

Assessing the Challenges of Procurement Outsourcing; A Study of Owere Gold Mines Limited.

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Abstract

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

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

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

I. PROBLEM STATEMENT

Organisations looking for improvement of corporate performance often look to Business Process Outsourcing (BPO) services to streamline business processes and improve operational performance (Browning, 2007). In the quest for greater business value, cost savings and high performance through business process outsourcing, senior executives from nearly every industry are turning their attention to their procurement function (Accenture, 2010). Outsourcing of business processes globally has been predicted by various pundits to increase significantly over the next few years. Even though most business executives know the significant benefits that can be reaped from effectively implementing procurement outsourcing, the subject has received very little attention and publication in Africa particularly Ghana. A recent investigation of procurement directors conducted in major industrial countries found that most intend to substantively increase outsourcing activity (Heffes & Marshall, 2004). In February 2005 the Harvard Business Review commented on a Bain survey of large organisations in Europe, Asia Pacific and North America, which identified that 82% have outsourcing arrangements of some kind (Gottfredson et al., 2005). The overall values associated with outsourcing are startling. Reporting on global outsourcing, the United States Employment Policy Foundation identified an increase in outsourcing value from US\$364 billion in 1980 to US\$1.6 trillion in 2002. Industry analysts estimate this figure will be close to US\$6 trillion by end 2007 (Kelly-Services, 2005). Global spending on procurement outsourcing has not been well reported. The Gartner group (Pring, 2006) estimated the global worth to be US\$2.9 billion with growth expected of 17% annually to US\$10 billion by 2010. In contrast Wilmott (2004) estimates the overall outsourcing procurement market at US\$200 million and expected growth to \$640 million by 2008. The huge difference in estimates and difficulty in finding additional sources suggest that this business area is not yet well understood (Beaumont & Sohal, 2004) and reflect inconsistencies in the business activities which make up procurement. However, contrary to the optimistic portrayal of outsourcing by vendors and the marketplace, outsourcing is an extraordinarily complex process and the anticipated benefits often fail to materialize (Deloitte, 2005). Despite a substantial growth in outsourcing in the past several years, procurement outsourcing is less 2% of all outsourcing activities (A.T. Kearney, 2007). Procurement is not as easily outsourced as other functions. The reason is that procurement results tie directly into the cost of goods sold and organisation's profit-and-loss statements. As far as 1999, an assessment of excellence in procurement study, executives said they expected to increase their outsourcing of day-to-day procurement activities significantly, and deploy more strategically consortia. Yet more than a decade

later, procurement outsourcing continues to trail outsourcing in other functions (A.T. Kearney, 2007). More so, in spite of the dramatic rise in procurement outsourcing practices, few empirical investigations have been conducted in this area and not so many people really understand the meaning of procurement outsourcing, including those who are currently working in this field or related field. As a result, this study attempts to close the gap in this area by explicitly studying procurement outsourcing in the mining sector of Ghana using Owere Gold Mines Limited as a case study. The study hereby aims to investigate the challenges/pitfalls of procurement outsourcing and their effects on Owere Mines Limited. It also discusses the rational/reasons for outsourcing as procurement strategy at Owere Gold Mines Limited.

Research questions: The above scenario raises the following pertinent research questions:

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

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

Specific Objectives: The specific objectives of the study include:

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

A. Scope and methodology of the study

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

B. Significance of the study

- Findings from this study would be of great significance to the procurement stakeholders in Ghana especially Owere Mines Limited.
- Findings would again help reveal the trends, challenges and benefits of procurement outsourcing at Owere Mines limited and consequently make recommendations as to how best to tackle those challenges.
- Moreover, findings of this study would add to the already existing body of knowledge on procurement outsourcing in all sectors of the economy.

C. Justification of the study

The business process outsourcing (BPO) industry is expanding even post-recession, due to the benefits it offers to companies in terms of compliance and the ability to focus on core operations. Today not only non-core work is outsourced, but also more value-added work, such as procurement and logistics, knowledge and legal processes (Capgemini & Procurement Leaders, 2010). By outsourcing, organisations strive to deploy their limited resources and improve operations in order to function more effectively in a highly competitive, consumer oriented market place (Insinga and Werle, 2000). Outsourcing is a viable business strategy because turning non-core functions over to external suppliers enables companies to leverage their resources, spread risks, and concentrate on issues critical to survival and future growth (Badick 2005). Even though procurement is becoming more common in both public and private sectors globally, there seems to be little research done that considers procurement outsourcing activities and the rationale behind its implementation. Motivated by the rapid increase in procurement outsourcing activities in recent years, the research seeks to find out the rationale behind these practices and challenges that organisations face as a result of this practice. It is therefore worth conducting scientific research into the subject matter for effective and

efficient understanding of the parameters which called for an outsourcing decision to be made by a company as well as its challenges. For business executives especially those in Owere Mines Limited, this thesis will also prove useful. They will realize that procurement outsourcing activities influences every aspect of their management decisions, and will impact not only on the product and processes of the organization, but also the people working in the organization and the organizational culture. By studying this thesis, managers can better understand the subject and put this knowledge in practice. Also, the study aims to provide stakeholders with insight into the challenges one organization can face as a result of employing outsourcing as a procurement strategy. Efforts shall be made to find possible solutions to the challenges being posed by procurement outsourcing at Owere Mines Limited in particular and other procurement outsourcing entities in the region. Additionally, a contribution of this thesis is the possibility to further improve the understanding of the outsourcing phenomenon from both a customer and supplier perspectives. Lastly, in the academic world it can contribute to a greater knowledge of procurement outsourcing activities in the mining sector in general, because not much research has yet focused on this sector with regards to this topic. More specifically, this thesis attempts to take a more complete perspective by examining the challenges of procurement outsourcing and their effects on the mines' operations. This can lead to greater in depth understanding of procurement outsourcing in the mining sector, and will allow for further research in this direction.

D. Limitations to the Study

A single case study was adopted on Owere Gold Mines Limited as result of limited time available for executing this research. Therefore, generalizing findings from this study to other companies especially mining must be done with utmost care and comparative analysis. The study was executed in the Ashanti Region of Ghana; however, the third party is located in the Greater Accra region of Ghana. The process of procuring goods, works and services are most likely to differ from one region to the other. Hence findings from this study may not necessarily serve as a true reflection of what might pertain to other companies with both the procurement entity and outsourcing company located in the same region.

E. Organization of Study

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

II. METHODOLOGY

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

A. Research Approach and Design

Research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information (Zikmund, 2003). The objective is to ensure that information gathered is appropriate for solving the problem (Zikmund, 2003). The study focused on a single case study which utilizes 50 purposively selected employees involved in procurement activities and or process from the seven (7) departments at Owere Mines Limited. The respondents were selected based on their positions and roles they play in procurement process/ activity in the organization. The research questions were tackled through the use of both qualitative and quantitative approach. The qualitative method was employed to handle description, comparison of both similarities and differences as demanded by the research. The quantitative method also assisted the researcher to employ statistical techniques to generate and analyze data to come up with new information that helped the researcher to answer the research question with regards to the challenges of procurement outsourcing which may differ from one entity to another and best appreciated by figures and charts. More so, the researcher adopted both open and closed ended questionnaire to collect the needed information. The open ended questionnaire was designed to gather qualitative data whilst closed ended questionnaires were meant for quantitative information where statistical techniques were required.

B. Sampling Procedure

- a. *Study Population:* The study targeted all employees of Owere Mines Limited involved in procurement activities and or process as the study population.
- b. *Sample size and Sampling Technique:* Ideally the study should have covered the whole population but a sample size of 55 employees consisting of senior members, heads of department, heads of unit, key personnel, procurement officers, finance officers, as well as some originating officials from the seven departments within the company. Sampling technique on the other hand is a process of selecting a few (a sample) from a bigger group of population (the sampling population) to determine the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group. The purposive sampling technique was used because it was helpful in selecting respondents who engage or understand procurement process and or activity in one way or another.

C. Case Study

The study used case study approach of research. Case study is mainly used to research into a single or multiple examples of particular object(s). The choice of case study helps the researcher to explore and analyze phenomena in the study organization (Biggam, 2011). Again, the research focused on a single case study to assess the challenges of procurement outsourcing in Ghana with emphasis on Owere Gold Mines limited. Single case study in particular allows for a comprehensive examination that is not possible in a wide cross sectional survey. The three types of case studies include; explanatory, descriptive and exploratory (Biggam, 2011). The case study for qualitative model can be seen as descriptive. This working process was carried out through description of the case company. It adopted questionnaires to gain holistic information of the case company. Using descriptive case studies, this study compared qualitative model with case company's current working process. The case studies were implemented by five steps upon Yin (2009) work. First step is to define and determine the research questions. Selecting the suitable case and determining techniques for gathering data is the next step. Thirdly, it is important to collect relevant data. Analyse and evaluate the data is followed after data collation. The final step is to display the results.

D. Data Collection

Data for any form of research can be obtained in diverse ways such as surveys, interviews, observations, publications etc to analyze the research problem and make logical conclusions. In the light of this, researchers are expected to be creative when it comes to the selection of data collection method. For the purpose of realizing the research objectives, the researcher used primary data to achieve the aim of the study. Though there are quite a number of methods for collecting primary data, the researcher adhered to questionnaires and its explanation is given under the data collection instrument.

- i. *Primary Data:* This type of data is initiated by the researcher from the source for the single purpose of finding answers to the identified problem at hand (Malhotra and Briks, 2003). Data collection techniques for primary data include; personal interviews, questionnaires, survey and observations. Primary data in itself is original and it is collated fresh from the source for a specific study (Shao, 2002). Moreover, primary data does not simply apply to an industry, but gives the researcher the needed information on a particular question or problem that needs to be answered. One key advantage of using primary data is that it guarantees the right information to address the problem at hand. Already existing data may not be relevant or out of context to tackle the subject matter as the researcher wanted to assess the challenges of procurement outsourcing in Ghana.
- ii. *Data Collection Instrument:* The researcher used both structured and unstructured sets of questions to solicit the required information. The principal objective is to transform the researcher's information needs into a set of specific questions that respondents are willing and able to answer. Questionnaires may appear simple and direct, perhaps questions may yield very different and unexpected answers. Structured questions bring to bear the set of responses as well as their format. A structured question may offer multiple-choices, or a scale. Multiple choice questions are easier for respondents to answer. They are also easier to analyze and tabulate than open-ended questions. Structured questionnaires also ensure that interviewer bias is reduced, given that these forms of questions work very well in self-administered conditions. Respondent cooperation in general is improved if the majority of the questions are structured. The unstructured questions on the other hand are open-ended questions that respondents answer in their own words. They are also referred to as free-response or free-answer questions. Open-ended questions allow the respondent to express their attitudes or opinions without the bias associated with limiting responses to predefined alternatives (Malhotra, 2004). The

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

E. Reliability and Validity

The quality of any research is largely attributed to the validity and reliability of the research approach and data. Validity is explained to be said to be the extent to which concepts, measurements or conclusions of any a research work conforms to what actually persists in the study settings (Meeker and Escobar, 1998). To ensure validity, the researcher personally administered the questionnaires and further gave clarification to respondents where necessary. The questions were in clear and simple language for the understanding on the respondents and to prevent vagueness. Malhotra and Birks (2000) explained that “validity is the degree to which variations in observed scale scores reflects true differences among objects on the characteristics being measured rather than systematic or random errors”. The rate at which research measurement is free from errors is called reliability (Stangor, 2007). Reliability focuses on the possibility of a given measuring instrument repeatedly producing the same result.

F. Pretest of the Survey Instrument

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

G. Data Analysis

After the necessary steps of the study have been duly followed that is; clearly defining the research problem, establishing the appropriate research approach and design, administration of questionnaires, the researcher continued to data processing and analysis. The administration of questionnaires assisted the researcher to gather quantitative and qualitative data which was coded and analyzed. The analysis for structured questions was aided by the use of Statistical Package for Social Sciences (SPSS) and Microsoft Excel. This enhanced descriptive analysis where data was presented in tables, and even percentages. The Excel spreadsheet was then used to produce frequency tables that were analyzed. Details of data analysis can be found in chapter four.

H. Ethical Issues

Having access to respondents and ethics are critical aspects of conducting a research and for the researcher to collect data needed, depend on gaining access to the respondents. In order to have access to the respondents, the researcher introduced himself with an introductory letter from the department as a postgraduate student from KNUST, Building Technology Department who is using their institution as an academic study for a research titled “Assessing the Challenges of Procurement Outsourcing in Ghana, a case study of Owere Mines Limited”. The researcher explained to the mine manager and respondents that the study was purely academic, to be used as a requirement for the award of a degree in Master of Science in Procurement Management. The respondents were informed of their role in providing value information and the purpose for which the information was being used. To enhance confidentiality, anonymity and privacy, the questionnaires did not request for personal identification. Similarly, the final report did not comment on individual responses.

III. DATA ANALYSIS

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

A. Characteristics of Sample

This section of the survey observed the following issues like the job position and roles respondents play in procurement process or activity at Owere Mines Limited. The findings were then presented in figures and in tabular form as seen in table 4.1 below. The main interest for the sample here was on the job category (i.e. senior members, unit heads and key officers) of respondents having the focus at the challenges of procurement outsourcing at Owere Mines Limited. The targeted sample size for the research was 55 but this was not the case since 50 questionnaires were received giving

a response rate of 90.91%. 32(64%) of the respondents were key staff, 14(28%) of the respondents unit heads and 5(8%) belonged to the senior management category.

Table 4.1 Demographic characteristics of respondents.

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

Source: (Author's Field Data, 2014)

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

B. Purpose for procurement Outsourcing at Owere Mines Limited

There are several reasons or rationale behind the choice of outsourcing as business strategy for one organization or another. The objective one of this study was to identify the purpose or rationale for procurement outsourcing at Owere Gold Mines Limited. After carefully analyzing the field data, the result proved that the major purpose or motive for procurement outsourcing can be attributed to improvement of company's focus. This conclusion was based on mean comparison of other possible reasons for outsourcing. Improve company focus ranked first with a mean of 4.68 closely followed by cost reduction with a mean of 4.64. By approximation, the mean value of 4.68 for the variables being considered gives a mean value of 5.0 which is interpreted on the Likert scale as "Strongly Agree" and also with the lowest standard deviation value shows the strength of consensus of the respondents. Other purposes included; gain access to world class capabilities with a mean of 4.60, risk sharing and difficulty to manage procurement functions with means 4.13 and 2.17 respectively. The results further showed that 48 respondents out of 50 consisting of 38 strongly agree and 10 agree were in favour of the first ranked variable. The decision to focus on a company's core business processes while delegating non-core business functions to experts outside the company puts the organization in pole position to realize its long term vision. The next most important driver for procurement outsourcing at OML was reduction and control of operating cost. It has been observed that most organisations worldwide resort to outsourcing as a tool for reducing operating cost, the case was not exactly so from Owere's perspective. From table one, 46 respondents out of 50 did either strongly agree or agree to cost reduction as a major purpose or rationale for procurement outsourcing at OML. However, 28 respondents either disagreed or strongly agreed about the fact that outsourcing was pursued as a result of difficulty in performing procurement functions.

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

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

Source: (Author's Field Data, 2014)

C. Challenges of Procurement Outsourcing at Owere Mines Limited

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

Table 4.3 Challenges encountered in Procurement Outsourcing

Variable	Mean	SD	RII	Rank
Hidden cost	4.56	0.712	0.912	1st
Possibility of weak management	3.79	1.021	0.758 333	4th
Cultural differences	1.68	1.108	0.336	6th
Fear of loss of control	4.00	0.780	0.8	3rd
Miscommunication	4.28	0.792	0.856	2nd
Poor infrastructure	2.76	1.562	0.552	5th

Source: (Author's Field Data, 2014)

The said table shows the opinions of respondents on the challenges encountered in procurement outsourcing at Owere Mines Limited. Using both Mean and Relative Importance Index (RII), respondents ranked hidden cost as the most renowned challenge encountered in procurement outsourcing at OML. It is established that one of the most important reason or purpose to outsource a particular function or activity is to reduce costs, but the risk of hidden costs is perhaps the most dangerous one. Most of the time companies underestimate the setup costs, redeployment costs, delivery cost, relocation costs, longer-than-expected costs and international travel expenses. Hidden cost ranked highest with a mean of 4.56. The result showed that 44 respondents out of 50 did confirm hidden cost as the major challenge confronting the company as a result of procurement outsourcing. The other 6 respondents remained neutral or in other words were indifferent with regard to hidden cost as the topmost challenge of procurement outsourcing. Respondents again placed miscommunication second on the ladder of procurement outsourcing challenges at OML. Miscommunication had a mean of 4.28 and 0.856 for RII. By approximation, the mean value of 4.28 for the variables being considered gives a mean value of 4.3 is interpreted on the Likert scale as near “Strongly Agree” and also with the lowest standard deviation value shows the strength of consensus of the respondents. By implication the result is fit for making generalizations. This phenomenon can be attributed to the locational differences between the client (Owere Mines Limited) and the outsourcing service provider. This forms risks in the way of communication, paper work and agreements that need to be done before a particular procurement process is completed. It can also be noted from table 4.3 that fear of loss of control was ranked 3rd by respondents as a risk or challenge of procurement outsourcing. This is shown in the mean value of 4.00 which corresponds to “agree” with the Likert scale. The assumption is that the outsourcing organisation in this case Owere Gold Mines Limited will not have such close control over those aspects of its business, which it has contracted out. This might not matter if the contractor does a good job, but it could mean that no-one within the organisation knows the market rates for the services and posts involved and an excessive level of reliance might therefore be placed on the outsourcing service provider. Possibility of weak management with a relative important index of 0.75833 and poor infrastructure with an RII of 0.55 was ranked 4th and 5th by respondents respectively whilst cultural differences with RII of 0.32 came last on the ranking of the challenges of procurement outsourcing at Owere Mines limited. To Owere, they do not find differences in cultures as threat to procurement outsourcing. Moreover, respondents pinpointed other challenges that procurement stakeholders encounter in the company as a result of the subject matter. These identified challenges included; delay in the delivery of deliverables as scheduled, financial constraint on the part of Owere Mines Limited which intends delay their financial commitment to its service provider.

D. Measures to manage challenges encountered in procurement outsourcing

In other to sustain procurement outsourcing as a strategic business process at Owere Mines limited, respondent ranked possible measures or strategies that can be taken to curb the challenges encountered in procurement outsourcing. Selecting outsourcing providers with a wide skill-set with an RII 0.96 was ranked first by respondents as topmost measure of dealing with the challenges or risk of procurement outsourcing. Outsourcing service provider with several years of experience and skill is believed to have a lot advantage on the market for better deals in the acquisition of the needed economic resources over newly established entities. Even though, Ghana is not different from the rest of many African countries where there is limited number of renowned outsourcing service providers, clients or outsourcing organizations should endeavor to employ the services of the few well-acclaimed entities with the required expertise to embark on procurement outsourcing. Employment of qualified and trained procurement professionals and paying close attention to performance management were placed 2nd and 3rd with RII of 0.944 and 0.936 respectively from

Table 4.4 below. The contradiction is seen where respondents strongly disagreed to the fact that procurement function is difficult to perform perhaps, it was not a major driver for organizations to outsource their procurement functions however, they agreed that employing qualified and trained procurement professionals by both the client and the service provider could minimize or curtail the challenges encountered in procurement outsourcing. Table 4.4 again put organizing refresher programme for procurement practitioners with an RII of 0.904 ahead of actively managing the outsourcing arrangement for maximum performance with RII of 0.896 and using risk/reward provisions as incentives for higher performance outsourcing with RII of 0.841667 in the pecking order. The implication is that procurement outsourcing organizations should emphasize on these proposed strategies to effectively manage procurement outsourcing challenges.

Table 4.4 Measures for managing the challenges encountered in procurement outsourcing

<i>Variable</i>	Mean	SD	RII	Rank
Paying close attention to performance management	4.68	0.476	0.936	3rd
Selecting outsourcing providers with a wide skill-set	4.80	0.408	0.96	1st
Using risk/reward provisions as incentives for higher performance outsourcing	4.21	0.721	0.841667	6th
Actively managing the outsourcing arrangement for maximum performance	4.48	0.586	0.896	5th
Employment of qualified and trained procurement professionals	4.72	0.458	0.944	2nd
Organise refresher training for procurement practitioners	4.52	0.510	0.904	4th

Source: (Author's Field Data, 2014)

IV. CONCLUSIONS AND RECOMMENDATIONS

This presents the complete summary of findings centered on the results and its discussions in connection to the objectives and problem statement of the study. This chapter will focus on the conclusion and recommendations for the research. The main focus of this chapter is on the conclusion and recommendations to address the challenges of procurement outsourcing in Ghana using Owere Gold Mines Limited as the case study.

A. Summary of Findings

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

- a. Rationale for Procurement Outsourcing at Owere Mines Limited:** There are several motives or drivers that may influence one organization to outsource part or whole of a particular business function. This decision is dependent on the organisation's strategic direction at one point in time. It can be concluded from the preceding chapter that improving the company's focus was the purpose or rationale for procurement outsourcing at Owere Mines Limited. This conclusion was that "improve company focus" ranked first with a mean of 4.68 and approximation, the mean value of 4.68 for the variables being considered gives a mean value of 5.0 is interpreted on the Likert scale as "Strongly Agree" and also with the lowest standard deviation value shows the strength of consensus of the respondents. Owere Gold Mines Limited as the name depicts is a gold mining company that places premium on the production of gold therefore outsourcing was employed as a strategy to relief the company from non-core functions that divides its focus on the company's core duties or tasks.

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

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

- b. Challenges Encountered in Procurement Outsourcing at Owere Mines Limited:** The most notable risk or challenge that Owere mines encounters in procurement outsourcing was hidden cost associated with outsourcing. The comparison of both the Mean and Relative Importance Index (RII) ranked hidden cost on

the summit of the challenges. Also, the research revealed miscommunication as the second highest ranked challenge of procurement outsourcing at Owere mines limited. This was closely followed by fear of loss of control. Furthermore, possibility of weak management and poor infrastructure were ranked 4th and 5th respectively. Other challenges identified were delays in the delivery of items and payment delays for items that had been supplied. Last but not least, that study failed to confirm to the fact that cultural differences of the outsourcing company (Owere Mines Limited) and its outsourcing service provider constituted a challenge in procurement outsourcing.

c. *Measures for Managing the Challenges Encountered in Procurement Outsourcing:* The following include measures for ensuring that the identified challenges do not erode potential benefits of procurement outsourcing.

- a. **Selecting Outsourcing Provider with a wide skill-Set:*** Management should attach emphasis on the selection of outsourcing service provider. The success of outsourcing is partly dependent on the kind of service provider selected. This assessment should include skill, experience and capacity of the selected outsourcing service provider. Since mining is a going concern, the outsourcing organization either incurs additional transportation cost for fast tracking delivery of items or procures urgent items outside the service provider's arrangement which soars up the company expenditure. From chapter four, the company's topmost challenge of procurement outsourcing is hidden cost which could be linked to several factors such as late delivery of items etc. This challenge can be tackled when outsourcing organizations engage the services of an established service provider with wide knowledge base and the capacity to effectively enhance job performance. The assumption is that a highly experienced service provider understands lead time stages such as pre-order planning, procurement, production and warehouse lead times. Knowledge in this area can hugely prevent undue delays of items to the mining site by the service provider.
- b. **Employment Of Qualified And Trained Procurement Professionals:*** Though the respondents disagreed to the fact that procurement function is difficult to perform, it is still crucial to employ qualified and trained procurement professionals who really understand the intricacies of procurement outsourcing or procurement management in general. Qualified procurement experts will ensure that all stakeholders perform their roles as expected. For instance, user departments will be prompted as to when to put in request for urgent items and when to expect deliveries. In so doing, the second most noticeable challenge of procurement outsourcing at Owere Mines limited being miscommunication can be dealt with.
- c. **Paying Close Attention To Performance Management:*** This is one serious factor why most organizations fail to realize the full benefits of a particular strategy. It is recommended that outsourcing organizations should not create any form of blockage that will make it difficult to monitor the performance of service providers. The expectation is that if Owere Mines Limited closely monitors the performance of its service provider, it will not only enhance the expectation of outsourcing relationship but also drives the fear factor of losing control over to the outsourcing service provider.
- d. **Organise Refresher Training For Procurement Practitioners:*** Refresher programmes go a long way to enhance the job delivery and performance of employees. Top management should inculcate refresher training programmes into their system in a routine basis to continuously enhance job performance. The reason being that there are challenges associated with outsourcing and that any measure with the tendency to manage these challenges should be pursued with diligence. More so, refresher programmes go a long way to remind stakeholders of their roles and responsibilities within the company. It again has the potential to cushion job performance of stakeholders within the mine thereby ensuring that weak management which is seen as another challenge associated with procurement outsourcing of the company will be reduced.

B. Recommendations

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

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

- Organisations planning to venture into procurement outsourcing should evaluate the competency level of its internal procurement. This involves a thorough assessment of staff and capacity to engage in outsourcing service provider. In doing this potential risks are noticed and proper measures instituted to manage these potential internal and external risks. Again, this thoroughly assessment will assist the outsourcing organisation to employ the services an outsourcing service provider with the needed skill-set and capacity to provide the required services that can boost the company's profit margin
- One very key step for successful implementation of procurement outsourcing is to ensure the involvement of qualified and trained procurement professionals in the assessment and also engage an advisor from a key procurement service provider to support the assessment.
- Again, after the selection of procurement service provider, the entity should pay close attention to performance management. In so doing, loopholes in outsourcing relationship can be detected in time to prevent the failure of the business process. The success of every procurement outsourcing relationship is highly dependent on the service provider selected and how it manages the relationship.
- In a situation there are already existing best practices around procurement process, the outsourcing organisation can maintain the standards through the organisation of refresher programmes for procurement stakeholders. This enhances the job delivery and performance of employees and subsequently growth of the company's output.

C. Conclusion

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

Again, it can be concluded that the story about procurement outsourcing does only depict rosy lines throughout. There are equally challenges or risks associated with this strategy as positive. Owere Mines Limited saw hidden cost in procurement outsourcing as their number challenge. Miscommunication, possibility of weak management, poor infrastructure, and delay in payment of items supplied are some of the identified challenges of outsourcing at Owere Gold Mines Limited.

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

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

D. Suggestion for Future Research

Like any other research work, there were some areas that can be improved upon in the future. For instance, this research work adopted a single case study approach where only one company that is Owere Gold Mines Limited was studied. It is therefore recommended that future work must include other companies outside the mining sector so as to access the detailed challenges of procurement outsourcing in Ghana. The research also failed to seek the challenges of procurement outsourcing from service providers' perspective. It is again recommended that involvement of all major stakeholders such as contractors/suppliers, transporters etc. are made in the future to give more credibility to results and presentation. More so, the focus of this study was to identify the challenges of procurement outsourcing in

Ghana using Owere Gold Mines limited as a case study. The research again failed to access the underlying causes of these challenges hence; future research should explore the underlying causes of those identified challenges.

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