of the competition, the company has an average market share of 33%, turnover for cocoa operations of GH¢430.528 million and a gross profit of GH¢49.982 million during the 2008/09 crop year. It also recorded a net profit before tax of GHÂ¢5.194 million and basic earnings per share increased by 59% from GH¢0.0044 to GH¢0.0108. (ibid)

3.7.7 Haulage Unit

The company in pursuance to achieve the set targets in the Medium Term Corporate Plan to generate more income has revamped the Haulage Department with the acquisition of new articulated and cargo trucks to assist in both Primary and Secondary Level evacuations. These include fifty-two (52) articulated trucks, one hundred and fifty (150) cargo trucks of different makes and types as well as five (5) tractors in addition to the already existing ones.

The Primary evacuation which involves the speedy evacuation of cocoa stocks from the buying centers to the Depots is carried out mainly by the company’s vehicles. The graded and sealed stocks are speedily evacuated (Secondary) from the Depots to the Ports via road and rail transportation. Currently, the company undertakes 100% and 38% haulage of its Primary and Secondary evacuations respectively.

3.7.8 Diversification

The company in pursuance of her objectives to conduct business in the most efficient manner on investments to the satisfaction of shareholders and other stakeholders has diversified to purchase, store and deliver sheanuts. Again, plans are far advanced to add value by going into the processing of the sheanuts for export.

3.7.9 Rewards and Social Responsibility

The company in maintaining the loyalty of her farmers continues to provide guarantees to enable them access credit facilities from banks. The company has also make available to the farmers, essential inputs like fertilizers, spraying machines, insecticides/pesticides to improve their cocoa production. It has also instituted Best Farmers Awards Scheme to reward our committed, loyal and high producers annually. It also provides scholarships to brilliant but needy children of cocoa farmers. Again, the company conscious of her corporate social responsibility continue to assist deprived schools and rural electrification projects, provision of boreholes and others specifically in the cocoa growing areas.

3.7.10 Challenge*s*

The company, however, has few challenges. The company depends on COCOBOD for funding of cocoa purchases after providing Bank Guarantees. This is always complimented with stand-by Overdraft facility from local banks and internally generated funds. The challenge is to have a more flexible, adequate and sustainable funding to always meet our purchases promptly to enable the company increases her market share.

Another area of challenge is in the area of Information Communication Technology (ICT). The company plans to completely computerize all major activities and increase the supply of computer hardware to the operational districts and regions to ensure timely and accurate flow of information. The Board and Management are encouraged by the company's current success towards its cardinal objective of maintaining PBC Ltd as the leading cocoa dealer in Ghana. The company is poised to raise both operational capabilities and market requirements through a process of innovations and initiatives. It also remains competitive through the achievement of operational performance objectives as it increases its profitability. (ibid)

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.0 Introduction

The chapter presents the data gathered from the field by representing the data on graphs, charts and tables. Data is also presented in relation to the literature review as compared to the data collected from the field using questionnaires.

4.1 Data Presentation and Analysis

Samples were selected based on targeted units using the non-probability sampling method of random sampling, specifically the purposive sampling. This method ensured that representative samples of all the known elements of the population occur in the sample.

A sample size of two hundred (200), comprising thirty (30) staff and one hundred and seventy (170) Farmers of the targeted population of two thousand, six hundred (2,600) responded to the administered questionnaires; scheduled interviews with five heads of departments and other executives who were deeply involved in the day to day operations of the units targeted were also conducted. Break down shown in Table 4.1 below.

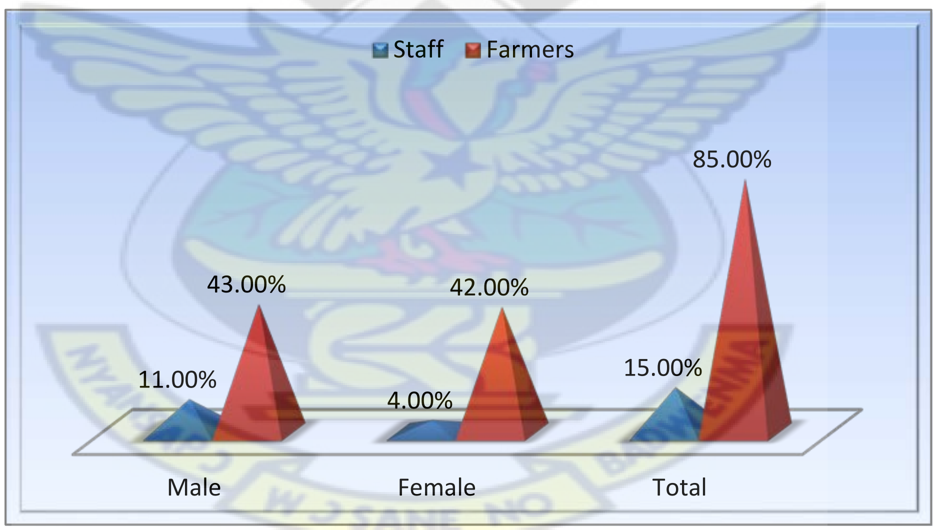
Table 4.1: Respondents Distribution

Occupation	**Male**		**Female**		**Total**	
	Freq	**Percent (%)**	**Freq**	**Percent (%)**	**Freq**	**Percent (%)**
Staff	22	11%	8	4%	30	15.00%
Farmers	86	43%	84	42%	170	85.00%
Total	**108**	**54%**	**92**	**46%**	**200**	**100.00%**

Source: Field Survey, August 2011

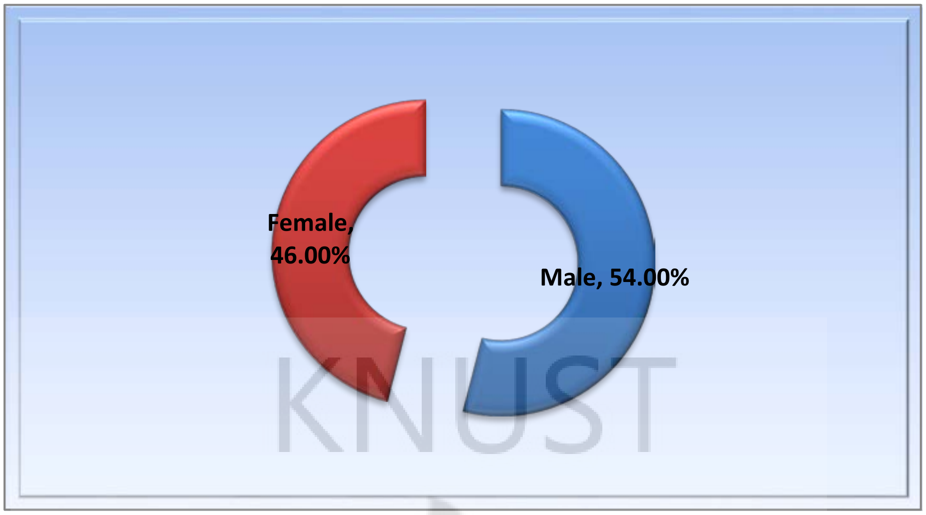
As indicated in Table 4.1, 15 percent of the respondents were staff, and the remaining 85percent went for farmers. This affirms the assertion that PBC had a large farmer base. The research further revealed that the administered questionnaires exhibited a ratio of 1:0.9 with regard to male and female distribution respectively with the male about 15 percent dominance over the female, thereby, emphasizing the assertion that there is a fair gender balance in the internal cocoa marketing industry, with the female specie coming up strongly as many woman are taking advantage of the ever increasing price of cocoa in Ghana; probably due to the ever-increasing purchasing price of cocoa beans by the central government even in the face of downward trend in pricing in the international market as picturesquely illustrated by Figure 4.1.1 and Figure 4.1.2 below.

Figure 4.1.1 Respondents Distribution



Source: Field Survey, August 2011

Figure 4.1.2 Gender Ratio



Source: Field Survey, August 2011

4.2 Respondents Age

The ages of all the respondents are within the range of 19 to 57 years. The age group 58 – 60 years was the modal class with 29.5 percent representation (consisting 0.5 percent staff and 29 percent farmers); followed by 23.5 percent for 50 – 57 years (consisting 2 percent staff and 21.5 percent farmers); 15.5 percent for 42 – 49 years (4 percent staff and 11.5 percent farmers); 12 percent for 34 – 41 years (3 percent and 9 percent); 10.5 percent for 26 – 33 years and the least represented being 9 percent as demonstrated by Table 4.2 and Figure 4.2 below.

In summary, the study indicates that the workforce was made up of very young, energetic and intelligent individuals who are hunger for success and excellence for PBC aggregately registering 83.3 percent (25 out of 30 staff in absolute terms) and 16.7 percent much sober and well experienced middle aged employees, albeit, it has some fraction of the senior citizens who has barely 2 to 3 years to proceed to retirement.

Furthermore, in the case of farmers, the study revealed that as many as 60 percent (101 in absolute terms) of the farmers is the elderly folks above 50 years and 40 percent (69 in absolute terms). It is therefore deduced that the youth are not showing much interest in the cultivation of cocoa; probably seeing it as an enterprise for the middle aged and elderly folks.

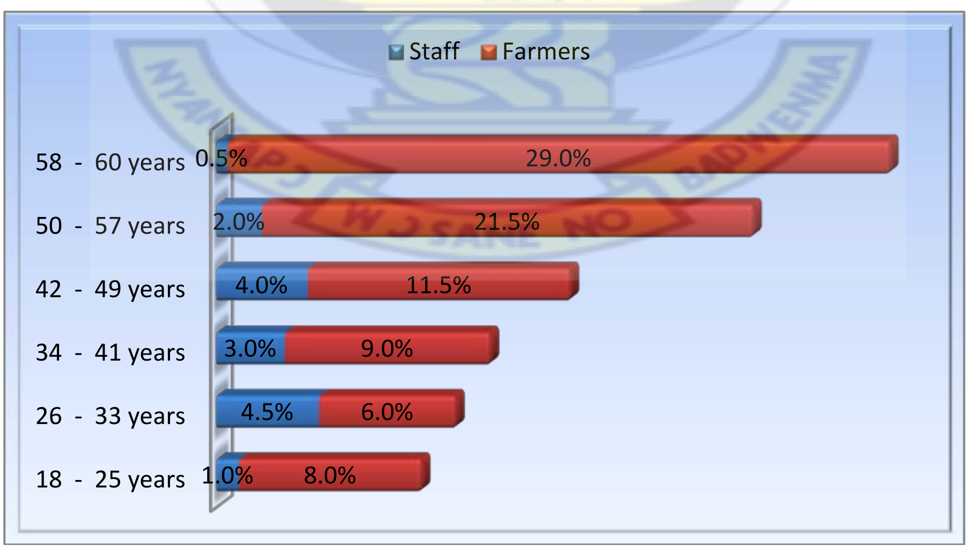
Table 4.2: Ages of Respondents

Ages	Staff		Farmers		Total	
	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
18 - 25 years	2	1.0%	16	8.0%	18	9.0%
26 - 33 years	9	4.5%	12	6.0%	21	10.5%
34 - 41 years	6	3.0%	18	9.0%	24	12.0%
42 - 49 years	8	4.0%	23	11.5%	31	15.5%
50 - 57 years	4	2.0%	43	21.5%	47	23.5%
58 - 60 years	1	0.5%	58	29.0%	59	29.5%
Total	**30**	**15.0%**	**170**	**85.0%**	200	**100.00%**

Source: Field Survey, August 2011

The above data is picturesquely represented below as Figure 4.2.

Figure 4.2: Ages of Respondents



Source: Field Survey, August 2011

4.3 Number of years with PBC

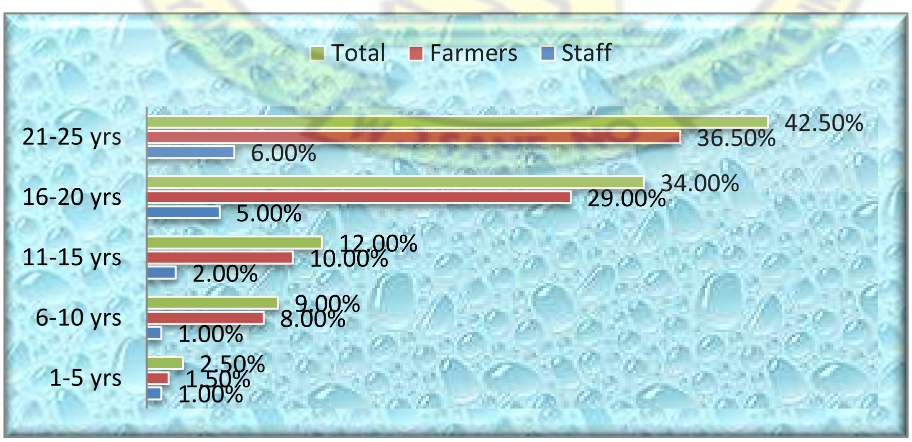
The study showed that majority (42.5 percent) of both staff and farmers had been with company as employee and clients for between 21 and 25 years (36.5 percent and 6 percent) respectively. Again, 34 percent of respondents (made up of 29 percent farmers and 5 percent staff) had been with PBC for the period 16 – 20 years. This stands to reason that on the part of the farmers, PBC has enjoyed a substantial customer loyalty; while it can also boast of rich working experience so far as the employees are concerned based on the fact that 73 percent has been working for PBC for the past 16 years as shown in Table 4.3 and Figure 4.3 below.

Table 4.3: Number of years with PBC

Years	Frequency			Percentage (%)		
	Staff	Farmers	Total	Staff	Farmers	Total
1-5 yrs	2	3	5	1.00%	1.50%	2.50%
6-10 yrs	2	16	18	1.00%	8.00%	9.00%
11-15 yrs	4	20	24	2.00%	10.00%	12.00%
16-20 yrs	10	58	68	5.00%	29.00%	34.00%
21-25 yrs	12	73	85	6.00%	36.50%	42.50%
Total	**30**	**170**	**200**	**15.00%**	**85.00%**	**100.00%**

Source: Field Survey, August 2011

Figure 4.3: Number of years with PBC



Source: Field Survey, August 2011

It could therefore be deduced that the company over the stated period had been able to engage in strategies to capture and maintain more farmers to its fold.

4.4 Respondents' Educational Background.

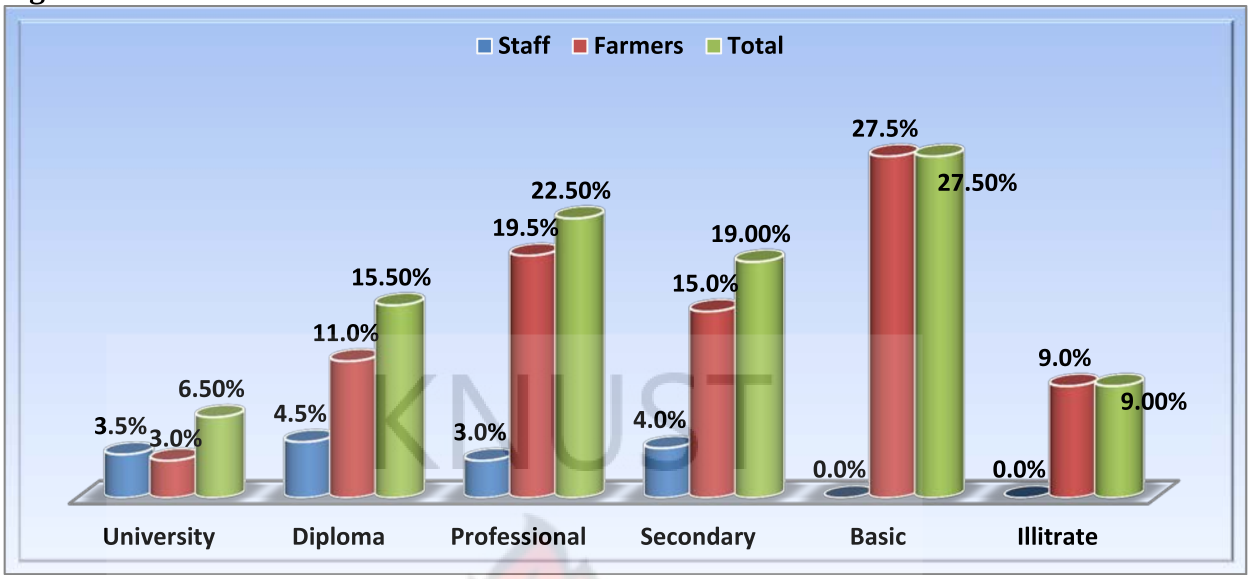
As illustrated in Table 4.4 and Figure 4.4, the study showed that 27.5 percent and 22.5 percent of respondents were basic and professional certificate holders The study revealed that all staff of PBC are educated and are in the position to undertake prudent, intelligent and coherent decisions on their respective role in the competitive strategies of PBC in the LBC industry with majority been diploma and professional certificate holders. However, it is encouraging to see 3 percent farmers to be university graduates engaging in cocoa production as farmers. Also, 9 percent of respondents were registered as illiterates.

Table 4.4: Educational Level

Educational Level	**Staff**		**Farmers**		**Total**	
	Freq	**Percent (%)**	**Freq**	**Percent (%)**	**Freq**	**Percent (%)**
University	7	3.5%	6	3.0%	13	6.5%
Diploma	9	4.5%	22	11.0%	31	15.5%
Professional	6	3.0%	39	19.5%	45	22.5%
Secondary	8	4.0%	30	15.0%	38	19.0%
Basic	0	0.0%	55	27.5%	55	27.5%
Illiterate	0	0.0%	18	9.0%	18	9.0%
Total	**30**	**15.0%**	**170**	**85.0%**	200	**100.00%**

Source: Field Survey, August 2011

Figure 4.4: Educational Level



Source: Field Survey, August 2011

The findings of the study indicated that the internal cocoa industry cuts across all shades of people (both educated and uneducated). In summary, the farmers of PBC are not pushovers but people who know what they want and ensure they get it.

4.5 Reponses from Customers

4.5.1 Assessment of Customer Service by farmers

The study indicated the respondents were divided on the notion that PBC is providing excellent service to its valued customers, the farmers. Cumulatively 51percent disagree (18 percent strongly disagree, 33 percent disagree) with that assertion while 26 percent were undecided and 22 percent agreed. On the issue of understanding the needs of farmers, 10 percent strongly disagreed, 46 percent disagreed, and 36 percent were undecided and only 8 percent agreed. This could be summarized that generally, farmers of PBC were dissatisfied with the quality of service delivery. Table 4.5.1 provides details.

Table 4.5.1: Customer Service Response

Detail	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Excellent service	18%	33%	26%	22%	0%
Understands my needs	10%	46%	36%	8%	0%
Wider range of service	0%	0%	3%	40%	56%
Personalizes services	4%	8%	46%	34%	8%
Socially responsible	10%	8%	19%	58%	4%

Source: Field Survey, August 2011

On the other hand, as many as 40 percent agreed and 56 percent strongly agreed to the notion of PBC brandishing a much wider range of services for its valued customers and 46 percent were undecided, 42 percent cumulatively agreeing to the assertion of personalizing services; its social responsibility to the community were held in high esteem by 62 percent representation of affirmation.

Table 4.5.2: Customer Service Response

Detail	Best	Better Than	Same as most	Not as good as most	Do not know
Vigorous Campaign	50%	34%	13%	2%	0%
Respond to competition	26%	48%	18%	4%	3%
Agency proximity	6%	54%	24%	10%	5%
Innovation of products & service	6%	30%	28%	31%	4%
Easy to do business	4%	12%	60%	19%	4%
Individualizes farmers	4%	18%	46%	24%	7%
Financial assistance to farmers	0%	4%	22%	42%	31%
Opportunity to complain	6%	4%	48%	36%	5%
Ability to resolve complaints	0%	44%	20%	28%	7%
Physical environment	6%	8%	23%	59%	4%
Services reliable & efficient	2%	8%	61%	20%	8%
Respond to market changes	2%	38%	31%	26%	3%

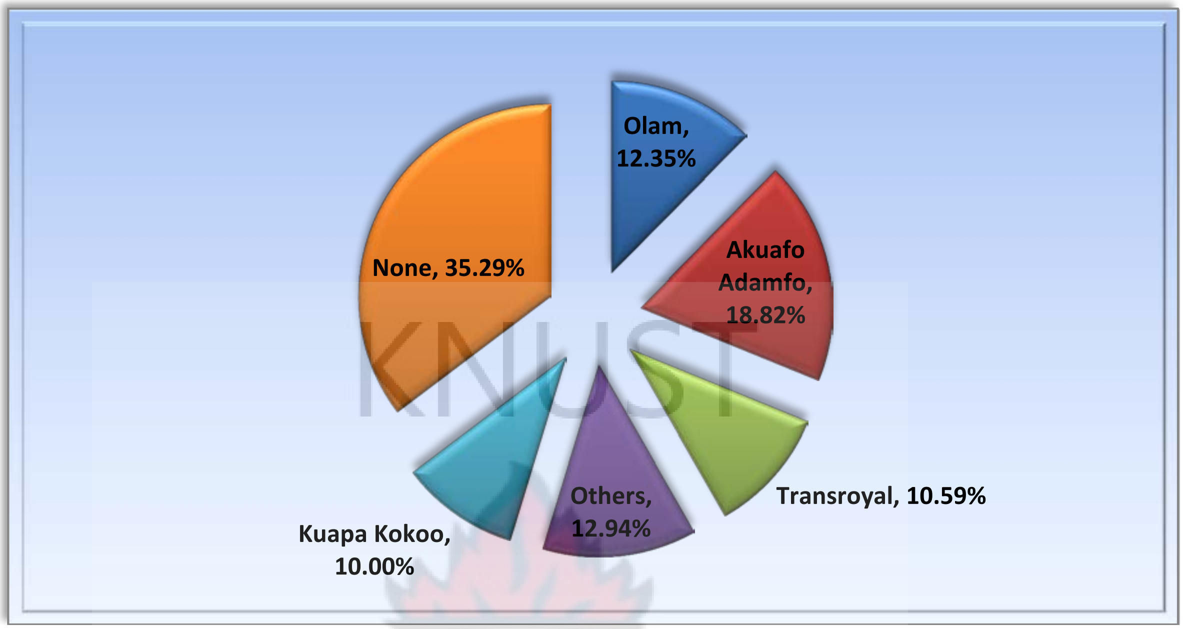
Source: Field Survey, August 2011

Due to the necessary resources being put in place by PBC and vigorous campaign of advertisement being waged farmers were of the view that the company was effectively responding to the competition; agency proximity was also favourable. There was split on the issue of innovation of products and services; 6 percent best, 30 percent better than, 28 percent same as most 31 percent not as good as most and the remaining went for neutrality.60% of respondents were for as most on issue of easy to do business with PBC (average score). In summary, table 4.5.2 indicates the not too pleasing attitude of farmers to the service quality of PBC.

4.6 Competitors

The study identified twenty-nine amongst major competitors of PBC which farmers have one time or the other had the opportunity to deal with. The study showed Akuafo Adamfo, Federated Commodity, Transroyal, Amajaro, and Kuapa Kokoo as LBCs farmers mostly deal with. It was discovered that as many as 35.29 percent of respondents opted for 'None', which stood for those had never used any LBC apart from PBC for the purpose cocoa internal marketing; although, Akufo Adamfo, Olam, 'Others' and Kuapa Kokoo recorded 18.82percent, 12.35 percent, 12.94 percent and 10 percent respectively. This revelation is in agreement with the industrial indices (PBC, 2011) which showed that PBC has the largest market share of 35.8 percent (303,025.38 tonnes in absolute terms) for the 2010/2011 cocoa season confirming its leadership in the industry.

Figure 4.6 Competitors



Source: Field Survey, August 2011

The results indicated certain dissatisfaction on the part of farmers, which has thus prompted them using a second and in some instances a third LBC. Further prying through interviews showed that they were not very comfortable with service being provided, hence the second choice.

4.7 Staff Response

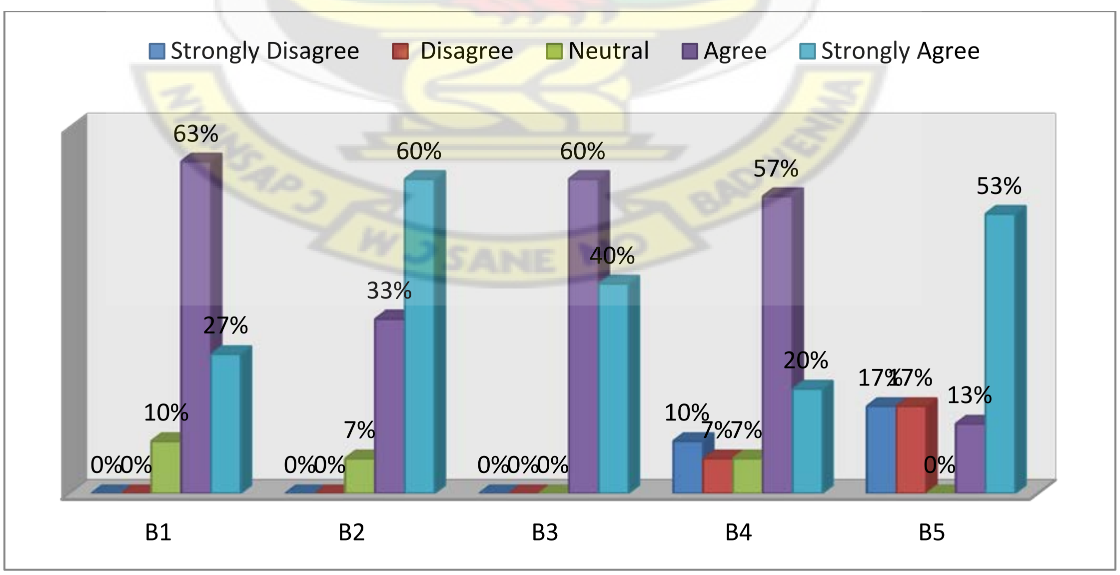
4.7.1 Image and Reputation

In the quest to ascertain the image and reputation of PBC as a major pillar of assessment of the extent of competitive strategies of LBCs as compared with other players in the industry, the researcher tested five separate assertions which were coded B1, B2, B3, B4 and B5 as detailed in Table 4.7 and picturesquely illustrated in Figure 4.7.

The survey exhibited that on the issue ‘B1: PBC is one of the leading good corporate citizens in Ghana’, there was as many as 90 percent collectively agreeing to the assertion so far as LBCs in the industry are concerned; ‘B2: PBC is acknowledged as the all round best LBC’, 60 percent strongly agree and 40 percent agree; ‘B3: PBC's positive image is the result of planning over the years’, attained 60 percent agree and 40 percent strongly agree; ‘B4: PBC offices are noted for their attractiveness and pleasant environment’, 10 percent strongly disagree, 7 percent disagree, 7 percent neutral, 57 percent agree and 20 percent strongly agree; and ‘B5: PBC is recognized as the industry's pacesetter in production innovation’, 34 percent collectively disagree and 66 percent cumulatively agree.

In summary, all the assertions used to assess the extent of PBCs image and reputation on the company’s competitive strategies exhibited that PBCs image and reputation is on the upsurge so far as the industry is concerned.

Figure 4.7.1: Image and Reputation



Source: Field Survey, August 2011

Table 4.7.1 Image and Reputation

Image and Reputation												
Details	**Strongly Disagree**		**Disagree**		**Neutral**		**Agree**		**Strongly Agree**		**Total**	
	Freq	**Percent (%)**	**Freq**	**Percent (%)**	**Freq**	**Percent (%)**	**Freq**	**Percent (%)**	**Freq**	**Percent (%)**	**Freq**	**Percent (%)**
PBC is one of the leading good corporate citizens in Ghana	0	0%	0	0%	3	10%	19	63%	8	27%	30	100%
PBC is acknowledged as the all round best LBC	0	0%	0	0%	2	7%	10	33%	18	60%	30	100%
PBC's positive image is the result of planning over the years	0	0%	0	0%	0	0%	18	60%	12	40%	30	100%
PBC offices are noted for their attractiveness and pleasant environment	3	10%	2	7%	2	7%	17	57%	6	20%	30	100%
PBC is recognized as the industry's pacesetter in production innovation	5	17%	5	17%	0	0%	4	13%	16	53%	30	100%

4.7.2 Information Systems

The study indicated an overwhelming 98 percent 'No' response to the question inquiring whether PBC has computerized all its operations in all its offices countrywide over the period. In an exclusive interview with the head of the IT department, it came out that PBC has not yet computerized all its operations. He intimated that currently only operations at the Head Office in Accra have been fully computerized to cater for salaries/wages, staff database, etc. All the regional offices have been provided with computers for mainly clerical duties such as typing of reports. Again, none of the district operations have been provided with computers. Apart from the head office no IT staff has been employed for the regions since there are not any system administrative duties at the regions except the secretary and typing duties.

Furthermore, the respondents among others provided the following reasons for the shortfall.

1. Lack of adequate financial resources;
2. Some of the operational districts do not have electricity; and
3. Less emphasis on the importance of IT by strategic planners;

The research again showed that the current state whereby computerization has not been extended to the activities of PBC except for certain aspects of its Human Resource Management has had negative rippling effects on the company’s performance.

According to the officials of PBC, district operational reports/returns are forwarded to the regional offices personally on weekly basis by the district officers. Also, prepared and consolidated district report/returns by the regional offices are then sent via courier, particularly, EMS, every week to the National Head office. Important messages and information is either sent through EMS to regions for further transmission to the districts or by means of radio messages operated by radio staff of the Cocobod.

The above constraints obviously have resulted in the following:

1. Undue delays in sending and receiving report/returns
2. Information delayed always keeps all stakeholders in suspense.
3. Missing of important reports/returns in transit
4. Distortion of information in the dissemination of reports/returns
5. Manual operations cause increase in volume of work at the regional and district levels.

4.7.3 Competitive Strategy Pursued by PBC

The study showed that PBC does not have a Strategic Planning Department, rather a Corporate Planning Committee which is constituted every three years, as stipulated in an interview with an executive of the current corporate planning committee. He reiterated that the current corporate planning committee is a twelve member none of which is a professional planner; the committee consists of the following:

1.	Deputy Managing Director (Finance and Administration)	-	Chairman
2.	Deputy Managing Director (Operations)	-	Member
3.	Snr. Manager (Audit)	-	-do-
4.	Research, Monitoring and Evaluation Manager	-	-do-
5.	Human Resource Manager	-	-do-
6.	General Services Manager	-	-do-
7.	Regional Manager, Ashanti	-	-do-
8.	Regional Manager, S/Wiawso	-	-do-
9.	Port Manager, Kaase	-	-do-
10.	District Manager, (Brong Ahafo)	-	-do-
11.	Chief Monitoring Clerk (Union Rep)	-	-do-
12.	A Principal Human Resource Officer	-	-do-

Further prying during the interview revealed that the terms of reference for the committee are:

a) To develop a corporate plan document

b) To evaluate the past performance of the company

c) To re-strategize plans of actions necessary to achieve corporate objectives

d) To make the necessary recommendations to be considered in developing the next corporate plan.

It came out in the course of the interview that there are other sub-committees, most prominent amongst them in the area of strategic planning and competitive advantage is the seven-member Plan Implementation Committee whose object is to ensure the success of the medium-term plan of PBC.

The functions of the Plan Implementation committee are:

i. Ensure various regions/departments convert the plan into series of specific activities with timetables and targets.
ii. Monitor on monthly basis progress towards achieving these goals.
iii. Review/continue relevance of the objectives and strategies contained in the document.
iv. Ensure that departmental programmes and annual budgets are directed at achieving the planned objectives.

Number of Strategic Plans

The research showed by unanimous response that PBC since its inception has implemented four (4) corporate plans; so far three have already been implemented and the fourth which is the current one is in progress and it is for the three year duration of 2010/2011 – 2012/2013.

Number of Reviews

Again by 100 percent response, it came out that PBC reviews its competitive strategies annually.

Generic Strategy

The study detected that PBC has adopted the cost leadership strategy which evidenced by the 89 percent response and the remaining 11 percent recorded in the name of differentiation particular for certain farmers living very deprived settlements in their cocoa farms.

According to Porter (1996), cost leadership generic strategy is an integrated set of actions designed to deliver service and products at their lowest cost, relative to competitors; and PBC by its mode of operations associates itself more to this strategy.

In the internal cocoa marketing industry where commission to LBCs is predominantly one of the surest ways to improve profitability is cost reduction or cost control. By virtue of its size, PBC's overheads are obviously high and this certainly requires higher volumes in order to break even. PBC's choice of cost leadership according to a member of the implementation committee was informed by the consistent focus on driving costs lower relative to competitors'. This is done through investment in efficient-scale facilities (such as the construction and rehabilitation of new and old silos respectively, and also adopting the appropriate transportation system from the purchasing points at the districts right to the ports for shipment), lower cost and overheads control and cost minimizations in areas such as services and personnel.

In an exclusive unstructured interview with a member of the implementation committee, it came out that in order to achieve and sustain the cost leadership strategy management considered the following:

1. Developing and setting standard costs for each product or service delivery;
2. Continuous review of operational procedures to eliminate non value added activities;
3. Preparation of control reports including analysis of variances for management attention;
4. Project appraisals; and
5. Preparation of Divisional performance reports.

In summary the PBC even though has no Strategic Planning Department, it does implement a cost leadership generic strategy through a periodically constituted strategic planning committee. This addresses the research objective of analysing the competitive strategy being pursued by PBC and answers the research question 'what competitive strategy is being pursued by PBC?'.

4.7.4 Impact of competitive strategy planning on performance

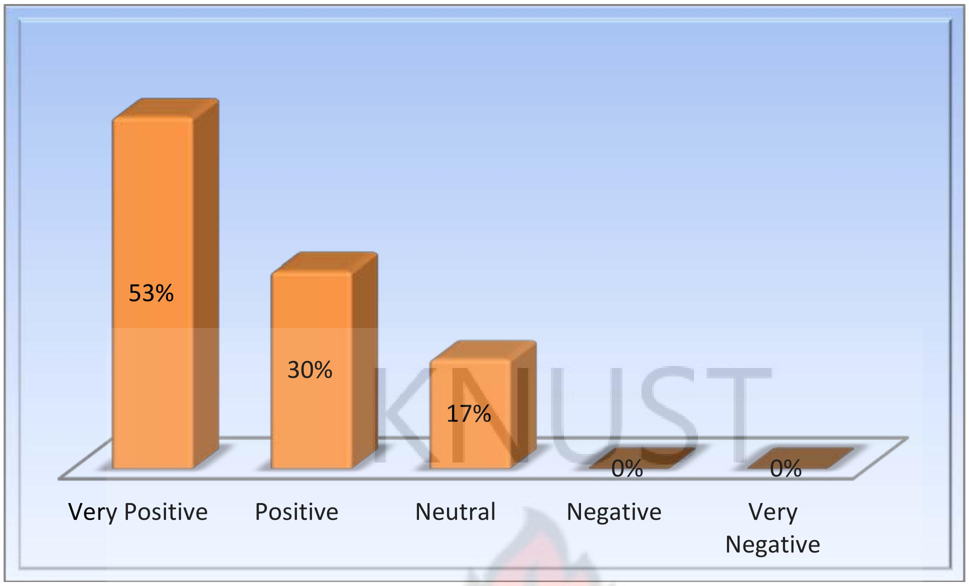
The study indicated that over the period the competitive strategy planning has impacted positively, evidenced by the 53 percent for 'very positive', 30 percent for 'positive' and 17 percent recorded for neutral as shown below.

Table 4.7.4 Impact of competitive strategy planning on performance

Impact	Freq	Percent (%)
Very Positive	16	53%
Positive	9	30%
Neutral	5	17%
Negative	0	0%
Very Negative	0	0%

Source: Field Survey, August 2011

Figure 4.7.4 Impact of competitive strategy planning on performance



Source: Field Survey, August 2011

The impact of the prudent formulation and implementation of strategic planning on the performance of PBC are enumerated in the subsequent paragraphs:

- Financial records as per PBC over the years showed a steady increase of the market share from 30 percent in 2007/08 crop season to approximately 37 percent in 2010/11 crop season.
- The reports indicate that the occurrences of cocoa shortages have reduced from 0.53 percent of total purchases in 2007/08 to about 0.25 percent in the 2009/10 season.
- The incidence of discrepant cocoa delivered at ports has reduced from 12 percent of total delivery in 2007/08 to 5 five in 2009/10 season.
- The company has been able to evacuate about 93 percent of its purchases at the primary level as at 2009/10 from as low as 50 percent previously.

- Profit margin has moved positively from 6.87 percent in 2007/08 to 18.57 percent in 2009/10.
- Debt/Equity Ratio has improved considerably from 103.6 percent in 2007/08 to 43.62 percent in 2009/10.
- A consistent dividend payout ratio has been maintained at 34 percent annually from 2007/08 to 2009/10.

The foregoing analysis addresses the research objective of determining the impact of PBCs strategy on performance and answers the research question ‘what strategies are perceived to give PBC a competitive edge?’

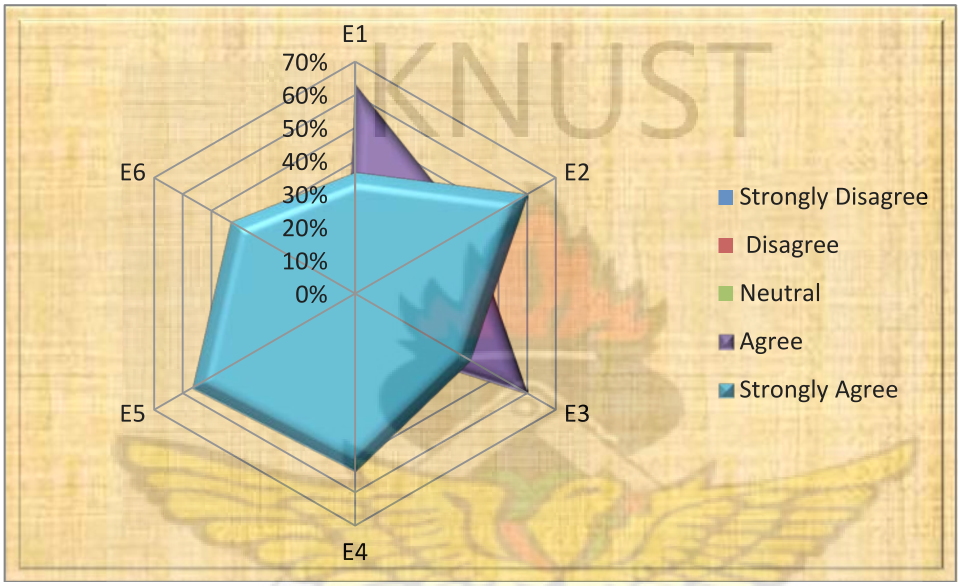
4.8 Sustainability of Profitability

Assessment of the extent of sustainability and profitablilty of PBC by the use of appropriate competitive strategies was done with seven separate parameters which were coded E1, E2, E3, E4, E5 and E6 as detailed in Table 4.7 and picturesquely illustrated in Figure 4.7.

The survey exhibited that on the issue ‘E1: PBC accounts shows increasing profit year after year’, ‘E2: PBC is a viable company’, and ‘E3: PBC has a good investment portfolio’ there was overwhelming cumulative response of 100 percent affirming to the aforementioned assertions. On the other hand ‘E4: PBC’s investments yield good dividends’, showed 34 percent cumulatively disagree and 66 percent collectively affirming. ‘E5: PBC profit ratio is consistent’, also showed an 80 percent in support of the notion‘; and ‘E6: PBC’s growth rate is slow but consistent’ had 7 percent strongly disagree, 40 percent disagree, 3 percent agree and 43 percent agree.

In summary, all the assertions used to assess the extent of profitability of PBCs as per competitive strategies exhibited that PBCs very profitable, although the company's growth has been found to be slow and consistent.

Figure 4.8 Profitability



Source: Field Survey, August 2011

Table 4.8: Profitability

Profitability												
Details	**Strongly Disagree**		**Disagree**		**Neutral**		**Agree**		**Strongly Agree**		**Total**	
	Freq	**Percent (%)**	**Freq**	**Per cent (%)**	**Freq**	**Percent (%)**	**Freq**	**Percent (%)**	**Freq**	**Percent (%)**	**Freq**	**Per cent (%)**
PBC accounts shows increasing profit year after year.	0	0%	0	0%	0	0%	19	63%	11	37%	30	100 %
PBC is a viable company	0	0%	0	0%	0	0%	12	40%	18	60%	30	100 %
PBC has a good investment portfolio.	0	0%	0	0%	0	0%	18	60%	12	40%	30	100 %
PBC's investments yield good dividends.	5	17%	5	17%	0	0%	4	13%	16	53%	30	100 %
PBC profit ratio is consistent.	4	13%	2	7%	0	0%	7	23%	17	57%	30	100 %
PBC's growth rate is slow but consistent	2	7%	12	40%	2	7%	1	3%	13	43%	30	100 %

Source: Field Survey, August 2011

4.9 Challenges to Sustainability of Competitive Strategy

The study identified eight (8) major challenges facing the PBC in particular and the LBC industry in general that threaten the sustainability of competitive Strategies. These are:

1. Irregular flow of recycling funds:

   The company is faced with the problem of irregular flow of re-cycling funds mainly caused by:

   i. Perennial congestions at the ports

   ii. Delays in processing Cocoa Taken Over Receipts (CTORs)

An executive of PBC reiterated that usually financing gaps in cocoa purchases arise out of:

a) Inability of banks to provide adequate guarantees for initial CocoBod Seed Fund due to restrictive prudential requirements for exposure limits for banks.

b) Lack of liquidity during the season to promptly pay LBCs Cocoa Taken Over Receipts (CTORs) to generate funds for re-cycling.

2. Lack of working capital: Huge working capital is needed and lower expected profitability has prevented the company from building enough working capital for its operations.
3. High Finance costs: High cost of borrowing to finance cocoa purchases is incurred due to inadequate seed funds from Cocobod and low recycling rates, huge sums of money will have to be borrowed from local commercial banks at exorbitant interest rates. Finance charges represent about 30 percent of the total operational costs of the company.
4. Poor Public Relations: PBC does not have corporate Public Relations Officer

or department. There is generally poor public relations at national, regional and district levels.

5. Shortages: The Company is unable to prevent shortages emanating from front-line staff like Marketing Clerks and Depot Clerks. PBC is encountering inadequate strategies to forestall the recurrence of inherent administrative and operational lapses and bottlenecks.
6. Port Discrepancies: According to the executive of the implementation committee as a result of the intense competition in the industry, farmers and marketing clerks do not adhere to proper handling of cocoa before delivery to the ports for onward exports. Logistical challenges such as lack of sieves, tarpaulins to properly condition the cocoa before evacuation to the ports are the major ones that need attention. Inability to properly disinfect cocoa sheds and depots contributes to high incidence of infestation resulting in high incidence of cocoon destruction of produce; thus the premium quality is compromised.
7. Monitoring: The Company lacks vehicle to facilitate monitoring of the operations at the district level by the staff concerning cocoa purchases at the various societies. Ineffective monitoring system at the operational level is a contributing factor to shortages and embezzlements of funds by marketing clerks.
8. Pre-Finance: The turbulent competition has led to the scrambling for farmers; thereby causing the LBCs and their agents, marketing clerks pre-financing cocoa purchased from farmers. Most of such monies almost always become bad debts.

The foregoing issues on sustainability address the research objective of assessing the sustainability of the PBC competitive strategies and answers the research question of whether the current strategies are capable of surviving the competition in the cocoa industry.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

Organizational results are the consequences of the strategic decisions made by its leaders. Competitive strategy is to build a sustainable competitive advantage over the organization's rivals. An effective strategy recognizes barriers and develops decisions and choices that circumvent them. PBC is the market leader in the increasingly competitive internal cocoa marketing industry in Ghana in terms of market share, quality human resource, solid financial/assets base, countrywide dispersion of purchasing centers, product quality and diversity, and very importantly, responsible corporate citizenship activities. The landscape of the Ghanaian LBC industry has however, seen dramatic changes in the last decade (1999-2008). New companies both local and foreign have emerged some as start-ups others through mergers or acquisitions. Some are the Akuafo Adamfo, Amajaro and Kuapa Kokoo to mention a few; all virtually offering similar products in the industry due to the liberalized economic environment, hence the need to ascertain each company's performance in the last decade or so and the resulting effectiveness of its competitive strategies adopted if any. Thus, the concepts of competitive edge over other players, its importance and impact on corporate performance are very relevant.

- The main objective of the study is to identify the strategies adopted by LBCs to gain competitive advantage in the cocoa industry with particular reference to Produce Buying Company; and specifically, analyze the current competitive strategies being pursued by the PBC; determine the impact of PBC's strategy on the company's performance in relation to industrial benchmarks; assess the sustainability of the PBC's competitive strategy and to make recommendations to improve the strategic competitive advantage of PBC in the cocoa industry.

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A sample size of two hundred (200), comprising thirty (30) staff and one hundred and seventy (170) Farmers of the targeted population of two thousand, six hundred (2,600) were selected using the non-probability sampling method of random sampling, specifically, the purposive sampling technique; and further exhibiting a ratio of 1:0.9 with regard to male and female distribution indicating significant male dominance over the female; thereby, emphasizing the a fair gender balance in the internal cocoa marketing industry.

5.1 Summary of Findings

5.1.1 Demographic Representation

The ages of all the respondents are within the range of 19 to 57 years; showing a workforce made up of majority young, energetic and intelligent individuals who are hunger for success and excellence for PBC and a much sober and well experienced middle aged employees who are in the minority. Most of the farmers, according to the study are well advanced in age. Again, majority of both staff and farmers had been with company as employee and clients for over 20 years. All staff of PBC are educated and are in the position to undertake prudent, intelligent and coherent decisions on their respective role in the competitive strategies of PBC in the LBC industry, although, it is encouraging to see a fraction of farmers being university graduates irrespective of significant number of illiterates in their fold. All these contribute positively to the sustainability of the company's competitive strategy.

5.1.2 Competitors

Twenty-nine competitors of PBC were identified with Olam, Akuafo Adamfo, Federated Commodity, Transroyal, Amajaro, and Kuapa Kokoo as major LBCs farmers mostly deal with, albeit, the study discovered PBC to hold the largest market share of 35.8 percent (303,025.38 tonnes in absolute terms) for the 2010/2011 cocoa season confirming the company's leadership role in the industry and the sustainability of its competitive strategy.

5.1.3 Images and Reputation

In assessing the image and reputation of the company, it was detected that PBC is one of the leading good corporate citizens in Ghana; PBC is acknowledged as the all round best LBC; PBC's positive image is the result of planning over the years; PBC offices are noted for their attractiveness and pleasant environment; and it was not recognized as the industry's pacesetter in production innovation.

5.1.4 Information Systems

The study indicated that PBC has not yet computerized all its operations except for salaries/wages and staff database. The regional offices have computers which are mainly used for clerical duties such as typing of reports, and the district operations do not have computers. Apart from the head office no IT staff has been employed for the regions since there are not any system administrative duties at the regions except the secretary and typing duties. District operational reports/returns are forwarded to the regional offices personally on weekly basis by the district officers through the regional offices via courier, particularly, EMS, every week and thence to the National Head office. Information sometimes is sent through radio messages operated by radio staff of the Cocobod.

5.1.5 Competitive Advantage

PBC does not have a Strategic Planning Department but rather a twelve member Corporate Planning Committee which is constituted every three years; with the terms of reference as in: to develop a corporate plan document; to evaluate the past performance of the company; to re-strategize plans of actions necessary to achieve corporate objectives; and to make the necessary recommendations to be considered in developing the next corporate plan. There is the seven-member Plan Implementation sub-committee whose object is to ensure the success of the medium-term plan of PBC. PBC since its inception has implemented four (4) corporate plans; so far three have already been implemented and the fourth which is the current one is in progress and it is for the three year duration of 2010/2011 – 2012/2013.

PBC has adopted the cost leadership strategy in order to deliver service and products at their lowest cost, relative to competitors. PBC's choice of cost leadership was informed by the consistent focus on driving costs lower relative to competitors, through investment in efficient-scale facilities (such as the construction and rehabilitation of new and old silos respectively, and also adopting the appropriate transportation system from the purchasing points at the districts right to the ports for shipment), lower cost and overheads control and cost minimizations in areas such as services and personnel.

5.1.6 Impact of competitive strategy planning on performance

Competitive strategy planning has impacted positively on the performance of PBC. There is a steady increase of the market share from 30 percent in 2007/08 crop season to approximately 35.8 percent in 2010/11 crop season; the occurrences of cocoa shortages have reduced from 0.53 percent of total purchases in 2007/08 to about 0.25 percent in the 2009/10 season; the incidence of discrepant cocoa delivered at ports has reduced from 12 percent of total delivery in 2007/08 to 5 five in 2009/10 season; a consistent dividend payout ratio has been maintained at 34 percent annually from 2007/08 to 2009/10.

5.1.7 Sustainability of Profitability

The survey exhibited that PBC accounts shows increasing profit year after year; PBC is a viable company; PBC has a good investment portfolio; and PBC's investments has yield good dividends; and PBC profit ratio is consistent.

5.1.8 Customer Service to farmers

The study indicated that PBC is providing not too excellent service to its valued customers, the farmers. PBC understands the needs of farmers. PBC is brandishing a much wider range of services for its valued customers and personalizing services; its social responsibility to the community was held in high esteem. Due to the necessary resources being put in place by PBC and vigorous campaign of advertisement being waged farmers were of the view that the company was effectively responding to the competition; agency proximity was also favourable. PBC innovation of products and services is better than most in the industry. It is easy to do business with PBC. However, farmers are not too pleasing with the service quality of PBC.

5.1.9 Challenges

PBC is faced challenges such as irregular flow of recycling funds that tend to threaten the sustainability of its competitive strategy. The financing gaps in cocoa purchases arise out of inability of banks to provide adequate guarantees for initial CocoBod Seed Fund due to restrictive prudential requirements for exposure limits for banks; and lack of liquidity during the season to promptly pay LBCs Cocoa Taken over Receipts (CTORs) to generate funds for re-cycling. Lack of working capital; High Finance costs; PBC does not have corporate Public Relations Officer or department; PBC is unable to prevent shortages emanating from front-line staff like Marketing Clerks and Depot Clerks; farmers and marketing clerks do not adhere to proper handling of cocoa before delivery to the ports for onward exports; and ineffective monitoring system at the operational level is a contributing factor to shortages and embezzlements of funds by marketing clerks.

5.3 Conclusions

It could be concluded from the research that there is a fair gender balance in the internal cocoa marketing industry, with the female specie coming up strongly as many woman are taking advantage of the ever increasing price of cocoa in Ghana; probably due to the ever-increasing purchasing price of cocoa beans by the central government even in the face of downward trend in pricing in the international market. PBC has enjoyed a substantial customer loyalty; while it can also boast of rich working experience so far as the employees are concerned.

The internal cocoa marketing industry cuts across all shades of people (both educated and uneducated); even the farmers of PBC are not pushovers but people who know what they want and ensure they get it. There was dissatisfaction on the part of farmers, which thus prompted them using a second and in some instances a third LBC for services. PBCs competitive strategies exhibited that the company’s image and reputation is on the upsurge as far as the industry is concerned.

The current state whereby computerization has not been extended to the activities of PBC except for certain aspects of its Human Resource Management has had negative rippling effects on the company's performance causing undue delays in sending and receiving report/returns; information delayed always keeps all stakeholders in suspense; missing of important reports/returns in transit; distortion of information in the dissemination of reports/returns; and manual operations causes increase in volume of work at the regional and district levels. In the internal cocoa marketing industry where commission to LBCs is predominantly one of the surest ways to improve profitability is cost reduction or cost control. PBC's overheads are high and this requires higher volumes in order to break even.

PBC's choice of cost leadership according to a member of the implementation committee was informed by the consistent focus on driving costs lower relative to competitors. In order to achieve and sustain the cost leadership strategy management of PBC developed and set standard costs for each product or service delivery; embarked upon continuous review of operational procedures to eliminate non value added activities; prepare control reports including analysis of variances for management attention; project appraisals; and prepare divisional performance reports.

The impact of the prudent formulation and implementation of strategic planning on the performance of PBC showed that the incidence of discrepant cocoa delivered at ports has reduced from 12 percent of total delivery in 2007/08 to 5 five in 2009/10 season; the company has been able to evacuate about 93 percent of its purchases at the primary level as at 2009/10 from as low as 50 percent previously; profit margin has moved positively from 6.87 percent in 2007/08 to 18.57 percent in 2009/10; and Debt/Equity Ratio has improved considerably from 103.6 percent in 2007/08 to 43.62 percent in 2009/10.

Finally, The profitability of PBCs as per competitive strategies exhibited that is very profitable, although the company's growth has been found to be slow and consistent. Farmers are not too pleasing with the service quality of PBC.

5.4 Recommendations

In view of the findings of the research the following recommendations are made.

5.4.1 Financing

PBC should look for off-shore loans or grants to finance the purchase of cocoa from the farmers. This would in the long run eliminate the perennial lack of working capital needed to lower the expected profitability. Again, it would solve the problem of high finance cost from commercial banks.

5.4.2 Port Discrepancies

Management of PBC should construct its own sheds and warehouses at the ports of shipment. This would help in the proper handling of cocoa before delivery to ports. Warehouses and sheds should be fumigated to clear them from rodents and other pests; so as to avoid the high incidence of port discrepancies.

5.4.3 Diversification

PBC has recently diversified into shea nut processing; further forward integrated diversification into the processing of the cocoa bean would also be a plus; and moving into the banking sector to support farmers and the cocoa industry at large is highly recommended.

5.4.4 Public Relations

A public relations department should be established with officers at all the regions. This would be the first step of bringing its services to the door-step of the farmer; and also have the opportunity to further sell the company to the farmer.

5.4.5 Corporate Strategy Department

Management should set up a Corporate Strategy Department which is constituted of professional strategists for an effective and efficient service delivery, instead of depending on the implementation committee for everything strategic at PBC.

5.4.6 Control System

Adequate internal control system should be established and reviewed on regular basis. The accounting and auditing systems should be enhanced by strengthening both the accounting and audit department. The independence of the audit department should not be compromised in any way whatsoever.

5.4.7 Computerization

The entire company should be networked to avoid the high cost of sending reports/returns to the regions and to the head office via courier services or in person. This system wastes precious man hours which could be used effectively if the company adopts an intranet and the internet also to even track its transportations of cocoa beans and exports by shipments at the ports. Every operation of the company should be automated for efficiency.

5.4.8 Monitoring

Adequate monitoring strategy should be put in place with adequate resources for effective monitoring. The proposed Corporate Planning Department should be responsible for the monitoring and evaluation of the system.

5.4.9 Farmers' Incentives

Well strategized farmers incentive scheme including setting aside some funds to assist loyal farmers in time of need is recommended.

5.4.10 Employee Satisfaction

In all these, if the employee is not well motivated and challenged to deliver optimum results, the company would not be too different from the other LBCs. Management should adopt a Strategic Human Resource Management which would facilitate adequate employee satisfaction.

5.5 Suggestions for Future Research

It is a case study approach of one particular LBC and did not cover others to reflect the entire industry response to issues worth investigating on competitive strategies. Hence the result was not generalized but its findings were placed in the relevant context of the individual LBC studied.

A further future comparative research of competitive strategies of the LBCs in the cocoa industry will definitely be another area recommended for future researchers.

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APPENDICES

Appendix 1

QUESTIONNAIRE TO STAFF

Dear Sir/Madam
You have been selected to respond to this questionnaire for the study of "Evaluation of competitive strategies of LBCs in the cocoa industry*: (A Case Study Of Produce Buying Company Ltd [PBC])"*. You are assured that any information you provide is solely meant for the research and nothing else. Your response to the questions will be kept confidential**.**
Thank You.

SECTION A: Please complete this section by ticking the applicable box

1. What is your Gender: Male [ ] Female [ ]

2. Indicate your age
   18– 25years [ ]
   26 – 33 [ ]
   34 – 41 [ ]
   42 – 49 [ ]
   50 – 57 [ ]
   58 – 60 [ ]

3. How many years have you been with the company?
   1 – 5years [ ]
   6 – 10 [ ]
   11 – 15 [ ]
   16 – 20 [ ]
   21 – 25 [ ]

4. State your current position held at PBC.

   ………………………………………………………………………………………

5. What is your educational level?
   Tertiary [ ]
   Secondary [ ]
   Basic [ ]
   Others, specify…………………..

B IMAGE OR REPUTATION

1. PBC is one of the leading good corporate citizens in Ghana.

1). [ ] 2). [ ] 3). [ ] 4). [ ] 5).[ ]

2. PBC is acknowledged as the all round best LBC.

1). [ ] 2). [ ] 3). [ ] 4). [ ] 5).[ ]

3. PBC's positive image is the result of planning over the years.

1). [ ] 2). [ ] 3). [ ] 4). [ ] 5).[ ]

4. PBC offices are noted for their attractiveness and pleasant environment.

1). [ ] 2). [ ] 3). [ ] 4). [ ] 5).[ ]

6. PBC is recognized as the industry's pacesetter in production innovation.

1). [ ] 2). [ ] 3). [ ] 4). [ ] 5).[ ]

SECTION C INFORMATION SYSTEMS DEPARTMENT

1) Has PBC computerized all its operations in all its offices countrywide over the period?

Yes [ ] No [ ]

If yes state the reasons that informed this decision?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

If No provide reasons/constraints being faced by the company

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

2) How has this affected the interests of various stakeholders of the company over the period; farmers, shareholders, employees, government and the public?

…………………………………………………………………………………………

…………………………………………………………………………………………

3) What is your recommendation for the future improvement of information communication technology management in the company?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

SECTION D: - COMPETITIVE ADVANTAGE

1) Does PBC have a Corporate Planning Department? Yes [ ] No [ ]

2) Does the Department have professional planning staff? Yes [ ] No [ ]

3) Is the Corporate Planner a member of the PBC Executive Management Committee?

   Yes [ ] No [ ]

4) How many Strategic Plans have PBC implemented?

   Please tick. 1 [ ] 2[ ] 3 [ ] 4 [ ] 5 [ ]

5) Which generic strategy is being implemented by PBC?

Provide reasons for the choice strategy……………………………………………..…

…………………………………………………………………………………………

6) How often does PBC review its competitive strategies?

Weekly [ ]   Monthly [ ]   Quarterly [ ]   Half Yearly [ ]   Annually [ ]

7) a) How has PBC's competitive advantage planning impacted on its performance?

Very positively [ ] positively [ ] Neutral [ ] negatively [ ] Very Negatively [ ]

b)Please explain

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

8) In your own view how do you improve strategic competitive advantage planning practice at PBC?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

SECTION E: PBC-PROFITABILITY

	Strongly Agree 5	**Agree 4**	**Neutral 3**	**Disagree 2**	**Strongly Disagree 1**
PBC accounts shows increasing profit year after year.					
PBC is a viable company					
PBC has a good investment portfolio.					

PBC listing on the GSE evidences its financial discipline					
PBC's investments yield good dividends.					
PBC profit ratio is consistent.					
PBC's growth rate is slow but consistent					

SECTION F: CHALLENGES AND RECOMMENDATIONS

1. What are the major difficulties PBC has encountered in the implementation of its competitive strategies?

   …………………………………………………………………………………………

   …………………………………………………………………………………………

   ………………………………………………………………………………………..

2. Suggest ways that would best improve the competitive position of PBC in the Cocoa Industry.

   …………………………………………………………………………………………

   …………………………………………………………………………………………

   …………………………………………………………………………………………

APPENDIX 2:

QUESTIONAIRE TO CUSTOMERS

DEAR SIR/MADAM

You have been selected to respond to this questionnaire for the study of "Evaluation of competitive strategies of LBCs in the cocoa industry: (A Case Study Of Produce Buying Company Ltd [PBC])". You are assured that any information you provide is solely meant for the research and nothing else. Your response to the questions will be kept confidential.

Thank You.

Please choose the option that applies to you by placing a tick in the bracket of your choice. Please give only ONE answer.

SECTION A: BIO DATA AND COCOA HISTORY

1. What is your Gender: Male [ ] Female [ ]

2. Indicate your age

   18– 25years [ ] 26 – 33 [ ] 34 – 41 [ ] 42 – 49 [ ] 50 – 57 [ ] 58 – 60 [ ]

3. How many years have you been with the company?

   1 – 5years [ ] 6 – 10 [ ] 11 – 15 [ ] 16 – 20 [ ] 21 – 25 [ ]

4. Apart from PBC which LBC do you subscribe to: - 1.Olam [ ] 2.Akuafo Adamfo [ ] 3.Transroyal [ ]

   Others……………………………………………………….

5. Which of the following best describes your level of education?

   1) University and above [ ]

   2) Diploma [ ]

3) Professional Training [ ]

4) Secondary Education [ ]

5) Middle School/ Basic Education [ ]

6) Non [ ]

SECTION B:

WHEN COMPLETING THIS SECTION, PLEASE INDICATE HOW THE FOLLOWING STATEMENTS APPLY TO PBC IN YOUR OPINION.

I CHOSE PBC BECAUSE

Details	Strongly Agree (1)	Agree (2)	Uncertain (3)	Disagree (4)	Strongly Disagree (5)
1. It offers excellent services					
2. Understands my needs					
3. Wider range of service					
6. Personalizes service					
7. Community minded/Socially responsible					

SECTION C:

IN YOUR OWN OPINION, PLEASE INDICATE HOW PBC CAN BE COMPARED OTHER PLAYERS IN GHANA ON THE STATEMENTS BELOW:

Details	The Best (1)	Better than Most (2)	Same as Most (3)	Not as Good as Most (4)	Don't Know (5)
1. Vigorous advertising campaign					
2. Ability of PBC to respond to competition					
3. Agency proximity					
4. Introduction of innovative products /development of new products and services					
5. Easiness to do business with					
6. Treating farmers as individuals					
7. Helping farmers with their finances					
8. Opportunity to complain					
9. Ability to resolve complaints on schedule					
10. The physical environment at PBC purchasing centers and offices					
11.Services are very efficient and reliable					
12. Responding to changes in the market					

APPENDIX 3:

INTERVIEW GUIDE TO MANAGEMENT

STRUCTURED INTERVIEW GUIDE TO MANAGEMENT

1. Besides traditional functions what additional services are provided by PBC?
2. With respect to the list of services provided are there regulatory limitations that constrain PBC to offer some of them?
3. Are there regulatory limits on the ability of PBC to operate effectively?
4. Who are your competitors? Are they single providers of the products?
5. Is there one single consumer of the product or service considered? Are there many consumers or large entities as major consumers?
6. In geographic terms how wide is the market for the products of PBC? Are farmers' branches or location dependent? What is the willingness of farmers to use distant branches?
7. Have there been any important regulatory changes that have fuelled competition?
8. How does competition affect the operations of PBC?
9. Please indicate how PBC has responded to competition over the years.
10. What generic strategy is PBC using?
11. How effective has the named strategy been to management?