

**SUPPLY CHAIN MANAGEMENT AND PURCHASING PRACTICES IN THE GOLD
MINING INDUSTRY: A CASE STUDY OF ANGLOGOLD ASHANTI COMPANY
LTD. OBUASI MINE.**

BY

ERIC ASARE-BOADI

B.Sc (Hons) GEOLOGY-PHYSCIS

KNUST



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DECLARATION

I declare that I have wholly undertaken the research reported herein under supervision and that where scholarly works were utilized, these have been duly acknowledged.

ERIC ASARE-BOADI
(STUDENT)


.....
(SIGNATURE)

09/10/2009
.....
(DATE)

CERTIFIED BY
MR. JONATHAN ANNAN
(SUPERVISOR)


.....
(SIGNATURE)

16/10/09
.....
(DATE)

CERTIFIED BY
JONATHAN ANNAN
(HEAD OF DEPARTMENT)




.....
(SIGNATURE)

16/10/09
.....
(DATE)

DEDICATION

To my family, Nana Ankyea Asumani Pobi – my wife and Ama Boadiwaa Asare – my daughter.

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ABSTRACT

Mining companies in Ghana face major challenges in their day to day activities. Among some of the challenges is how to meet their daily operating cost. They spend huge amount of dollars in purchasing of materials needed in their daily production activities.

The growing importance of supply chain management has led to an increasing recognition of the strategic role of purchasing, which has recently evolved and expanded from “buying” to “procurement” and “supply management”. For a mining company to be able to operate within its budget and continue to be in business it needs to adopt strategic purchasing practice and also effectively employ SCM processes.

In doing so, content analysis was employed to facilitate synthesis of responses that were gathered through interviews, questionnaires and personal observations.

It was observed that, AngloGold Ashanti, Obuasi Mine had adopted the Public Procurement Act 663 for its strategic purchasing activities. This strategy allows the Tender Committee to review activities at every step of the procurement cycle leading to the selection of the lowest evaluated bid and best offer.

In conclusion, the management of the supply chain division should organized training and workshops programs to inform their suppliers on the quality of goods and services that are needed for the company. Suppliers should have access to information in the company to enable them make effective decisions on their pricing and other related issues. Also the Company must collaborate more with their suppliers than they are doing now since that will reduce cost.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND

From Handfield, (2002) Supply chain management (SCM) is the active management of supply chain (SC) activities to maximize customer value and achieve a sustainable competitive advantage. It represents a conscious effort by the supply chain firms to develop and run supply chains in the most effective & efficient ways possible. Supply chain activities cover everything from product development, sourcing, production, and logistics, as well as the information systems needed to coordinate these activities.

The organizations that make up the supply chain are “linked” together through physical flows and information flows. Physical flows involve the transformation, movement, and storage of goods and materials. They are the most visible piece of the supply chain. But just as important are information flows. Information flows allow the various supply chain partners to coordinate their long-term plans, and to control the day-to-day flow of goods and material up and down the supply chain.

A firm’s SCM efforts start with the development and execution of a long-term supply chain strategy. Among other things, this strategy should:

- Identify what supply chains the firm wants to compete in.
- Help managers understand how the firm will provide value to the supply chain.

- Guide the selection of supply chain partners, including suppliers, subcontractors, transportation providers, and distributors.

As firms struggle to understand what supply chains they compete in, it is often valuable to map the physical flows and information flows that make up these supply chains. From these maps, firms can begin to understand how they add value, and what information is needed to make the supply chain work in the most effective and efficient way possible.

Of course, the firm's supply chain strategy does not exist in a vacuum. It must be consistent with both the overall business strategy and efforts within such areas as purchasing, logistics, manufacturing and marketing.

The supply chain concept has profoundly influenced traditional purchasing philosophies, practices and procedures.

Purchasing is increasingly ceasing to be a discrete function and becoming a group of activities within an integrated supply chain Anderson and Rask (2003)

There is a growing recognition that purchasing is more than a traditional activity in the supply chain. As world class operations require world class suppliers, the emphasis of purchasing will be less on price and more on supplier relationships and alliances and on contributing to the achievement of enterprise objectives along the entire supply chain Chen et al, (2004).

Purchasing staff will have to acquire competence in other supply chain activities and general management skills, along with the capacity to think strategically rather than functionally and operationally.

Supply chain is essentially a series of suppliers and customers. Every customer in turn becomes a supplier to the next downstream activity or function until the finished product reaches the customer Reck, (1988).

It is in this regard that this study was conducted at AngloGold Ashanti, Obuasi Mine, with the aim of assessing the strategic view of Supply Chain Management with relationship to purchasing practices and to recommend some improvement processes.

1.2 PROBLEM STATEMENT

One of the major problems facing most Gold Mining Industries in Ghana is how to meet their cost targets set for their operations every year.

By effectively improving their internal operating efficiencies, organizations get an attractive rate of return on their investments and that they find ways to lower their operating and sales expenses so as to save costs.

But due to some weakness in supply chain management practices such as bid rigging, contract irregularities, defective pricing, bribery and acceptance of gratuities, theft and embezzlement, and receipt of kickbacks which make it ineffective, it is ideal to put in place an efficient procedure to combat all these nuisances.

This project is set to assess the strategic view of supply chain management with relationship to purchasing practices in the company and also look at the extent at which it has been applied to meet its set objective.

1.3 OBJECTIVES

This research seeks to achieve the following objectives:

1. To assess the purchasing practices in AngloGold Ashanti Company (GH), Obuasi mine.
2. To investigate how strategically the company has applied effective and efficient purchasing practices to reduce cost.
3. To recommend how the company can employ supply chain management concepts to improve on their operations.

1.4 JUSTIFICATION

The purpose of this research is to assess the strategic views of SCM in AngloGold Ashanti, Obuasi Mine. According to Hazel (2004), about 60% to 70% of the cost of a company's production is found in their purchasing activities. It is therefore necessary to manage this function in the most efficient and effective way for the company to save cost and continue to be in business.

Findings and recommendations of this study would be useful in assisting management of AngloGold Ashanti, Obuasi Mine in putting in place a strategic purchasing policy to enable them reduce their operating cost.

1.5 METHODOLOGIES

1.5.1 Data Collection

Both primary and secondary data sources were used in the study. Secondary data sources that were used in this study included information from the Company's Library and reports written by Managers of SCM in the Company. Other forms of secondary data that were used in the study were scholarly journals and books, academic and research institutions.

Primary data were gathered from field studies, through personal interviews with workers and management of the company and self-administered questionnaires.

Appropriate statistical and analytical methods were used in analyzing the data collected in the study in order to draw meaningful conclusions.

1.6 SCOPE

The study will cover the areas of supply chain management practices, strategic purchasing activities within the company and the information flows necessary to monitor all the activities at the supply chain.

Geographically, the study deals specifically with the AngloGold Ashanti, Obuasi Mine in the Ashanti region but are generally concerned with the situation in other mining companies as a whole.

1.7 LIMITATIONS

This research experienced some challenges which though never render the work invalid, but serves as limitations. The major limitation was the problem of access to some information. Difficulty in assessing some information from key management bodies by way of interviews but rather having it through literatures and questionnaire was paramount to the study. . Also, apathy on the part of some respondents was also not encouraging. Some of the respondents felt reluctant to respond to the questions which were prepared for the survey.

1.8 ORGANISATION OF THE REPORT

This research is made up of five chapters. Chapter one is made up of the general introduction, problem statement, objectives of the study, the scope, the methodology used in the study, the organization of the study and the limitations.

Chapter two consists of the literature review of relevant issues on the concept of supply chain management, strategic purchasing and other relevant issues.

Chapter three gives the procedure followed in conducting the study.

Chapter four, in this chapter, an analysis and discussion of responses obtained from questionnaire administered and interview conducted was done.

The last chapter also presents a summary of the study, summary of research findings arrived at, conclusions and recommendations made.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 DEFINITIONS OF SUPPLY CHAIN MANAGEMENT

Various definitions of supply chain management have been offered in the past several years, as the concept has gained popularity.

Hanfield and Nichols (2002) defines supply chain management as, 'the integration of the activities associated with flow and transformation of goods and information through improved supply chain relationships, to achieve a competitive advantage'

According to Mentzer et al (2001), it is 'the systematic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply, for the purpose of improving the long term performance of the individual companies and the supply chain as a whole.'

Hugo, (2003) also sees it as a coordination of production, inventory, location and transportation among participants in a supply chain.' Christopher (1992) considers it as a network of organizations involved in upstream and downstream linkages.

Simchi-Levi et al., (2000) defines it as a set of approaches utilized to efficiently integrate suppliers, manufacturers, warehouses, and stores, so that merchandise is produced and distributed at the right quantities, to the right locations and at the right time, in order to minimize system – wide costs while satisfying service level requirements.

According to Lee, (1997) it is the management of a network of entities that starts with the suppliers' supplier and end with the customers' customer for the production and delivery of goods and services.

2.2 SUPPLY CHAIN MANAGEMENT CONCEPT

Croxton et al., (2001) provide details on eight key business processes which, in their estimation run through the entire length of the supply chain. These included customer relationship management, customer service management, demand management, order fulfillment, manufacturing flow management, procurement or supplier relationship management, product development and commercialisation, and returns management. Successful supply chains will therefore be those who are able to successfully integrate these processes to create value, enhance customer satisfaction and thereby increase chain profitability.

Hammer (2001), on his part argues that, 'streamlining cross-company processes is the next great frontier for reducing costs, enhancing quality, and speeding operations. It is where this decade's productivity war will be fought. The victors will be those companies that are able to take a new approach to business, working closely with partners to design and manage process that extend across traditional corporate boundaries. They will be the ones that move the leap from efficiency to super efficiency'.

Stevens (1989) "The objective of managing the supply chain is to synchronize the requirements of the customer with the flow of materials from suppliers in order to effect a balance between what are often seen as conflicting goals of high customer service, low inventory management, and low unit cost."

According to Monczka et al (1998), SCM requires traditionally separate materials functions to report to an executive responsible for coordinating the entire materials process, and also requires joint relationships with suppliers across multiple tiers. SCM is a concept, “whose primary objective is to integrate and manage the sourcing, flow and control of materials using a total systems perspective across multiple functions and multiple tiers of suppliers.

From La Londe et al (1994), Supply chain strategy includes.” Two or more firms in a supply chain entering into a long – term agreement; the development of trust and commitment to the relationship, the integration of logistics activities involving the sharing of demand and sales data; the potential for a shift in the locus of control of the logistics process.”

2.3 SCOPE OF SCM

According to Monczka et al, (1998) the scope of SCM is functional and organizational. The functional scope of SCM refers to which traditional business functions are included or excluded in the implementation and the process of SCM. The organization scope of SCM concerns what kinds of inter– firm relationships are relevant to the participating firms in the implementation and the process of SCM.

2.3.1 FUNCTIONAL SCOPE OF SCM

Since process refers to the combination of a particular set of functional to get a specific output, all of the traditional business functions should be included in the process of SCM. The supply chain concept originated in the logistics literature, and logistics has continued

to have a significant impact on the SCM concept Jones et al, (1985).

Tyndall et al., (1998) propose that “SCM logistics” is the art of managing the flow of materials and products from source to user. SCM – or the logistics system – includes the total flow of materials, from the acquisition of raw materials to delivery of finished products to the ultimate users, as well as related counter – flows of information that both control and record material movement.

2.3.2 ORGANIZATIONAL SCOPE OF SCM

According to Christopher (1992), leading – edge companies have realized the real competition is not company against company, but rather supply chain against supply chain. Cooper et al, (1997) argue that organizational relationship tie firms to each other and may tie their success to the supply chain as a whole. In this context, a supply chain as a whole may have its own identity and function like an independent firm. However, to accomplish this ultimate supply chain, all companies in the supply chain must have a supply chain orientation. The result is a fully managed supply chain.

Ellram (1990), suggest that effective supply chain management is made of series of partnerships among firms working together and mutually sharing information, risks and rewards that yield a competitive advantage. In the same article, Ellram et al, (1990) also contend that successful supply chain relies on forming strategic partnerships with long – term orientations. Christopher suggests a network of organizations, through upstream and downstream linkages, as the organization for SCM.

According to Webster (1992), networks are the complex, multifaceted organizational structures that result from multiple strategic alliances. Thus, it is proposed that a network

is a well – recognized organization for SCM. The basic characteristic of a network organization is a confederation – a loose and flexible coalition guided from a hub where the key functions include development and management of the alliances themselves, coordination of financial resources and technology, definition and management of core competencies and strategies, development of relations with customers, and management of information resources that bind the network.

2.4 SCM AS A SET OF MANAGEMENT PROCESS

As opposed to a focus on the activities that constitute supply chain management, other authors have focused on management processes. Davenport (1993) defines processes as a structured and measured set of activities designed to produce specific output for a particular customer or market. La Londe, (1994) proposes that SCM is the process of managing relationships, information, and materials flow across enterprise borders to deliver enhanced customer service and though synchronized management of the flow of physical goods and associated information from sourcing to consumption. Ross defines supply chain process as the actual physical business functions, institutions, and operations that characterize the way a particular supply chain moves goods and services to market

through the supply pipeline. In other words, a process is a specific ordering of work activities across time and place, with a beginning, an end, clearly identified inputs and outputs, and a structure for action Cooper et al. (1997); Tyndall et. al., (1998) propose that, to successfully implement SCM, all firms within a supply chain must overcome their own functional silos and adopt a process approach. Thus, all the functions within a supply

chain are reorganized as key processes. The critical differences between the traditional functions and the process approach are that the focus of every process is on meeting the customer's requirements and that the firm is organized around these processes Cooper et al. (1997). Tyndall et al., (1998) suggest the key processes typically include customer relationship management, customer service management, demand management, order fulfillment, manufacturing flow management, procurement, and product development and commercialization.

2.5 SCM AS A MANAGEMENT PHILOSOPHY

As a philosophy, SCM takes a systems approach to viewing the supply chain as a single entity, rather than as a set fragmented part, each performing its own function Houlihan (1988). In other words, the philosophy of supply chain management extends the concept of partnerships into a multiform effort to manager the total flow of goods from the supplier to the ultimate customer Jones et al, (1985). Thus. SCM is a set of beliefs that each firm in the supply chain directly and indirectly affects the performance of all the other supply chain members, as well as us ultimate, overall supply chain performance Cooper et al. (1997).

SCM philosophy suggests the boundaries of SCM include not only logistics but also all other functions within a firm and within a supply chain to create customer value and satisfaction. In this context, understanding customers' values and requirements is essential Ellram et al, (1990). In other words, SCM philosophy drives supply chain members to have a customer orientation.

It is proposed that SCM as a management philosophy has the following characteristics.

1. A system approach to viewing the supply chain as a whole, and to managing the total flow of goods inventory from the supplier to the ultimate customer;
2. A strategic orientation toward cooperative efforts to synchronize and converge intrafirm and interfirm operational and strategic capabilities into a unified whole; and
3. A customer focuses to create unique and individualized sources of customer value, leading to customer satisfaction.

2.6 INFORMATION SYSTEMS AND SCM

From Handfield (2002), with the emergence of the personal computer, optical fiber networks, the explosion of the Internet and the World Wide Web, the cost and availability of information resources allows easy linkages and eliminates information –related time delays in any supply chain network. This means that organizations are moving toward a concept known as Electronic Commerce, where transactions are completed via a variety of electronic media, including electronic data interchange (EDI), electronic funds transfer (EFT), bar codes, fax, automated voice mail, CD –ROM catalogs, and a variety of others. This means that the old “paper” –type transactions are becoming increasingly obsolete. Leading –edge organizations no longer require paper purchase requisitions, purchase orders, invoices, receiving forms, and a manual accounts payable :matching” process. All required information is recorded electronically, and associated transactions are performed with a minimum amount of human intervention. Recent developments in database structures allow part numbers to be accumulated, coded, and stored in databases, and electronically ordered. This means that with the application of the appropriate

information systems, the need to constantly monitor inventory levels, place orders, and expedite orders will soon become a thing of the past.

The proliferation of new telecommunications and computer technology has also made real-time, on –line communications throughout the entire supply chain a reality. These systems are now being linked between suppliers, manufacturers, distributors, reality outlets, and ultimately, customers, regardless of location. These technologies are supply chain “enablers,” in that they can substantially reduce paperwork, improve communication, and reduce lead time and non-value –added activities if properly implemented.

Managers developing information systems should not visualize information as a set of repetitive transactions between entities such as buyers and suppliers, or distributors and retailers. Rather, an ideal system should span all functions and organizations throughout the entire supply chain. With explosion of the internet, the World Wide Web, and company “Intranets,” future systems will possess the following set of characteristics:

- ❖ Centralized coordination of information flows.
- ❖ Total logistics management – integrating all transportation, ordering, and manufacturing systems.
- ❖ Order –change notices that trigger a cascading series of modifications to production schedules, logistics plans, and warehouse operations.
- ❖ Global visibility into transportation resources across business units and national boundaries.
- ❖ Global inventory management – ability to locate and track the movement of every item.

- ❖ Global sourcing – consolidation of the purchasing function across organizational lines, facilitating purchasing leverage and component standardization across business units.
- ❖ Intercompany information access – clarity of production and demand information residing in organization both upstream and downstream throughout the value chain.
- ❖ Data interchange – between affiliates and nonaffiliated through standard telecommunications channels.
- ❖ Data capture – ability to acquire data about an order at the point of origin, and to track products during movement and as their characteristics change.
- ❖ Transformation of the business from within – management who can see the “big picture” and accept the new forms of business processes and systems.
- ❖ Improvements in supplier – customer relationships – to justify investments in technology linkages.

2.7 E- PROCUREMENT

The widespread use of the internet has created numerous opportunities for improving supply chain performance, particularly in purchasing and procurement. E-procurement is the use of the internet in purchasing and procurement. There are six forms of e-procurement applications: e-sourcing, e-tendering, e-information, e-reverse auctions, e-MRO and web-based enterprise resource planning (ERP).

E-sourcing consists of identifying new suppliers using internet technology. E-tendering is the process of sending requests for information and proposals to suppliers, and receiving responses through the internet. E-information is the process of gathering and distributing purchasing information among internal and external parties, using internet technology.

E-reverse auctioning is the internet-based equivalent of a reverse auction, which enables a supplier to sell surplus goods and services to a number of known or unknown buying organizations. Lastly, e-MRO and web-based ERP are processes for creating and approving purchasing requisitions, placing purchase orders, and receiving goods and services ordered using internet-based software systems, Grant (2006).

2.8 INVENTORY MANAGEMENT ACROSS THE SUPPLY CHAIN

According to Handfield (2002), another major trend facing organization today's is the demand for ever-greater levels of responsiveness and shorter defined cycle times for deliveries of high – quality goods and services. A variety of changes occurring throughout global markets have resulted in an increasingly competitive environment. The rate of change in markets products, technology, and competitors occurs at an increasingly rapid pace, leading to a condition in which management must make decisions on shorter notice, with less information, and with higher penalty costs. At the same time, customers are demanding quicker delivery responsiveness. These same customers require products that incorporate state – of – the – art technology and features. Products are becoming less standardized, and customers are demanding options that are tailored to their unique requirements. In many segments of the marketplace, only those firms that have the ability

to “mass customize” are successful. Computers are assessed based on their speed and cost, automobiles on their safety and reliability, and long – distance telephone carriers on price competitiveness. This means that such products are becoming more complex, have a greater variety of options, and must be tailored to a greater number of shrinking market “niches” In some industries, product life cycles are shrinking from years to a matter of 2 or 3 months. This has led one popular management author to compare many current global markets to the fashion industry, in which products go in and out of style with the season.

Managers throughout the supply chain are feeling the full effect of these changes. Cutbacks in staffing are forcing managers to handle a greater number of channels with fewer people, while cost pressures require that they do so with less inventory, Because of the ever –increasing levels of competition found in many markets, supply chain – related mistakes leading to lost sales cannot be easily dismissed and written off. Furthermore both customers and suppliers are becoming better at measuring performance so that these mistakes are more easily detected; “perfect orders” are being demanded. Require a supply chain that is quick, precise, and provides a top – quality product every time.

2.9 SUPPLY CHAIN RELATIONSHIPS

As observed by Handfield (2002), without a foundation of effective supply chain organizational relationships any efforts to manage the flow of information or materials across the supply chain are likely to be unsuccessful.

Of all the primary activities associated with supply chain management, relationship management is perhaps the most fragile and tenuous, and is therefore the most

susceptible to breaking down. A poor relationship with any link in the supply chain can have disastrous consequences for all other supply chain members. For example an undependable source of parts can virtually cripple a plant, leading to inflated lead times and resulting in problems across the chain, all the way to the final customer.

To avoid such problems, organizations must develop a better understanding of their processes, as well as their suppliers' quality and delivery performance; in order to find better ways to serve their customers. To ensure that this occurs, communication links with customers and suppliers must be established and utilized on a regular basis. In short, supply chain relationships are probably one of the most important management interfaces within the entire supply chain.

Nevertheless, many organizations continue to view suppliers (and even customers!) as adversaries who are not to be trusted and with whom long – term relationships should be avoided. This model is reflected in the typical procurement and logistics function found in many organizations. These departments often have no strategic role and are viewed as merely “buying” or “shipping” functions. In many cases, materials management is considered a separate “silo” activity, and personnel have little or no process communication with order internal functions, suppliers, or customers. Finally, most purchasing and logistics departments have a manufacturing and supply orientation, with almost no input into critical new –product design, pipeline inventory reduction, quality improvement, information systems, or process reengineering initializes and carries on the basis of one criterion only – price. (Note that this criterion does not include other factors that account for the “total cost,” but rather reflects only the bottom –line price, which includes both the supplier's cost and profit.) Handfield, (2002)

A key element of improved supplier relationships is the presence of an objective performance measurement system, which is used to ensure that both parties are operating according to expectations and are meeting stated objectives. In addition, parties must emphasize clear objectives, expectations and potential sources of conflict up front in order to facilitate communication and joint problem solving. As a result of this communication, trust between buyers and suppliers begin to grow leading to further improvements Handfield, (2002)

As the level of communication between customers and suppliers increase, parties often witness greater informal information sharing. Managers and engineers from supplying organizations may be invited to customer facilities to encourage a dialogue leading to improvements in the supplying process. Firms may share different types of production and forecasting data, including product –level and part –level material requirements planning schedules. Companies may even begin to share cost data in order to identify non –value –added drivers (such as rework, scrap, excess inventory, etc.) which could be reduced through joint efforts Handfield, (2002)

2.10 STRATEGY

Andrews (2000) strategy is the pattern of objectives, purpose, or goals and the major policies and for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company is to be.

Johnson and Scholes (2001) also define strategy as follows:

"Strategy is the direction and scope of an organisation over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations".

2.10.1 LEVELS OF STRATEGY

Andrews (2000) Strategies exist at several levels in any organization - ranging from the overall business (or group of businesses) through to individuals working in it.

CORPORATE STRATEGY - is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is heavily influenced by investors in the business and acts to guide strategic decision-making throughout the business. Corporate strategy is often stated explicitly in a "mission statement" Andrews, (2000)

BUSINESS UNIT STRATEGY - is concerned more with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors, exploiting or creating new opportunities etc. Andrews, (2000)

FUNCTIONAL STRATEGY: this strategy is formulated at the functional level from the Business strategy or corporate strategy. The main functional strategies include marketing, financial, human resources and production strategies for the implementation of corporate strategy Andrews, (2000)

OPERATIONAL STRATEGY - is concerned with how each part of the business is organised to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, people etc. Andrews, (2000)

2.10.2 HOW STRATEGY IS MANAGED - STRATEGIC MANAGEMENT

Andrews (2000) in its broadest sense, strategic management is about taking "strategic decisions" - In practice, a thorough strategic management process has three main components:

STRATEGY FORMULATION

Strategy formulation is made up of strategic analysis and crafting. It includes:

Developing a business mission

Identifying and organizing external opportunities and threats (external environment analysis)

Determining internal strengths and weaknesses (internal analysis)

Generating (crafting) alternative strategies (strategic options)

Evaluating the alternatives and choosing particular strategies to pursue. (Pre-Implementation evaluation)

Strategy formulation issues include deciding what new businesses to enter, what businesses to abandon, how to allocate resources, whether to expand operations or diversity, whether to enter international markets, whether merge or form a joint venture and how to avoid a hostile takeover. Andrews, (2000)

STRATEGY IMPLEMENTATION

Strategy implementation requires preparing strategic plan, establish annual objectives, devise policies, motivate employees, and allocate resources so that implementation strategies can be executed. It also includes developing a strategy supportive – culture, crafting an effective organization structure, redirecting efforts, preparing budgets, developing and utilizing information systems, and linking employee compensation to organization. This is the administrative/action stage of Strategic Management Andrews, (2000).

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STRATEGY EVALUATION

Strategy Evaluation is the final stage in Strategic Management. Strategy Evaluation is the primary means for obtaining information about whether a particular strategy is working well or not/whether achieving its objectives or not. All strategies are subject to future modification because external and internal factors are instantly changing.

The three fundamental strategy evaluation activities are:

- Reviewing external and internal factors that are the basis for current strategy
- Measuring performance – matching actual performance with budgeted/target/objectives set
- Taking corrective actions (review)

Strategy formulation, implementation and evaluation activities occur at the hierarchical levels in organization; corporate (Top level), Divisional or strategic business unit, and functional (Departments) Andrews, (2000).

2.11 STRATEGIC LOGISTICS

Waters (1999) as organization has taken a broader view of logistics, it has moved up from a largely operational function to having a wider strategic significance. But what exactly does this mean? Every organization has a hierarchy of decisions that we describe as:

1. mission;
2. corporate strategy;
3. business strategies;
4. functional strategies;
5. functional tactics;
6. functional operations.

The mission gives an overall view of the organization's purpose. Then the corporate and business strategies refer to the whole organization and show how the mission will be achieved. These plans might include decisions about organizational structure, geographical locations, competitive position, amount of diversification, acquisitions policy, profitability, resource use and so on. Lower down the hierarchy are the decisions- strategic, tactical then operational – within each organizational function, for instance marketing, finance and operations.

By saying that logistics has developed a strategic role, we mean that some of the decisions are made higher up this hierarchy. They have moved up from operational decisions within, say, marketing, into the business and corporate strategies. This recognizes that some logistics decisions are so important that they set direction for the

business as a whole. It is fairly easy to see that decisions to form an alliance with major suppliers, introduce Efficient Customer Response (ECR), use vendor-managed inventories, or design a new distribution system will have strategic effects. Such decisions are clearly made by senior managers, are important, have long-term consequences, involve many resources and so on. They are also less structured, involve more uncertainty and risk, and have less firm data with which to work.

Of course, as with every other function, most logistics decisions are made at lower tactical and operational levels. But its broader strategic role has an effect on decisions at all levels, and in many ways the context of decisions has changed. For example, the traditional aim of moving products through the supply chain with lowest possible cost has been replaced by a boarder objective of achieving customer satisfaction while meeting a series of long-term objectives. Cost has changed from an objective to be minimized to a constraint Waters, (1999)

2.12 PURCHASING

Purchasing is one of the crucial functions within the logistics and supply chain.

The Chartered Institute of Purchasing and Supply and American National Association of Purchasing Agents define purchasing as: "The function responsible for obtaining by purchase, lease or other legal means, equipment, materials, components, supplies and services required by an undertaking for use in production or resale"

British Chartered Institute of Purchasing and Supply (CIPS) also define purchasing as:

The process undertaken by the organizational unit that, either as function or as part of an integrated supply chain, is responsible for procuring or assisting users to procure, in the most efficient manner, required supplies at the right time, quality, quantity and price and the management of suppliers, thereby contributing to the competitive advantage of the enterprise and achievement of its corporate strategy.

2.13 STRATEGIC PURCHASING

Handfield (2005), intense competitive pressures have forced companies to re-examine their approach to managing suppliers and their supply base. An increasing focus on core competencies, and the concomitant increase in outsourcing of components and services, has also placed greater emphasis on supplier management. In addition, much of the traditional in-house development activities have been pushed onto suppliers. Purchasing is thus increasingly regarded as a strategic weapon, centered on its ability to create collaborative relationships for firm advantage. Partnerships with suppliers can have a strong positive influence on firm performance through the development of joint resources and the exchange of valuable knowledge with these individual partners. In practice, many firms fail to realize these benefits when they implement sourcing agreements at a lower negotiated price. They fail to follow through with the relational processes that capture benefits over the course of the contract. The ability to extract benefits from supplier

relationships is linked to the way these relationships are managed. For example, those relationships characterised by close interactions and successful process integration between buyer and supplier are better able to create, coordinate and protect joint resources for a sustained competitive advantage. Thus, it is not enough for a firm to possess a strategic purchasing orientation, they must also create conditions which allow the buyer and supplier to contribute and develop the relationship. Various supply management practices facilitate this process Handfield, (2005).

Building a distinctive capability in strategic purchasing is important to the achievement of relational rents. Strategic purchasing is supported by associated supply management practices such as formal socialization processes, supplier integration and supply base flexibility Handfield, (2005).

2.14 SUPPLY INTEGRATION

As articulated by numerous researchers, supply chain management represents a critical integration of various functions, Ellram et al, (1994). With the buying firm in the center, a supply chain encompasses both the customer-side and supply-side links Shapiro, (1993). The buyer–supplier dyad forms the core of the supply-side link and is of fundamental importance to the effective integration of supply chain activities. Supply integration can occur in terms of processes, information, cross-organizational teams and among others. In addition, we incorporate an additional facet of supply integration, termed relational integration. This concept personifies the strategic initiatives taken

towards maintaining a long-term win-win relationship with a limited number of suppliers, Chen (2004). The terms “partnership” and “partnership sourcing” have also been used to refer to these closer, long-term relationships with a limited number of suppliers, Johnston (1990). The inclusion of these four facets of supply integration along with their underlying elements is analyzed in the following:

Relational integration:

In the past, firms commonly contracted with a large number of suppliers. Recently, a significant shift has occurred from the traditional adversarial buyer-seller relationships to the use of a limited number of qualified suppliers, Guimaraes (2002). Moreover, supplier contracts have increasingly become long term, and more and more suppliers provide customers with information regarding their processes, quality performance, and even cost structure, Helper (1995). A closer relationship with a limited number of suppliers also means that channel participants share risks and rewards and are willing to maintain the relationship over the long term for mutual benefits Cooper et al, (1993). Studies have also revealed that through a long-term relationship, the suppliers become part of a well-managed chain and have a lasting effect on the competitiveness of the entire supply chain De Toni et al, (1999). Thus, relational integration is operationalized to include “limited number of suppliers” and “long-term relationships”.

Process integration

The reduction of organizational slack requires a close coordination of the supply chain partners, Vollman (1997). The current trend in using strategic partnerships and

cooperative agreements among firms forces the process integration to extend outside the boundaries of the individual firm, Langley et al, (1992). It reflects an extension of the manufacturing enterprise to encompass the entire supply chain, not just the focal firm, as the competitive unit, Greis et al (1997). High levels of process integration across firms are characterized by greater coordination of the firm's logistics activities with those of its suppliers, and blurred organizational distinctions between the logistics activities of the firm and those of its suppliers, Stock et al.(2000). Thus, a single construct termed “logistics integration” is included to study the steps taken by firms towards process integration along the supply chain.

Information integration

Effective inter-organizational communication stimulates integration of information between buyer and supplier firms. In order to jointly find solutions to material problems or design issues, buyers and suppliers must commit a greater amount of information and be willing to share sensitive information Carr et al, (1999). Carter et al., (1989) found that when information integration occurs among design, engineering, quality control and other functions between the buyer and supplier firms in addition to the purchasing–sales interface, the supplier's quality performance is far superior to that experienced when only the buying firm's purchasing department and supplier's sales department act as the inter-firm information conduit.

A more recent perspective on information integration in the supply chain highlights the role of inter-organizational systems, which are sophisticated information systems that connect separate organizations, Kumar et al(1996). Information technology enhances

supply chain efficiency by providing real-time information related to product availability, inventory level, shipment status, and production requirements, Radstaak et al (1998). It also has a vast potential to facilitate collaborative planning among supply chain partners through sharing information on the demand forecasts and production schedules that dictate supply chain activities, Karoway(1997). In particular, these systems help to replace inventory with information. Therefore, the construct of information integration is denoted by:

- (1) the extent of two-way communication and
- (2) the deployment of inter-organizational information systems for information sharing among the supply chain partners.

Cross-organizational teams

Integration of personnel using cross-organizational teams is becoming a common practice in supply chains, Helfert et al (1999). Firms that are changing their value chain and supplier relationships anticipate major contributions through such teams. Teamwork, the crux of general-purpose cross-functional teams, has been a critical component of many organizational change efforts in the 1990s. The breadth of corporate objectives pursued through teamwork indicates that it is a central element for wide-ranging organizational transformations, Drew et al (1997). Over the past several years, cross-functional teams have been identified as critical contributors to the success of efforts like supplier

selection, product design, just-in-time manufacturing, cost reduction, total quality initiatives, and most of all, improved communication, Sherman et al.(2000).

According to Krause et al., (2000) a considerable amount has been written for promoting the involvement of suppliers in the new product development process. The involvement may range from giving minor design suggestions to being responsible for the complete development, design and engineering of a specific part of assembly. Ragatz et al. (1997) , also contend that the effective involvement and integration of suppliers in new product development is a key factor in achieving improvements that are necessary for remaining competitive.

From Primo et al (2002), research has further documented the benefits of involving suppliers in the new product development process and strategic planning. Thus, we include the sub-constructs of “supplier involvement—general purposes” and “supplier involvement—product development” to study the extent of usage of cross-organizational teams.

2.15 THE PUBLIC PROCUREMENT ACT, 2003

The Six Hundred And Sixty Third Act (Act 663) of parliament of the Republic of Ghana was established on 31st December, 2003 to provide for public procurement, established the Public Procurement Board; Make administrative and institutional arrangements for procurement, stipulate tendering procedures and provide for purposes connected with these.

The purpose of the Act is to establish procedures for procurement and the

disposal of unserviceable, obsolete or surplus stores and equipment by public entities to achieve the following objectives -

- (a) to maximize economy and efficiency;
- (b) to promote competition and ensure that competitors are treated fairly;
- (c) to promote the integrity and fairness of those procedures;
- (d) to increase transparency and accountability in those procedures; and
- (e) to increase public confidence in those procedures.
- (f) to facilitate the promotion of local industry and economic development.

This Act applies with respect to -

- (a) procurement by a public entity;
- (b) contract management;
- (c) supply chain management, including inventory and distribution; and
- (d) disposal by a public entity of stores and equipment that are unserviceable, obsolete or surplus.

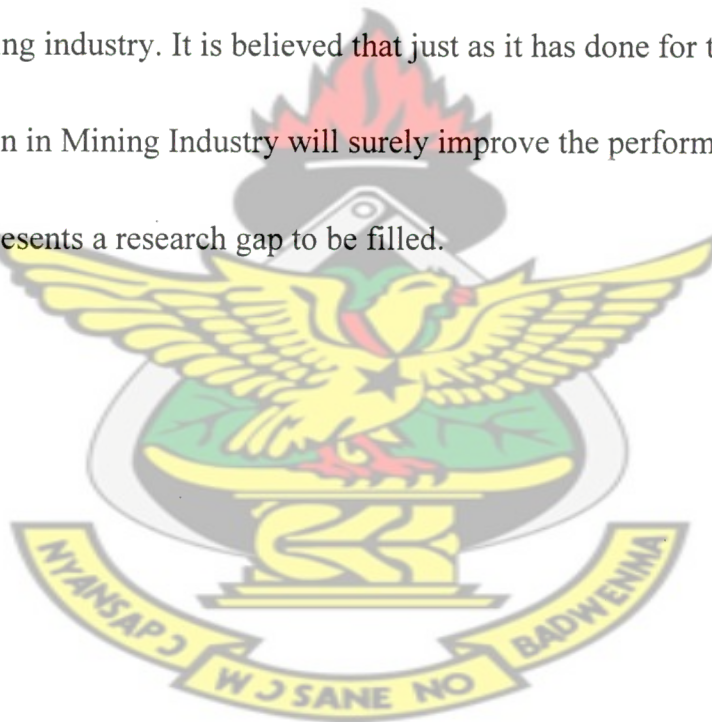
For greater certainty, the following are not procurements with respect to which this Act applies -

- (a) the retaining of the services of an individual for a limited term if, in providing those services, the individual works primarily as though he were an employee;
- (b) the acquiring of stores or equipment if the stores or equipment are being disposed of by a public entity.
- (c) The acquiring of services provided by the Government or a department of the Government.

For greater certainty, the following are procurements with respect to which this Act applies -

- (a) the renting of premises,
- (b) the appointing, other than under the authority of an Act, of an individual to a committee, task force or other body if the individual will be paid an amount other than for expenses;
- (c) the acquiring of real property.

SCM application has gained acceptance over the years in manufacturing, customer service sectors and non profit organizations. Very little has been done by way of testing the application in a mining industry. It is believed that just as it has done for these entities, SCM application in Mining Industry will surely improve the performance of the mining industry. This presents a research gap to be filled.



3.0 CHAPTER THREE

3.1 RESEARCH METHODOLOGY

The research used questionnaire and interviews as the main methods of data collection. Both primary and secondary data were used. Primary data 'is data collected specifically for the research project being undertaken' Saunders et al. (2007). Questionnaire and informal interviews were used to collect this primary data which was analyzed before possible conclusions were drawn. As defined by Saunders et al. (2007) secondary data 'is data used for research project that were originally collected for some other purpose. This data was collected from Supply Chain Management Division of AngloGold Ashanti Company Limited, Obuasi Mine.

3.2 POPULATION

Employees and Management of Supply Chain Management Division of AngloGold Ashanti, Obuasi Mine was the targeted population. The division is made of Suppliers and Contract Departments. Supplies Department consists of Materials Planning, Stores, Purchasing and Materials Engineering. The Contract Department is also made up of the Key Supplies and Contract.

3.3 SAMPLE AND SAMPLING PROCEDURE

Out of the population, a simple size of 35 Employees and Management consisting of 6 Contracts Officers, 11 Purchasing Officers or Buyers, 11 Stores Officers and 7 Materials

Planners were chosen for the project. This sample size represents the true representation of the population.

Statisticians have shown that a sample size of 30 or more will usually result in a sampling distribution for the mean that is very close to normal distribution. For this reason, Stutely's (2003), advice of a minimum numbers of 30 for statistical analyses provides a useful rule of thumb for the smallest number in each category within your overall sample.

Saunders et al. (2007) noted that 'with probability samples the chance or probability of each case being selected from the population is known and is usually equal for all cases'.

With this fact and coupling with time and budget constraints the entire employees of the department were not surveyed but probability sampling was employed as the main sampling technique.

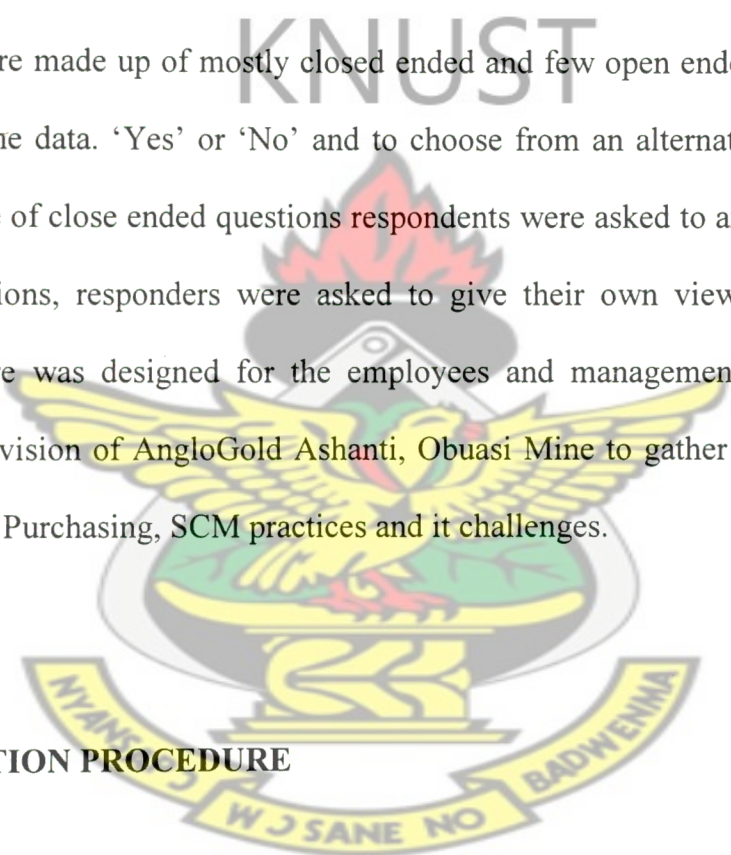
Due to the aggregated nature of the population, the probability sampling method known as stratified random sampling was used. This type of sampling is used when the sampling frame can be divided into a number of subset after which a random sample is drawn from each stratum. This is to ensure that each stratum is represented proportionally within the sample and also reduce the standard error that may be due to chance as a result of variations between the strata.

For the purpose of this study, the sample was divided into four main strata; Contract, Stores, Purchasing and Materials Planning departments. A sample of more than 5 was drawn from the various strata in each region using simple random sampling. This sampling technique was used because it guarantees desired representation of the relevant groups.

3.4 RESEARCH INSTRUMENT USED

The research instrument is the tool used to gather information from respondents. For this study, the instruments used were documents, interview schedules and questionnaires. The researcher approached the management and employees of Supply Chain management Division of AngloGold Ashanti, Obuasi Mine and explains the purpose of the research to them. Necessary information was then made available to the researcher. Some were documents, data and journals.

A detailed questionnaire made up of mostly closed ended and few open ended questions were used to collect the data. 'Yes' or 'No' and to choose from an alternative answers provided were the type of close ended questions respondents were asked to answer but in the open ended questions, responders were asked to give their own views on issues raised. A questionnaire was designed for the employees and management of Supply Chain management Division of AngloGold Ashanti, Obuasi Mine to gather information on Suppliers, Strategic Purchasing, SCM practices and it challenges.



3.5 DATA COLLECTION PROCEDURE

The researcher administered the questionnaires personally. This was to ensure that the right persons were drawn for the research and also enable the researcher to have personal links with the respondents. Almost one and half months was used to complete this piece of work.

3.6 DATA ANALYSIS PLAN

The data was gathered mainly through the use of questionnaire. The questionnaire was pre coded before it was administered. The codes were then defined and entered into the computer using the Statistical Package for Social Scientists (SPSS) software.

The software generated simple frequency and percentage tables for each item. The output generated was then used for analysis and discussion.

3.7 COMPANY BACKGROUND

In 1897, an English company named Ashanti Goldfields Corporation Limited (“AGCL”) was founded and began to develop a mining concession in the area of Ashanti’s current operations at Obuasi. Several years later, underground mining began at its site and has continued to the present. In 1969, AGCL became a wholly-owned subsidiary of Lonrho Plc, now called Lonmin, a UK listed company which at the time had interests in mining, hotels and general trade in Africa. Following the Lonmin acquisition in 1969, the Government acquired 20% of AGCL from Lonmin in exchange for the Government’s agreement to extend the term of the AGCL mining lease over the concession area.

By legislation enacted in 1972, the Government formed Ashanti to take over the assets, business and functions formerly carried out by AGCL. The Government then held an interest in 55% of Ashanti’s outstanding shares, with Lonmin holding the remaining 45%. In 1994, as part of its divestiture policy, the Government sold part of its holding in Ashanti in a global offering. In connection with that offering, Ashanti was reorganised as

a Ghanaian public limited company. The Government also retained its “Golden Share” in Ashanti, a special rights redeemable preference share, pursuant to which the consent of the Government is required, amongst other things, for certain significant transactions. The Government owned approximately 16.8% and Lonmin owned approximately 27.4% of Ashanti Shares.

In 1996, Ashanti expanded its operations through the acquisition of companies holding interests in the Ayanfuri, Bibiani, Iduaprem, Siguri, and Freda-Rebecca properties, which were already or were subsequently developed as mines, and acquired an interest in what was then the Geita exploration concession in Tanzania. In 1998, Ashanti acquired SAMAX Gold Inc., the principal asset of which was the remaining interest in the Geita exploration concession adjacent to Ashanti’s existing licence area. In 1999 and 2000, Ashanti acquired its interest in the Teberebie mine, which is adjacent to the Iduaprem mine.

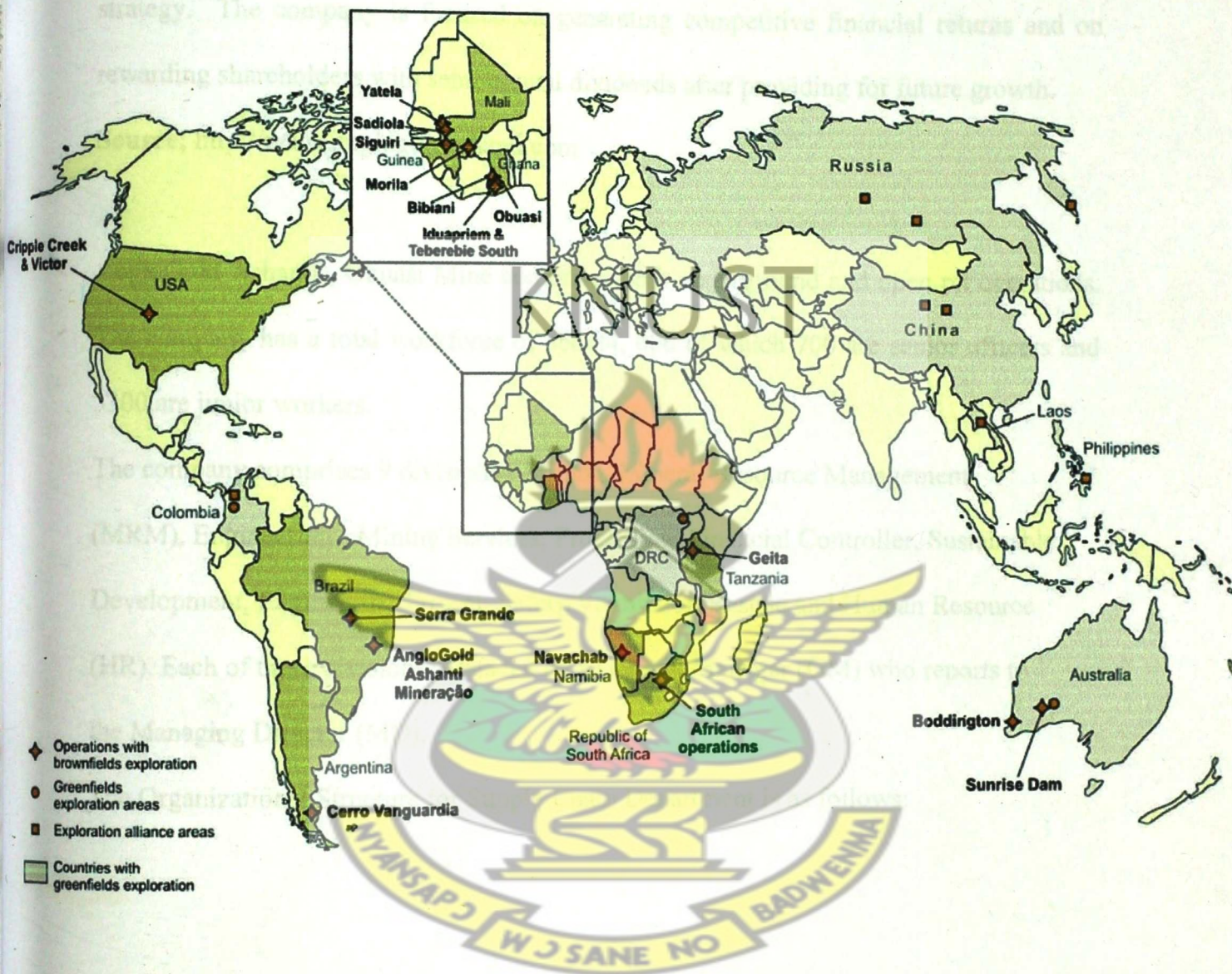
3.9 Profile of AngloGold Ashanti Limited

AngloGold Ashanti was, until 26th April, 2004, two separate organisations, Ashanti Goldfields Company Limited (AGC) of Ghana and AngloGold, South Africa. Ashanti Goldfields Company Limited’s (AGC) business of gold exploration, mining and processing started with underground operations in 1896 and later surface operations in 1988 both in Obuasi. By the year 1993 the surface operations had spread to include Ayanfuri near Dunkwa, Bibiani and Iduaprem near Tarkwa.

Under the able leadership of its Chief Executive, Mr. Sam Esson Jonah, AGC was listed on the Ghana Stock Exchange and had acquired mines in Zimbabwe, Mali and Guinea by the year 1998, with headquarters in Accra, Ghana.

Ashanti's fortunes over the years resulted from sale of its gold based on spot price as well as forward sales through hedging. However, failure to continually examine its hedge books and take the appropriate action resulted in heavy indebtedness to its creditors which nearly brought the company on its knees in the year 2000. With no financial help coming from the government of the day and to salvage the situation, Ashanti Goldfields Company Limited (AGC) was compelled to enter into a 50-50 joint venture with AngloGold, South Africa, in its new mine in Geita, Tanzania. This arrangement resulted in AngloGold bailing Ashanti Goldfields Company Limited (AGC) with adequate amount to service its debts. By the year 2001 Ashanti Goldfields Company Limited (AGC) was faced with the dilemma and challenge of finding resources to tap gold from its rich underground deeps since the grade (quality) of its shallow underground ore was reducing to near non-economical values. This resulted in Ashanti Goldfields Company Limited (AGC) eventually merging with AngloGold South Africa in April, 2004, to become AngloGold Ashanti (AGA).

Figure 1: Map of Areas Covered by AngloGold Ashanti Limited (AGA) Operations



Following the merger, AngloGold Ashanti Limited has become a global gold producer with 21 operations on four continents, a substantial project pipeline and an extensive, worldwide exploration program. The company is listed on the New York, Johannesburg, Ghanaian, London and Australian stock exchanges, as well as Paris and Brussels bourses.

AngloGold Ashanti is committed to continuously improving the performance of current assets through cost management and increased labour productivity, as well as by seeking out value-adding growth opportunities through exploration and a disciplined acquisition strategy. The company is focused on generating competitive financial returns and on rewarding shareholders with semi-annual dividends after providing for future growth.

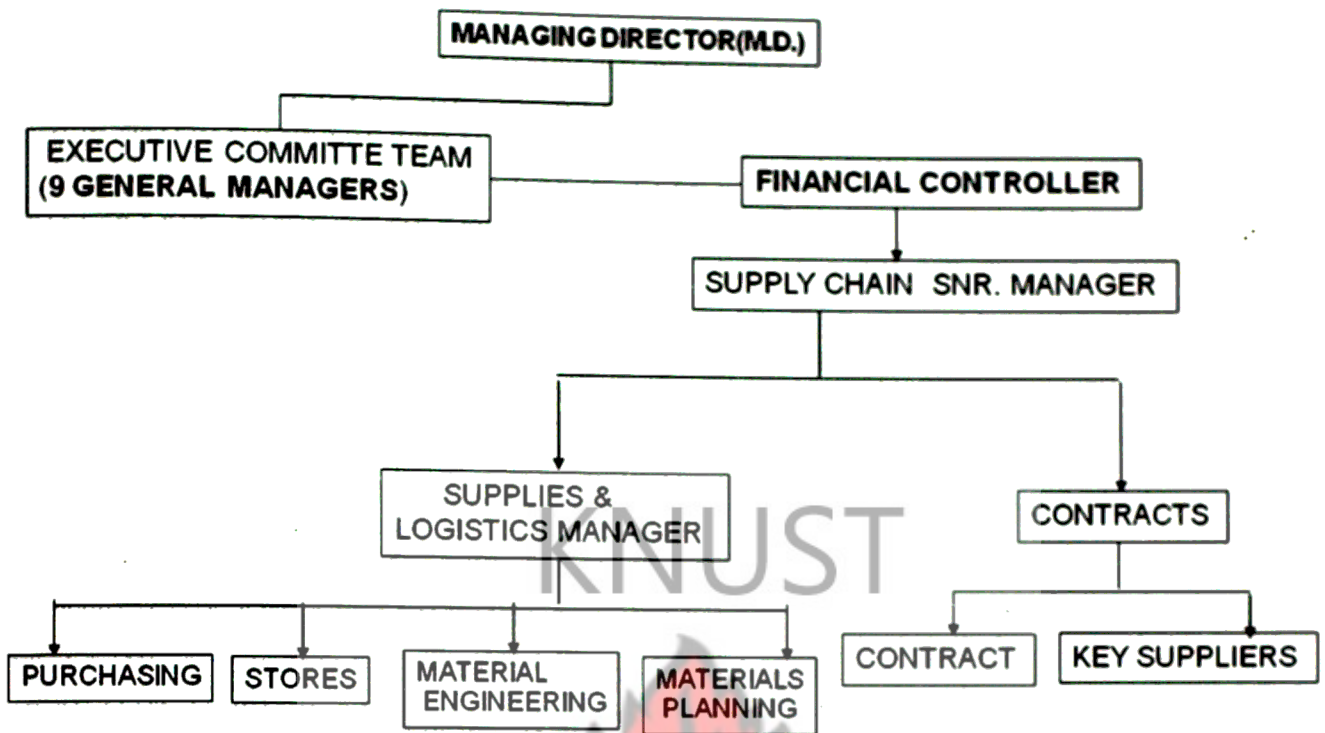
Source; <http://www.anglogoldashanti.com>

AngloGold Ashanti , Obuasi Mine comprises both underground and open pit operations. The company has a total workforce of about 4, 000 of which 700 are senior officers and 3300 are junior workers.

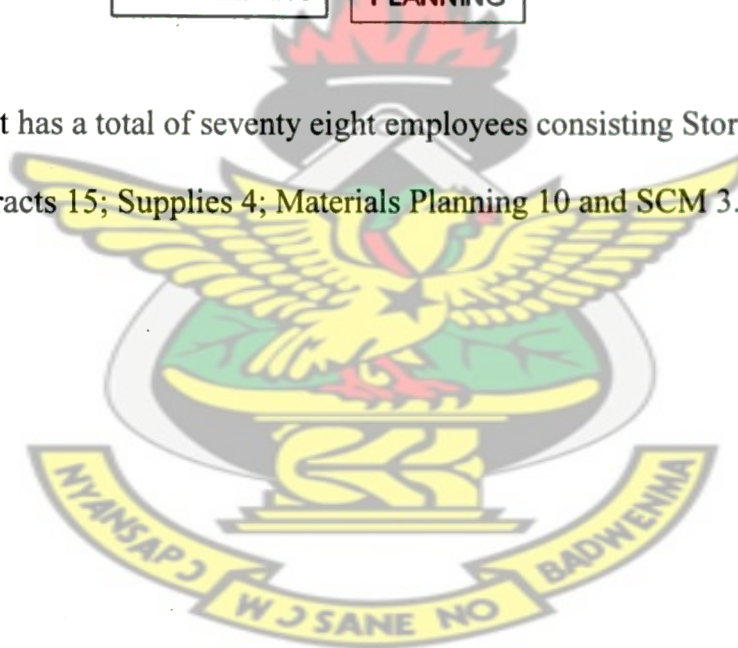
The company comprises 9 divisions-: Mining, Mineral Resource Management (MRM), Engineering - Mining Services, Processing, Financial Controller, Sustainable Development, Engineering Project, Safety/Ventilation/Rescue and Human Resource (HR). Each of these divisions is headed by a General Manager (GM) who reports to the Managing Director (MD).

The Organizational Structure for Supply Chain Department is as follows:





The SCM department has a total of seventy eight employees consisting Stores 30; Purchasing 16; Contracts 15; Supplies 4; Materials Planning 10 and SCM 3.

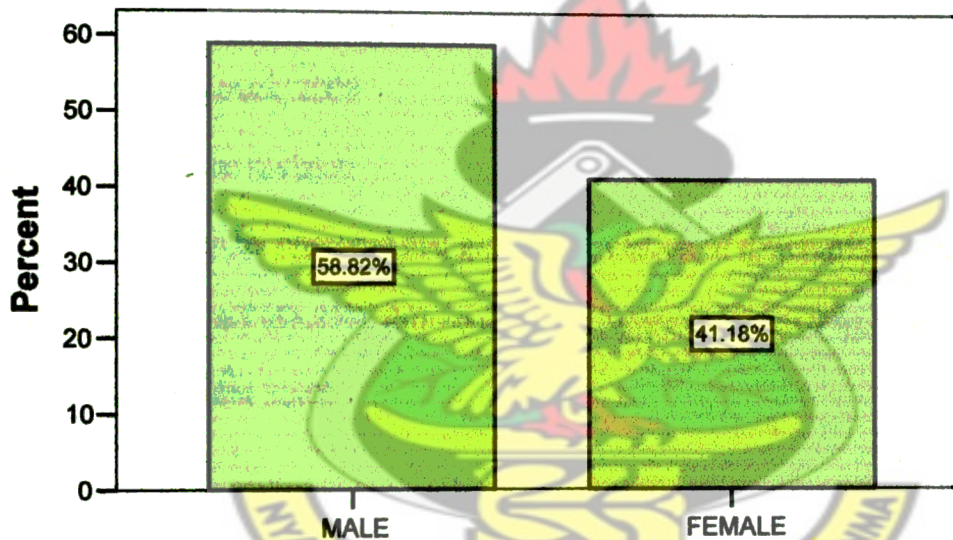


CHAPTER FOUR

4.0 ANALYSIS OF FINDINGS AND DISCUSSIONS

4.1 ANALYSIS OF PERSONAL DATA

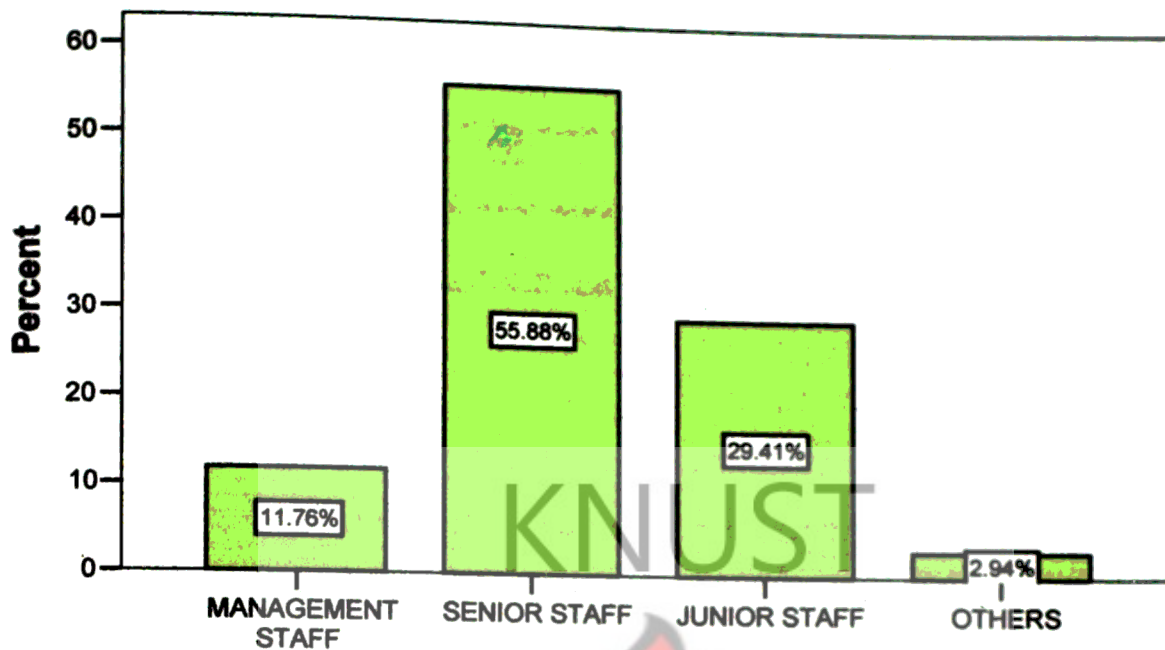
To be able to describe and report on the background information of the respondents, Part I of the questionnaire was devoted to seek information on the background of the respondents. This section presents an analysis of the data on demography of the respondents.



Source: author's construct, 2009

Figure 4.1 Sex of respondents

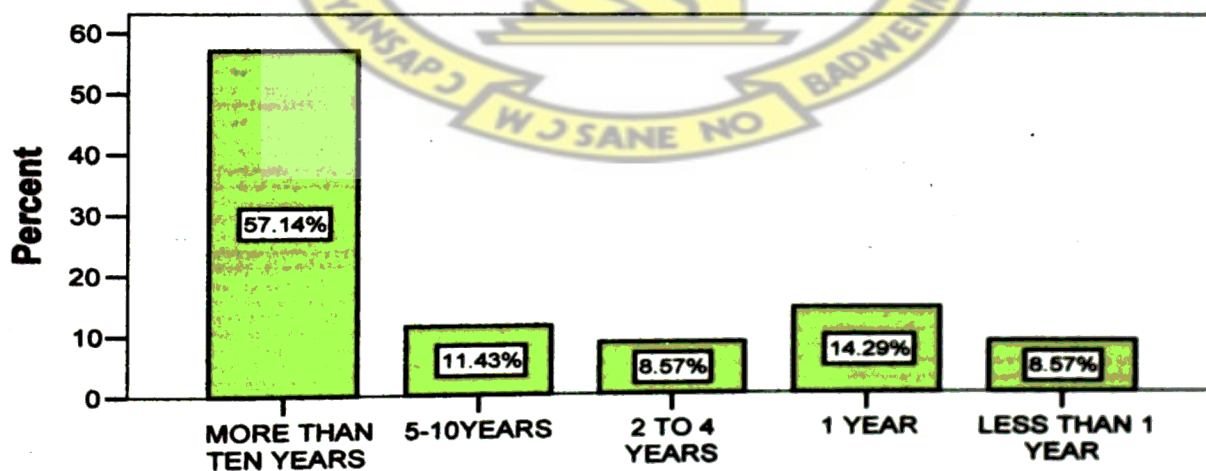
Out of the total respondents, 20 representing 58.8% were males and 14 which represent 41.2% were females. This indicates that the SCM division of the Company is fairly balanced.



Source: author's construct, 2009

Figure 4.2 Status of the division

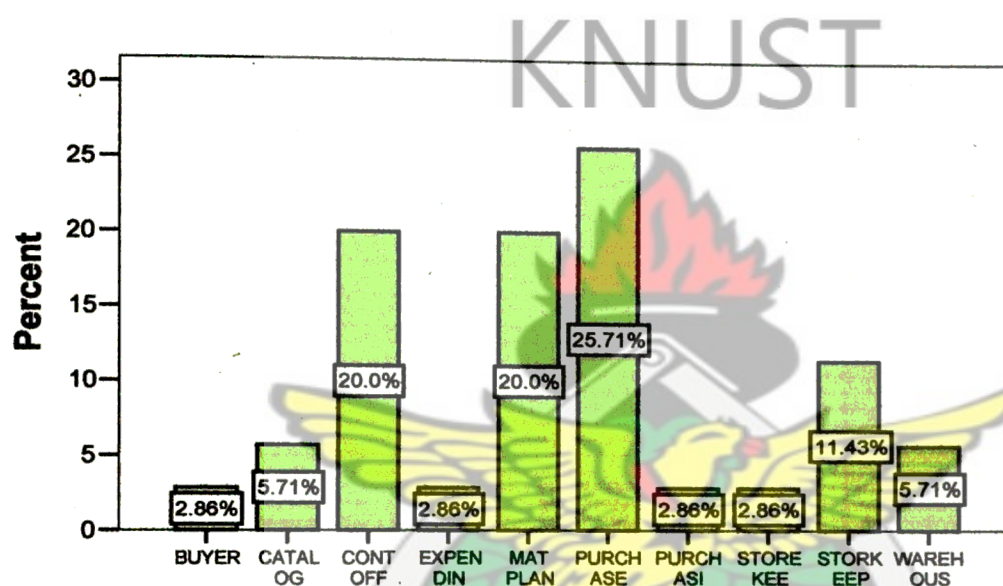
From figure 4.2, it can be observed that greater population of the employees in the division are Senior Staff (55.8%), followed by the Junior Staff (29.4%). Only (11.8%) formed the Management Staff.



Source: author's construct, 2009

Figure 4.3 Working experiences of the respondents

In all 57.1% of the respondents have worked in the division more than 10 years. 11.4% have spent between 5 and 10 years, 8.5% have spent between 2 and 4 years, 14.2% have spent at least a year and only 8.5% have worked less than a year. This shows that the respondents are much experienced and well vest in their respective areas.



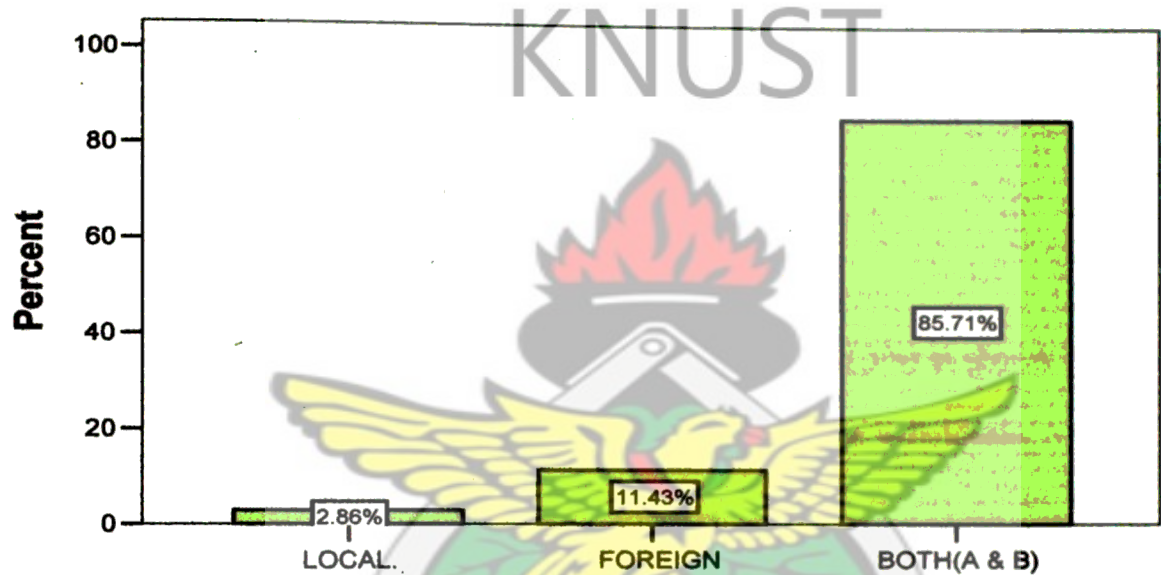
Source: author's construct, 2009

Figure 4.4 Job designations of respondents

Most of the respondents were Purchasing Officers 25.7%, Contract Officers 20%, Materials Planners 20%, Store keepers 11.8%, Warehousing 5.7% and Cataloging 5.7%. This shows that information received from respondents cut across the entire division.

4.2 ANALYSIS AND DISCUSSION OF RESPONSES ON INFORMATION ON SUPPLIERS

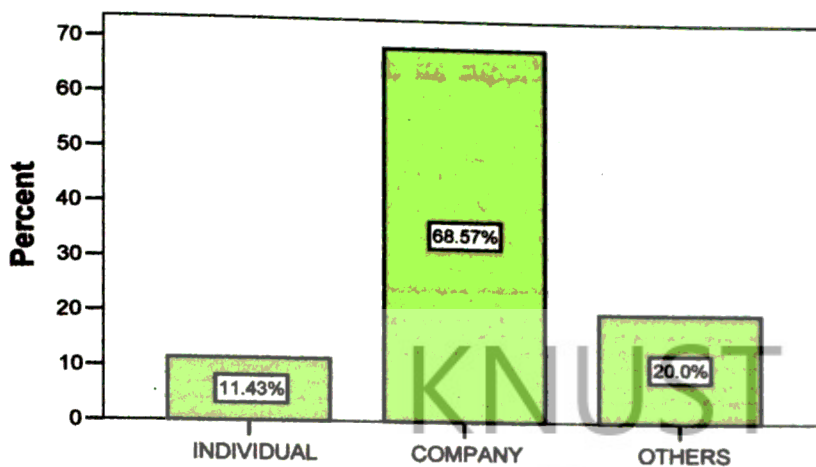
Part II of the questionnaire was devoted to seeking information on the background of the Suppliers to the Company. This section presents an analysis of the data on suppliers to the company.



Source: author’s construct, 2009

Figure 4.5 Key supplies of division

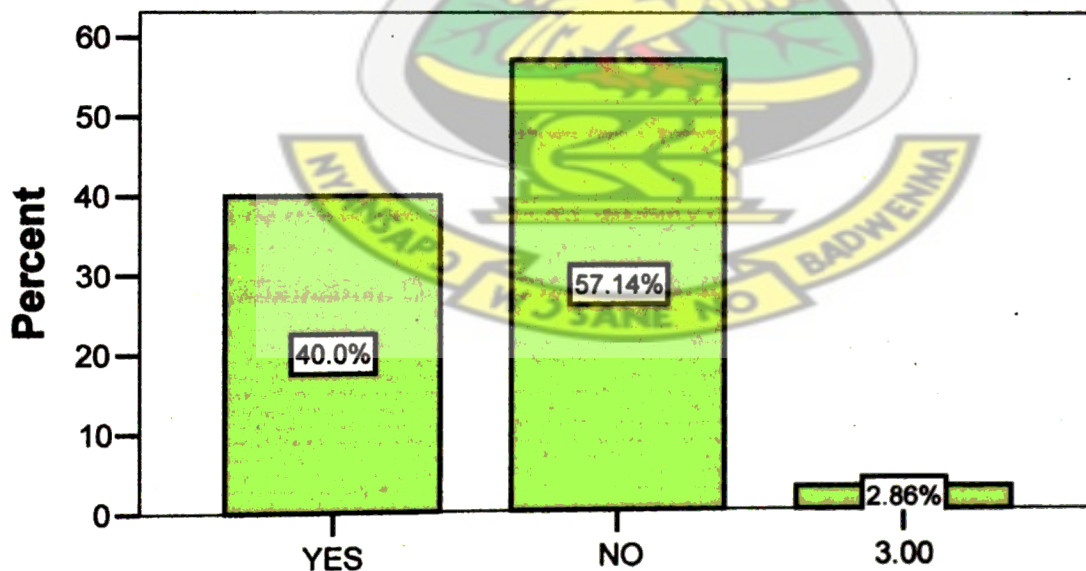
From figure 4.7, respondents shown that the division buys from both Local and Foreign (85.7%) more often. However 11.4% of the respondents indicated that they buy from foreign suppliers and only 2.8% said they buy from local buyers.



Source: author's construct, 2009

Figure 4.6 Type of suppliers

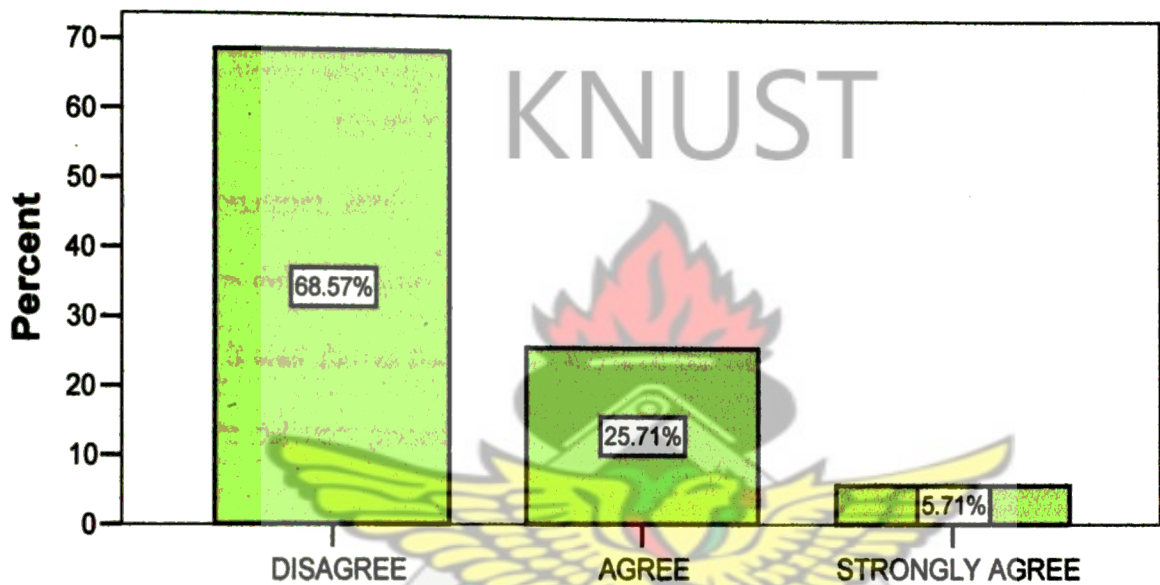
It was observed that the division mostly buys from companies (68.5%) as shown in figure 4.8, however it also indicated that about 11.4% of the suppliers are individuals.



Source: author's construct, 2009

Figure 4.7 Training programs for suppliers

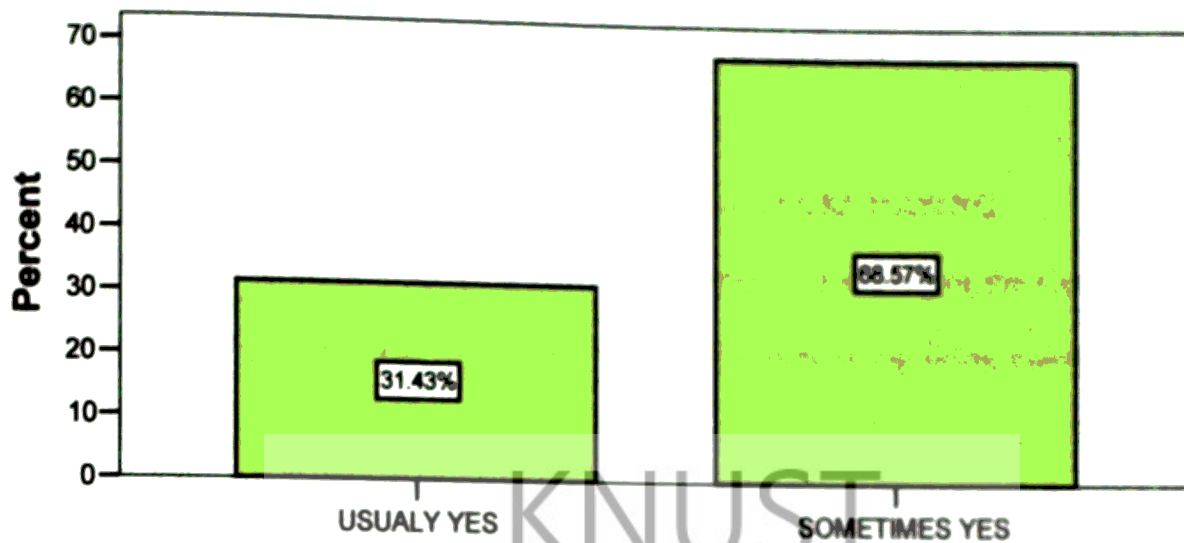
From the analysis conducted on training and workshops for Suppliers it had been shown that the Company does not organized training programs for Suppliers (57%). Companies opt for goods and services that will benefit them, so from time to time it is best to organize training programs to educate its suppliers on the services they provide to the company.



Source: author’s construct, 2009

Figure 4.8 Suppliers getting information from the Company

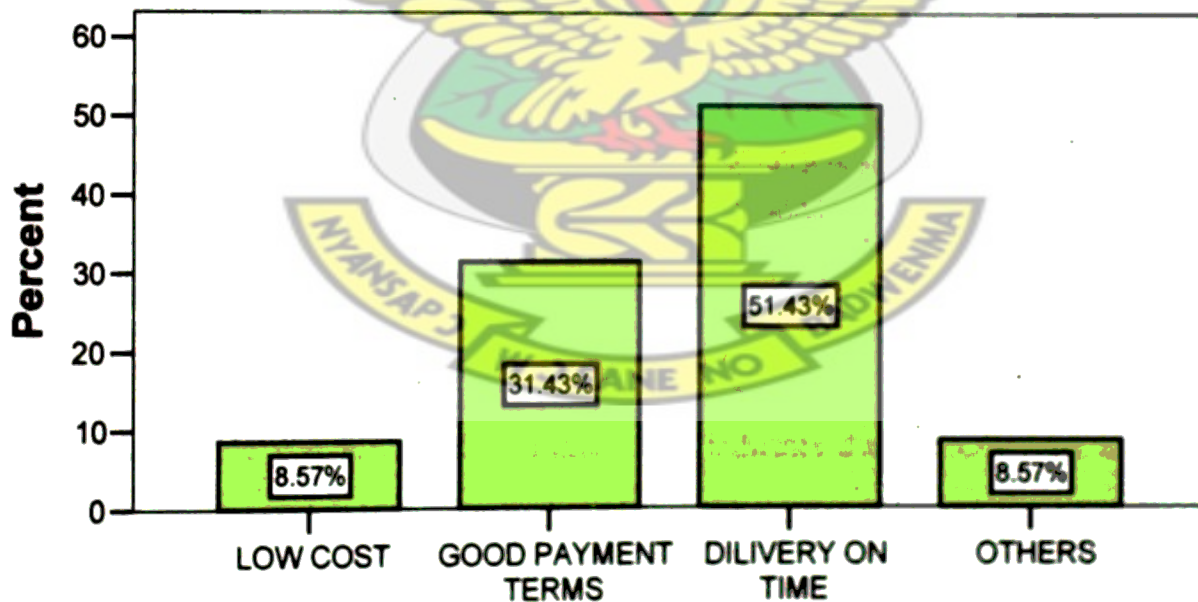
It was observed that 68.6% of the respondents strongly disagree that Suppliers get easy access to company information. Only 25.7% agreed to that.



Source: author's construct, 2009

Figure 4.9 Suppliers delivery time

From the analysis, it was shown that about 68.6% of the Suppliers sometimes able to meet the company's delivery period.



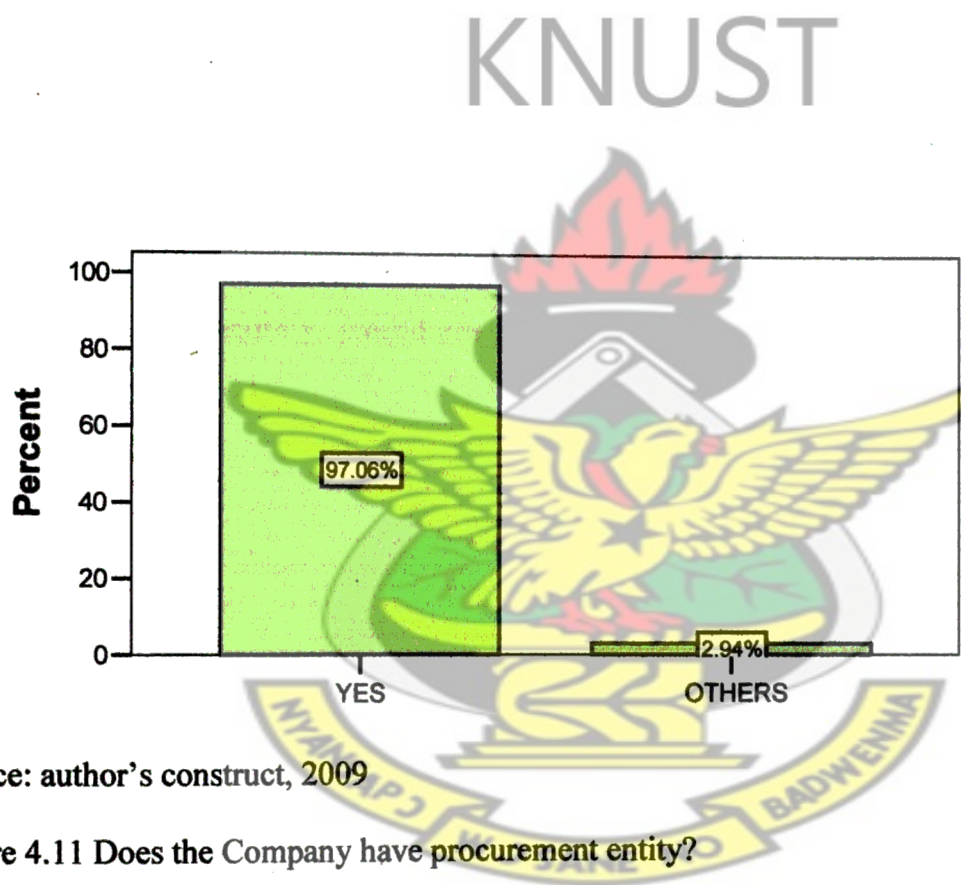
Source: author's construct, 2009

Figure 4.10 What motivates the Company to buy from Suppliers?

Respondents said factors that motivate them to buy from suppliers were Low Cost (8.5%); Good payment terms (31.4%) and Delivery on time (51.4%).

4.3 ANALYSIS AND DISCUSSION ON STRATEGIC PURCHASING

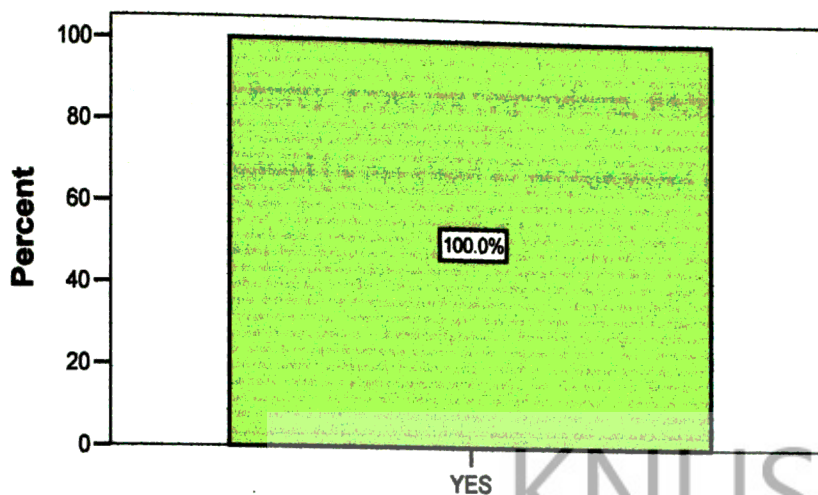
Part III of the questionnaire was also devoted to Strategic Purchasing of the Company. This section presents an analysis of the data on strategic purchasing being practised by the Company.



Source: author's construct, 2009

Figure 4.11 Does the Company have procurement entity?

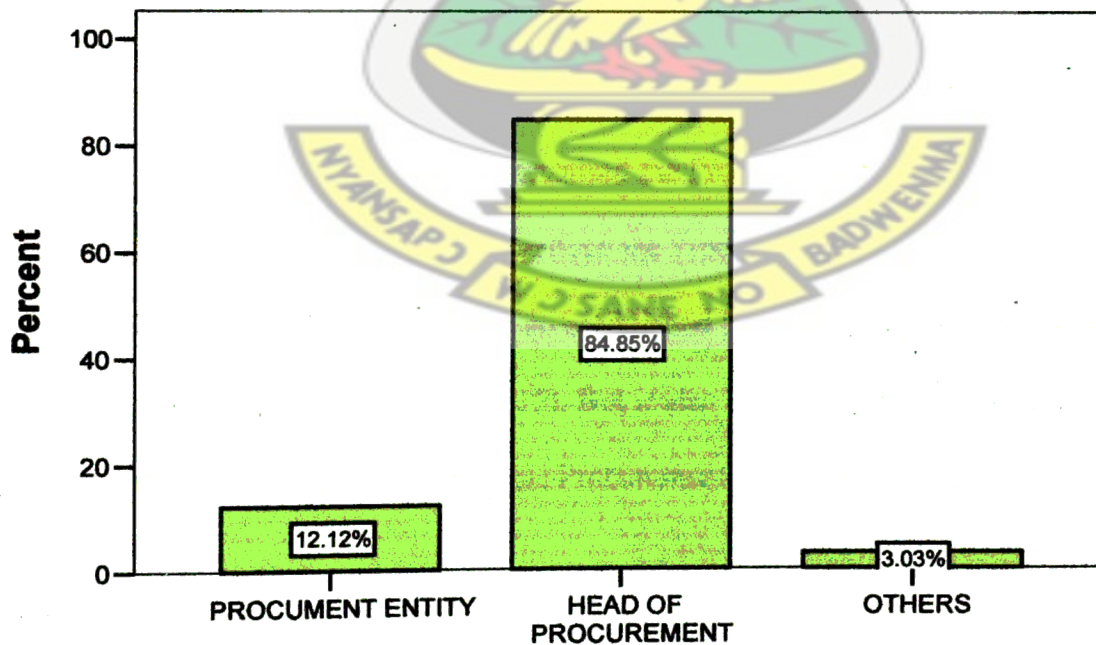
Respondents of 97% said yes to this question. This indicates that the Company has a procurement entity that draw the Procurement Plan and works on anything concerning procurements.



Source: author's construct, 2009

Figure 4.12 Does the Company have a Tender Committee?

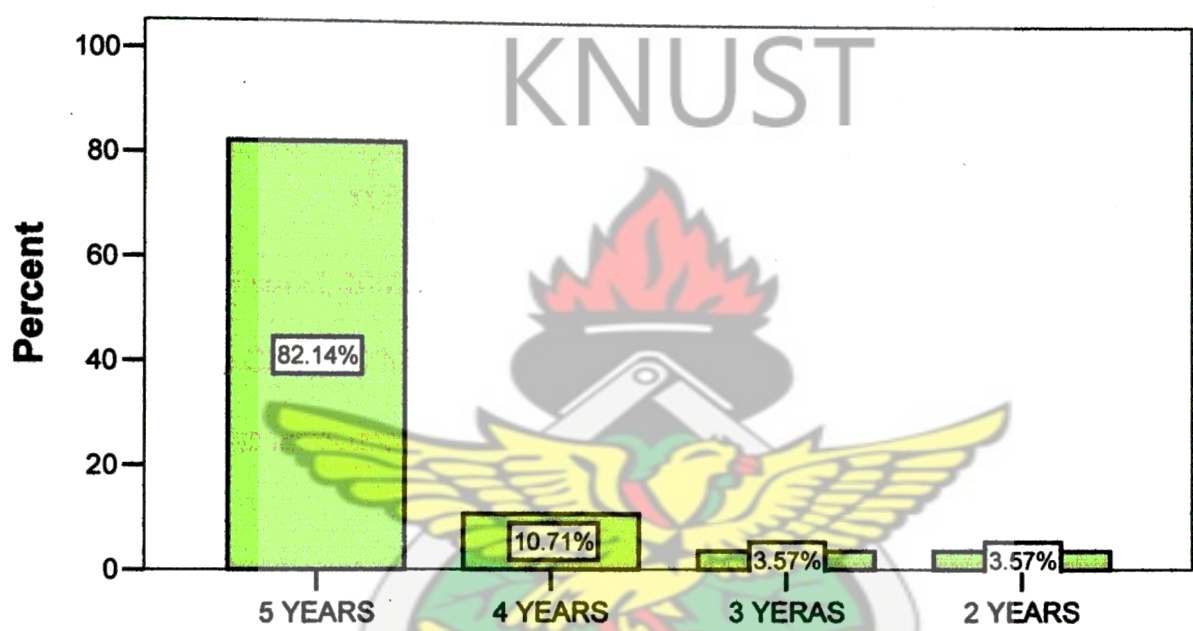
All the respondents said yes to this question. The Committee ensures that at every stage of the procurement activity, procedures prescribed in this Procurement Act have been followed.



Source: author's construct, 2009

Figure 4.13 Single sourcing procurement approval

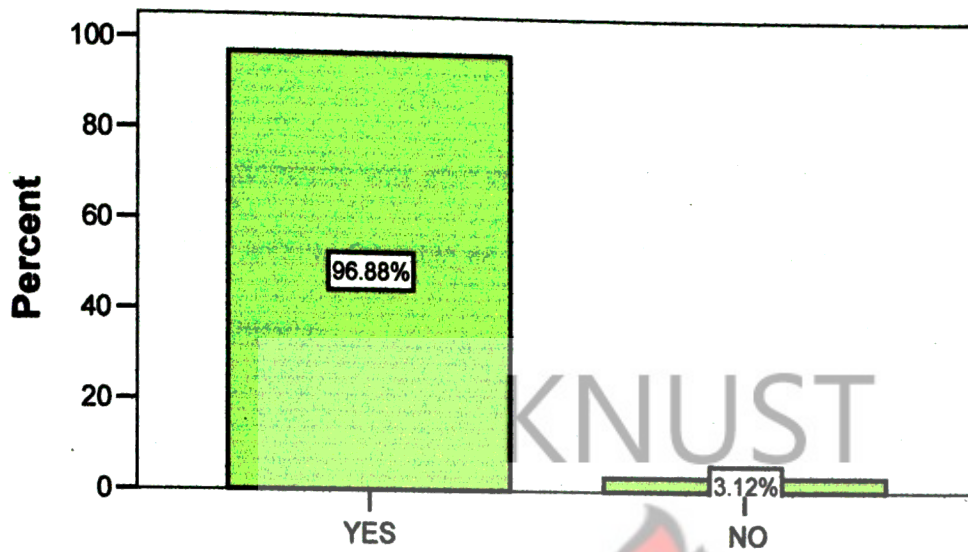
It was observed that Head of Procurement approves Single sourcing procurement instead of the Procurement Entity. From the respondents, 84.8% said single sourcing procurement is approved by the Head of procurement and 12.2% said is done by Procurement Entity.



Source: author’s construct, 2009

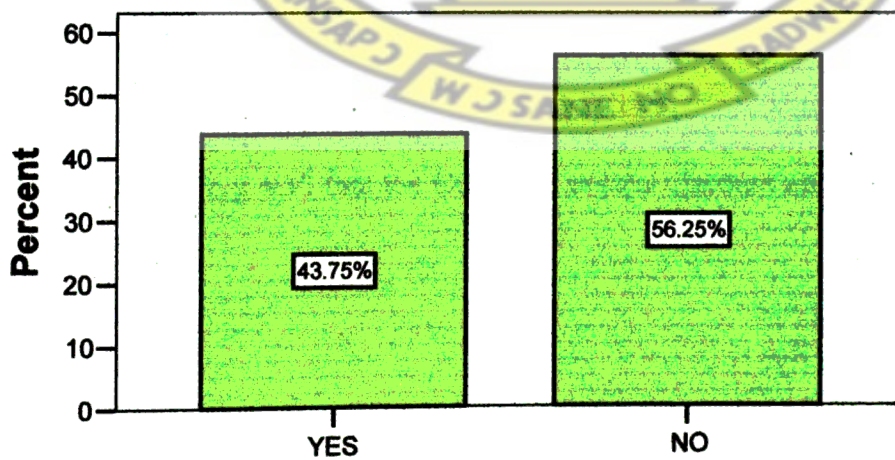
Figure 4.14 How long has the company practised the Procurement Act?

It was observed that the Company has practiced the Procurement Act for 5 years now. It was also shown that the Company had an established Procurement procedure before the Procurement Act was introduced (Fig 4.15). But it also showed that the Procurement Act is cost effective as compare to the previous Procurement procedure (Fig 4.16).



Source: author's construct, 2009

Figure 4.15 Did the Company had an established Procurement procedure before the Procurement Act was introduced?

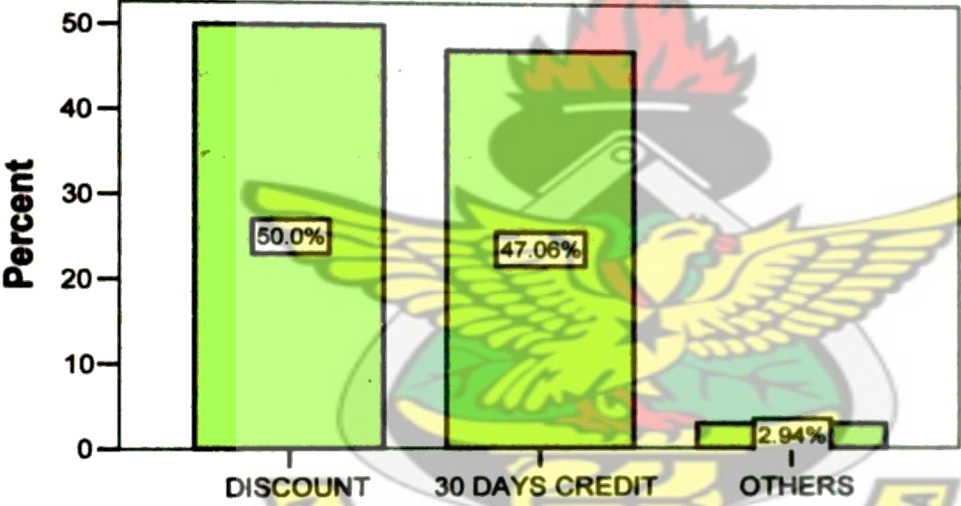


Source: author's construct, 2009

Figure 4.16 Was the previous procurement procedure cost effective as compare to the Procurement Act?

4.4 ANALYSIS AND DISCUSSION ON SUPPLY CHAIN MANAGEMENT PRACTICES

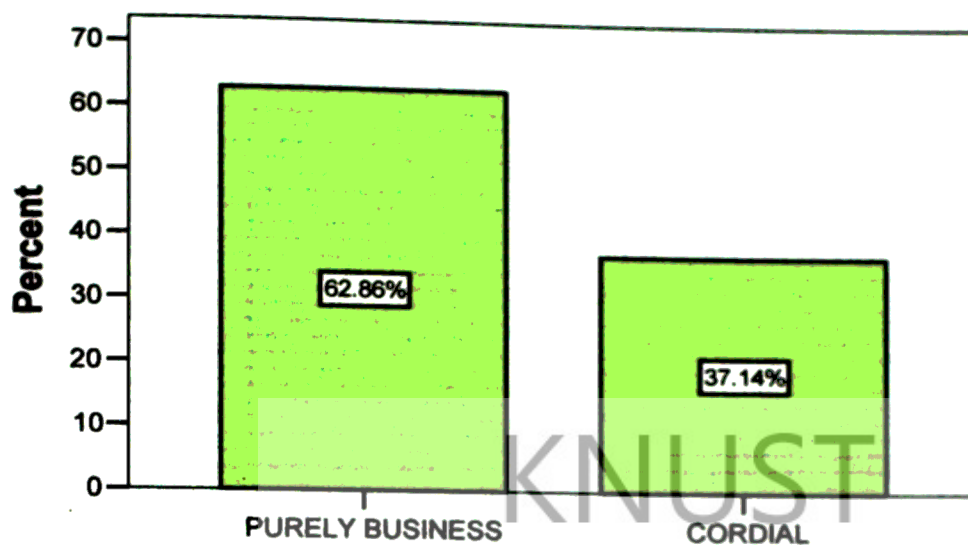
Part IV of the questionnaire was also devoted for Supply chain management practices of the Company. This section presents an analysis of the data on supply chain management practices of the Company.



Source: author’s construct, 2009

Figure 4.17 Financial and credit facilities from suppliers

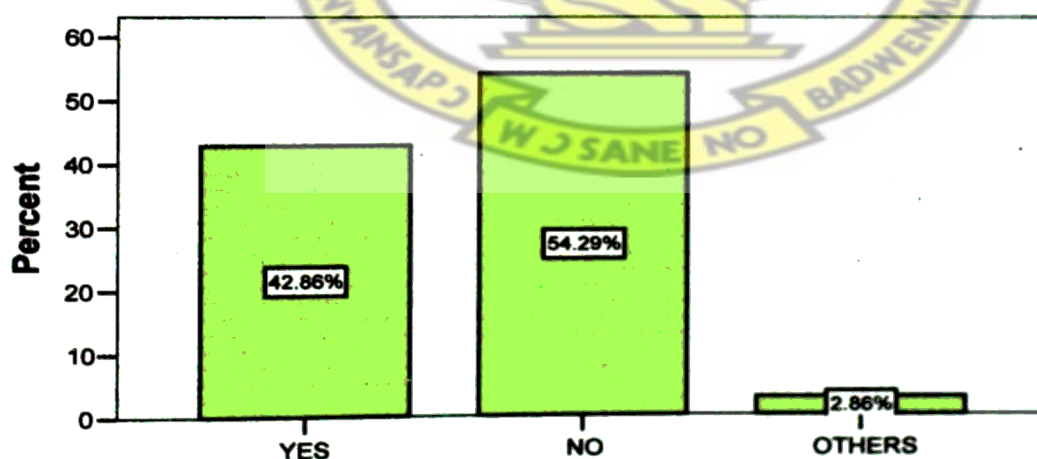
It was observed from Fig 4.17 that the Company enjoys discount and 30 days credit from suppliers.



Source: author's construct, 2009

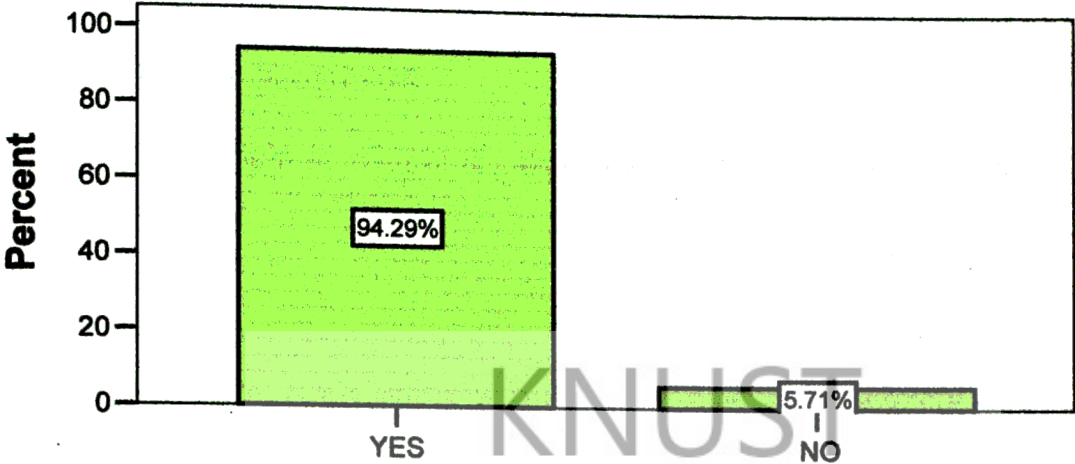
Figure 4.18 What is your relationship with the other actors in the Supply Chain?

It was indicated from Fig 4.18 and 4.19 that the relationship of the company with its suppliers is purely on business issues and does not usually involve them on their activities.



Source: author's construct, 2009

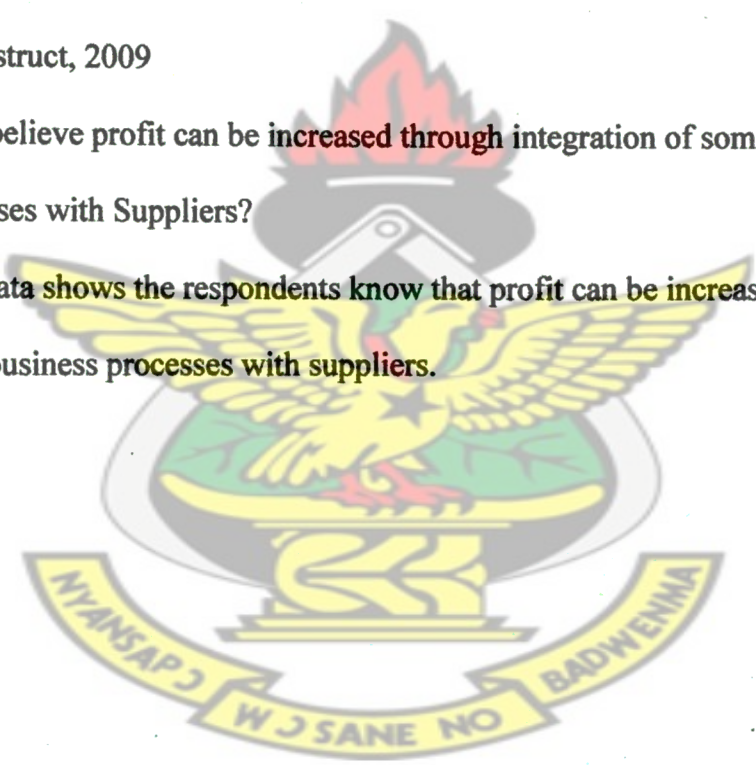
Figure 4.19 Do you perform any of your activities with help from your Suppliers?



Source: author’s construct, 2009

Figure 4.20 Do you believe profit can be increased through integration of some business processes with Suppliers?

The analysis of the data shows the respondents know that profit can be increased through integration of some business processes with suppliers.



CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The study which sought to achieve the stated objectives arrived at the following major findings.

Objective One

1. To assess the purchasing practices in AngloGold Ashanti Company (GH), Obuasi mine.

The study indicates that the company has purchasing practices which it is using to reduce cost of production.

It has practiced Procurement Act 2003 since its introduction and has a Procurement Entity which draws the Procurement Plan for the company. The Company has a Tender Committee which ensures that every stage of the procurement activity and procedures prescribed in the Act had been followed. The Committee also exercised sound judgments in making procurement decisions and refers to the Tender Review Board for approval.

The company Key Suppliers are both the Local Ghanaians and Foreigners which make the supplying very competitive. The motivating factors for the company to buy from these suppliers are their good delivery times and good payment terms.

However, it was observed in the study that there are some shortfalls in their purchasing practices.

In the area of sourcing, it was observed that single sourcing procurement was solely in the hands of the Head of Procurement instead of the Procurement Board. This may not show fairness.

Also it was observed that Suppliers finds it difficult getting information from the company and no training and workshop are organized for them.

Objective Two

2. To investigate how strategically the company has applied purchasing practices to save cost.

The study had shown that the company had a pervious purchasing procedure which was not much cost effective as compared to the introduction of the Procurement Act.

With the introduction of the Procurement Act, the Tender Committee review activities at every step of the procurement cycle leading to the selection of the lowest evaluated bid and best offer.

Objective Three

3. To recommend how the company can employ supply chain management concepts to improve on their operations.

It was observed in the study that the relationship between the company and its suppliers is purely business and they usually performed their activities without involving them.

No training and workshop programs are organized for the suppliers and also Suppliers finds it difficult to access information from the company.

These are shortfalls in a company which has to practice efficient supply chain management.

It is recommended to the management of the supply chain division that training and workshops programs should be introduced to inform their suppliers on the quality of goods and services that are needed for the company.

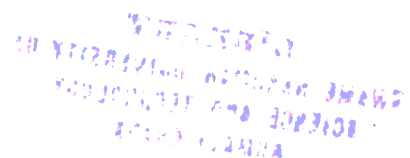
Access to information in the company should be made available to the suppliers to enable them make effective decisions on their pricing and other related issues.

For good supply chain management practices, both the company and the suppliers must live in harmony. Though it should be business like but cordial and integration of every activity should also be paramount.

5.2 CONCLUSIONS

It has been observed that SCM and purchasing practices associated with competition capabilities of the firm may have more significant effects on firm performance. Functional integration and early internal integration also emphasize capabilities for cost reduction rather than balanced performance improvement, while later internal integration and external integration stages are characterized by capabilities enabling the supply of high quality products shipped direct to the line on time through full systems-visibility from distribution to purchasing, and complete information sharing and long-term commitment with key partners.

From what had been discussed in the course of the study, it had been observed that no modern business entity can reduced its operating cost without the use of the supply chain



management process, most especially not considering the strategic ways of their purchasing practices. Several scholars argued and advocated that since SCM is the network of activities, every company in the service or product industry depends on the other to push its service or product through series of chains (network) to the final consumer.

Mining Companies in Ghana cannot sit aloof and look on but to try and practice cost effective type of purchasing like the introduction of the PublicProcurementAct 2003 by AngloGold Ashanti , Obuasi Mine.

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5.3 RECOMMENDATIONS

1. From the organization structure, it shows that the Head of SCM reports to the Financial Controller. SCM should be treated as a functional structure instead of divisional for it to be measured independently and take strategic decisions.
2. Training and workshops should be organized regularly for both the employees of the division and the suppliers to enable the company to benefit from the dynamic nature of purchasing environment.
3. Single sourcing procurement should be handled by the Procurement Board to bring fairness and competition among the suppliers.

5.4 RECOMMENDATIONS FOR FURTHER STUDY

Going by the findings of the study, the conclusions and the recommendations made, the following suggestions are made for future research work.

- Since this study focused on strategic purchasing, similar research could be conducted to look at how the items purchased for the company could get to its end users in time to avoid keeping inventory which is also a cost.
- Another research can also look at the practicing of SCM processes in the SCM Division of the company.
- There should be a study into the Vendor Managed Inventory (VMI) system in the company.
- Sustainable Procurement of the company could also be studied into since that is the new concept of supply chain management.



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QUESTIONNAIRE

KNUST SCHOOL OF BUSINESS, KUMASI

QUESTIONNAIRE DESIGNED BY A FINAL YEAR STUDENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT (EMBA).

**TOPIC: *SUPPLY CHAIN MANAGEMENT AND PURCHASING PRACTICES IN
GOLD MINING INDUSTRY. A CASE STUDY OF ANGLOGOLD ASHANTI COMPANY
LTD. OBUASI MINE***

KNUST

Dear Sir/Madam,

The above topic is a research project being conducted at AngloGold Ashanti Company (Gh) Ltd. Obuasi Mine. It is an academic research for the Executive Master of Business Administration degree. Your confidentiality is highly assured. Your contribution by way of answering this questionnaire will be highly appreciated.

Thank you very much for your time and cooperation.

PART I

DEMOGRAPHIC CHARATERISTICS OF THE RESPONDENTS

1. Tick your status in the Company.
Management staff () Senior Staff () Junior Staff () others (Specify)
2. State your job designation.....
3. How long have you been working with this Company?
a. more than 10 years b. 5 to 10 years c. 2 to 4 years d. 1 year e. less than a year.
4. Tick your gender. Male () Female ().
5. State your educational background.....

PART II

INFORMATION ON SUPPLIERS

6. What is the educational background of most suppliers.....
- a. SSCE ()
 - b. O' Level ()
 - c. A' Level ()
 - d. HND ()
 - e. First Degree() Second Degree() PhD()
 - f. Others (Specify)
7. Who are your key suppliers?
- a. Local b. Foreign c. both (a & b) c. Others (Specify)
8. Are the Suppliers mostly?
- a. Individuals' b. Company c. Others (Specify)
9. Does your outfit organize training programs for suppliers?
- a. Yes b. No c. Others (Specify)
10. Do you agree that it is easy for suppliers to get access to information in your outfit?
- a. Strongly disagree b. disagree c. agree d. strongly agree
12. Are the suppliers able to deliver supplies' on time?
- a. Always yes b. usually yes c. sometimes yes d. seldom yes e. never yes
13. What motivates you to buy from these Suppliers?
- a. Low cost b. Scarcity of Suppliers c. Good payment terms e. Delivery on time
 - f. Others (specify)....

PART III

STRATEGIC PURCHASING

15. Does the Company have Procurement entity?
- a. Yes b. No c. Others (specify)....
16. If yes (15), do they write their own Procurement Plan?
- a. Yes b. No c. Others (specify)....
17. Does the Company have a Tender Committee?
- a. Yes b. No c. Others (specify)....
18. Does the Company have Tender Review Board?
- a. Yes b. No c. Others (specify)....
19. Who approves Single Sourcing Procurement?
- a. Procurement Entity b. Head of Procurement c. Head of Finance e. Others
(Specify).....
20. Does the Procurement entity has the Authority to dispose of unserviceable, obsolete or surplus stores, plant and equipments?
- a. Yes b. No c. Others (specify)....
21. How long has the Company practice the Public Procurement Act?
- a. 5 years b. 4 years c. 3 years d. 2 years e. 1 year f. less than a year.
22. Did the Company had an established Procurement procedures before the introduction of the Public Procurement Act?
- a. Yes b. No c. Others (specify)....
23. If yes (22), was it cost effective as compare to the Public Procurement Act?
- a. Yes b. No c. Others (specify)....

PART IV

SUPPLY CHAIN MANAGEMENT PRACTICES

24. What financial and credit facilities do you get from your suppliers?
- a. Discount
 - b. 30 days credit
 - c. 60 days credit
 - d. 3weeks credit
 - e. 2 weeks credit
 - Others (Specify)
25. What is your relationship with the other actors in the Supply Chain?
- a. purely business
 - b. cordial
 - c. Others (Specify)
26. Do you perform any of your activities with help from your Suppliers?
- a. Yes b. No c. Others (Specify)
27. If yes (26), how is this activity performed?
- a. through integration with Suppliers by the use of professional Buyers
 - b. Others (Specify)
28. Do you believe profit can be increased through integration of some business processes with Suppliers?
- a. Yes b. No c. Others (Specify)
29. Do both the Company and Suppliers use E Procurement (using the internet to operate the transactional aspects of requisitioning, authorizing orders, receiving and payment processes for the required services or products)?
- a. Yes b. No c. Others (Specify)

30. If yes (29), state the type of e Procurement use.....

31. Are Suppliers given the Right to Review?

a. Yes b. No c. Others (Specify)

32. If yes (31), how long does it take?

a. less than 21days b. more than 21 days c. Others (Specify)

PART V

CHALLENGES OF THE SUPPLY CHAIN MANAGEMENT PRACTICES IN THE COMPANY

33. To what extent do you think of the following issues as challenges to the
company business activities?

(Please rate on a scale from 1 to 5 and write it in appropriate box)

[1] not a problem [2] slight problem [3] frequent problem, can be managed

[4] major problem [5] threat to the business

	5	4	3	2	1
Software to manage supply chain management process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Errors in receiving items into the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How to handle/manage obsolescence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Items ordered not match with specification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Purchasing/Procurement policy in the organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Product and Service Agreement (PSA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Late delivery of goods ordered	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shelter and Non food Items	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delay in clearing goods from port	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information flow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arranging payment terms with suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>