Lessons for stimulating manufacturing output in Ghana;

A comparison of a successful multinational company (MNC), Cargill, to a Ghanaian owned manufacturing company, Cocoa Processing Company (CPC)

Lessons for stimulating manufacturing output in Ghana;

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Thesis submitted to the Department of Business Administration
Ashesi University College
In partial fulfillment of Bachelor of Science degree in Business Administration
APRIL 2013

DECLARATION

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate’s Signature: ........................................................................................................

Candidate’s Name: ...........................................................................................................

Date: ................................................................................................................................

I hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by Ashesi University College.

Supervisor’s Signature: ....................................................................................................

Supervisor’s Name: .........................................................................................................

Date: ................................................................................................................................
ACKNOWLEDGEMENT

Life in college has not been easy at all and sometimes the stress made life in general unbearable. But in all this, I constantly felt fulfilled after I got my work properly done. After four years in Ashesi, I have realized my fulfillments in life are tied to my accomplishments; this dissertation is the beginning, I look forward to greater ones.

First of all, I constantly the Almighty God for everything He has blessed me with which has taken me through life and brought me to this day.

Special thanks and gratitude goes to my supervisor, Dr. Stephen E. Armah who was my guide and motivation from a stage where all I knew I wanted to do was something related to the manufacturing sector of Ghana to this completion stage. THANK YOU!

My genuine gratitude goes to Mr. Andrew Nunekpeku who gave me the initial idea of Ghana’s manufacturing sector going through distress, that idea got me thinking and brought me to this point. I REALLY APPRECIATE THIS!

My sincere appreciation goes to Mr. Charles D. Asante and Mr. Kwaw from CPC and Mr. Richard Nkrumah from Cargill, and all who contributed to the completion of this project.

To my parents: Mr. Ibrahim Shamsudeen Taimako and Mrs. Rukaya Bawa Ayamga, I cannot express how grateful I am for you. To my siblings, Bilal and Sugru Taimako, you the best, I could not have asked for more. This family keeps me going.

To Zeenat, Yussif, Bridget and Edem, thanks for being there

To all friends and well wishers who in one way or the other assisted and cheered for me during this research I give my warm appreciation.
ABSTRACT

Ghana, in its quest of seeking development and exploring FDI also has to focus on its local manufacturing industries. This industry is a source of retained profits, huge source of employment and skills development, strengthening the countries balance of trade and in effect its economy.

Unfortunately, this industry has not been given the necessary focus and has been observed to be dying out with the introduction of huge MNCs in the country. Several literature have tried to explain why this is the case for most developing countries and have strategies as to how these MNCs survived over time and how they continue to exploit their opportunities in making profits.

This research delves into the current situations of a local manufacturing company, Cocoa Processing Company (CPC) and its close competitor, Cargill as a case study. In determining the problems local companies in Ghana face, this study analyses the SWOT (strength, weaknesses, opportunities and threats) of the companies under study.

This study also provide relevant and feasible measures and strategies that the government of Ghana, local manufacturing companies and the general public can adopt in an effort to revive the countries industry. It is crucial that all stake holders put into action the recommendations of this paper as it vital in attaining the economic growth and development of Ghana.
# Table of Contents

DECLARATION .............................................................................................................................................. I
ACKNOWLEDGEMENT .................................................................................................................................. II

INTRODUCTION: ........................................................................................................................................... 6

1.1. Background ........................................................................................................................................... 6
  1.1.1. Operation Variables: ......................................................................................................................... 6
  1.1.2. A Possible source of Ghana’s Developmental Problems ................................................................. 7

1.2. Problem Statement: ............................................................................................................................... 13

1.3. Research Question: ............................................................................................................................... 10

1.4. Research Objective: ............................................................................................................................. 14

1.5. Relevance: ............................................................................................................................................ 14
  1.5.1. Why the research? ............................................................................................................................... 14
  1.5.2 Audience ......................................................................................................................................... 15
  1.5.3 My Contribution ............................................................................................................................... 16

LITERATURE REVIEW: ................................................................................................................................ 16

METHODOLOGY: ........................................................................................................................................... 26

3.1. Method: ................................................................................................................................................ 26

3.2. Methods of Data Collection: ............................................................................................................... 28

3.3. Sampling Procedure and Sample Size ............................................................................................... 29

3.4. Data Analysis ..................................................................................................................................... 30

3.5. Limitations: ........................................................................................................................................ 31

RESULTS: ..................................................................................................................................................... 31

4.1. FINDINGS ............................................................................................................................................. 31
  4.1.1. GHANA’S COCOA INDUSTRY ......................................................................................................... 31
  4.1.2. PROFILE OF CARGILL GHANA ..................................................................................................... 32
  4.1.3. PROFILE OF COCOA PROCESSING COMPANY .......................................................................... 35

4.2 ANALYSIS ............................................................................................................................................. 37

CONCLUSION AND RECOMMENDATIONS .............................................................................................. 49

Final Comments ........................................................................................................................................ 55

REFERENCES ............................................................................................................................................. 60

BIBLIOGRAPHY .......................................................................................................................................... 61

APPENDIX .................................................................................................................................................. 66
1. INTRODUCTION:

1.1. Background

The manufacturing industry of Ghana has been observed to be weak, translating into huge and persistent negative balance of trade and little contribution to the country’s GDP (see figure 1); this thesis seeks to explore literature around these problems and recommended solutions. The paper also seeks to investigate the current condition and performance of one of Ghana’s key manufacturing companies, Cocoa Processing Company (CPC) and its close competitor, Cargill (an MNC) to reveal lessons Ghana can adopt to stimulate its production process. This is to aid not only Ghanaian manufacturing companies but also the Ghanaian government in its policy making and the general public in their decision on investment and general purchasing decisions.

1.1.1. Operation Variables:

This paper relates a company’s competitive strategy which is “its deliberate choice of a different set of activities from those performed by rivals to deliver unique value”, to management efficiency. This paper focuses on identifying these set of activities and how they translate to the company’s performance.

There are various ways of analyzing a company’s performance but to narrow the scope of my paper for ease of understanding and upon realizing that these companies are driven mainly by levels of technology,
operational costs and output from my analysis of data gathered (see analysis section): I choose those as my operational variables.

**Level of technology** because the factories under review are highly automated and machinery is a major factor in making or breaking the company. All things being equal, high levels of the necessary technology cuts down cost drastically and boosts outputs, these then translates into profits which can be used to better motivate workers and a portion, plowed back to further grow the company.

**Cost and outputs** are major factors since prices of raw material and semi finished goods whose price is calculated as a fraction of price of raw materials are dictated by the world market; efficiency within these two stages (raw materials and semi finished goods) greatly impacts profit.

1.1.2. A Possible source of Ghana’s Developmental Problems

**Export versus Import**

Ghana has an alarming and persistent trade deficit figure (figure 1) especially considering how much of its raw materials it has exported. “Ghana’s virgin forest coverage of 40% has dropped to 7% after a few years mostly due to the production of wood and timber” yet Ghana imports minute wood products such as tooth picks from China. The situation of Ghana’s increasing trade deficit is not surprising since Ghana mainly exports: cocoa, timber and gold are all primary commodities and have been predicted by the **Prebisch and Singer hypothesis** to have a long-term decline in relative prices*(elaborated on in my literature review)*.
Figure 1: Ghana’s Balance of Trade (million US$)

Trading economics (2013),
http://www.tradingeconomics.com/ghana/balance-of-trade

Figure 2 represents the prices of cocoa in recent times and it goes to prove the Prebisch and Singer Hypothesis of declining prices of primary goods. With prices of primary goods which are Ghana’s main export falling, Ghana would be receiving less income from its exports. Ghana would have to explore other ways to strengthen its balance of payment and its economy at large.

Figure 2: Trend of Monthly Cocoa Prices 2012 - 2013

Index Mundi (2013),
http://www.indexmundi.com/commodities/?commodity=cocoa-beans
According to Harvey et al. (2008), an explanation to the Prebisch Singer hypothesis is the fact that these primary goods are commodities, thus they lack differentiation, adding to Lewis (1954) argument of increasing supply of these commodities; they are bound to face competition resulting to the long term decline in prices. A way out of this would be to add value to these products, hence increasing differentiation. Matthias (1999) stipulates this as he puts forward that “...free trade alone would not be sufficient, and was possibly even harmful, to the development process. Industrialization is seen as the way out”.

Taking a look at Ghana’s GDP composite for 2012, Ghana has close to half of its GDP from the service sector with the remaining distributed among its agriculture and industries (see figure 3). This could mean that Ghana is investing more of its resources in its service sector or that the service sector has a greater effect on its GDP. Considering that “manufacturing has the largest multiplier of all sectors of the economy”, the later is less likely. Considering the argument made above, It could be argued that Ghana is better of focusing more of its resources on its industries.
Index Mundi (2013),
http://www.indexmundi.com/ghana/gdp_composition_by_sector.html

Looking at the Industrial sector (see figure 4), industry is a composition of mining, manufacturing, electricity, water and sewage and construction. Over the years, construction and mining have been observed to play a more significant role in this sector compared to manufacturing. The manufacturing sector, though growing, has **not being given enough focus considering its great impact on GDP.**

Figure 4

Composition of the industrial sector - Ghana

Gross Domestic Product 2012, Ghana Statistical Service:
(Figures for 2011 are yet to be finalized and that of 2012 are provisional).
From 2006, Ghana’s manufacturing sector’s contribution to GDP has been declining (figure 5); this could mean that the value gained from this sector is falling or that more focus has been placed on other sectors hence increasing those sectors contribution and decreasing the manufacturing’s contribution.

Figure 5: Manufacturing: Value added percentage of GDP - Ghana

From figure 6, you would notice that the value received from manufacturing increased up until 2008, dropped a little in 2009 but increased again in 2010. This shows that the value gained from the manufacturing sector has not fallen but rather efforts have shifted from that sector to other sectors. Figure 6 also backs the point of manufacturing having a greater effect on the country’s GDP.

In comparison to Kenya and Nigeria, other developing countries in Africa, Ghana’s value added figure is low; this is to say that comparing to these countries, Ghana’s manufacturing sector produces less. Ghana is observed to be

doing better than Uganda but that is not enough since its economy is still suffering.

Figure 6: Manufacturing, Value added: Ghana, Uganda, Kenya and Nigeria (currency US$)

![Graph showing manufacturing value added for Ghana, Uganda, Kenya, and Nigeria](image)

Index Mundi (2011),

**Competition**

Ghana has cocoa as one of its main exporting products; Ghana currently produces the most quality cocoa beans in the World (Armah, 2012). Furthermore, the country is “world’s second largest producer of cocoa with exports reaching 1,004,000MT in 2011”. Conversely, Ghana imports a lot of value added cocoa products such as chocolate bar products ranging from Twix, Mars, Snickers and a whole lot;

“The chocolate bars we buy from the West never go down in price ... The result has been huge profits for the three
multinational corporations which dominate the chocolate market: Mars and Hershey and Nestle. Ghana manufactures its Golden Tree brand of milk chocolate, which is good quality and could in theory be exported. But Ghana would face fierce competition from companies such as Cadbury Schweppes.

With Ghana attaining a position as the world’s second largest producer of cocoa and having the world’s best quality cocoa, Ghana should be taking advantage of this position and doing if not great, at least well, in sectors relating to cocoa. This is not the situation Ghana finds itself; it has its state owned Cocoa Processing Company (CPC, Ghana) recording GHS 19,789,922 (USD 9,894,961)real figures in 2011, while one of its competing multinational company (Cargill) has been reported by its management to be doing well (elaborated in the findings section). This brings us to the current case study of these two companies and to the current endeavor to investigate what lessons this successful MNC can provide a Ghanaian owned manufacturing company.

1.2 Problem Statement:

Ghanaian owned manufacturing companies are inefficient and not taking full advantage of the country’s market and other regional markets although MNCs seems to be doing well in the same markets. A poorly performing manufacturing sector will greatly undermine the country’s long term ambition to not only grow and develop but to industrialize.
1.3 **Research Question:**
What lessons can a successful MNC provide to a Ghanaian owned manufacturing company?

1.4 **Research Objective:**
- To study and analyze existing literature around the question.
- To identify the problems Cocoa Processing Company faces, mainly its weaknesses and threats.
- To identify things Cargill is doing right, mainly its strengths and opportunities.
- To draw lessons Cargill can provide to CPC
- To make recommendation to policy makers, Ghanaian manufacturing companies and the general public.

1.5 **Relevance:**
It is alarming to read from the news that; “Ghanaian local manufacturing industries are finding it difficult to compete on the international market... The capacities of local companies have been woefully inadequate, and whilst it is exciting to see the country attract FDIs, it is also dangerous to have your economy highly dominated and controlled by foreign firms ... Ghanaians need to reflect deeply and plan strategically: otherwise development will only be seen in numbers without being felt by the citizenry.”

1.5.1 **Why the research?**
- It is vital to ensure a healthy manufacturing sector since manufacturing is done in large quantities; the country would be taking huge
advantage of its market, the results of this research will help do that. Else the market is left to be explored by large Multi National Companies (MNCs) and at the end of the day profits are repatriated to home countries.

✓ Manufacturing sectors are a source of highly training jobs; training in the sector aids human capital development of employee’s and boosts their creation and innovational skills

✓ Since production is done in large quantities, it has a greater effect (the multiplier effect) in strengthening Ghana’s balance of payment

✓ Manufacturing is the main source of adding value to our raw materials which is a hedge against falling prices of commodities; in effect Ghana would be earning more income from its exports.

✓ "Largest multiplier. Manufacturing has the largest multiplier of all sectors of the economy. Every dollar in final sales in manufacturing products supports $1.37 in other sectors of the economy."

✓ This paper would contribute to existing literature

✓ This paper would induce further research

1.5.2 Audience

✓ This paper is to help restructure the operational, management and competitive strategy of Ghanaian owned manufacturing companies.

✓ The information provided by this paper, would aid policy makers in setting their priorities in decisions making.

✓ This paper seeks to encourage the Ghanaian society in participating more in the manufacturing sector.

Page 15 of 66
The paper also seeks to construct the effects discussed in the minds of the general Ghanaian public which is geared towards curbing the mindset of "foreign is better", in effect, building the desire for Ghanaian made products.

1.5.3 My Contribution

✓ To bring together existing literature to make a clear point and to draw clear links on the effect of this information on the Ghanaian economy.
✓ To add my thoughts from information gathered on what is done wrong and what can be done right in the Ghanaian manufacturing sector.

2. LITERATURE REVIEW:

Bloom et al. (2001) discusses three views of population and economic growth; the pessimistic, the optimistic and neutralist view. The pessimistic view of population growth hindering development was overridden by the rapid growth in technology. This paper goes with the optimistic view of taking advantage of existing large population to attain economic development since (Kremer 1993) stipulates that large populations may accelerate research and invention.

Of course the neutralist view casts doubt as to if this is the way out with the argument that once factors such as country size, openness to trade, educational attainment of the population, and the quality of civil and political institutions are taken into account, population has no direct relationship with growth but bear in mind that economic growth facilitates all these factors. North and Thomas
show the relationship between economic growth and institutions as institutions are seen as the determinants of economic performance and relative price change, the source of institutional change.

A large population is not enough to draw a clear relationship as the demography of the population plays a role in determining its impact of economic growth. With a country’s age structure pertaining a significant relationship with economic performance as a result of people’s economic behavior varying at different stages of life (Bloom et al. 2001), Ghana’s age structure as shown in table 1 has a substantial working class to be able to foster economic growth and cater for dependent population. In order to aid the working class cater for the dependent population, a country would have to rely heavily on industrialization since this is a large producer of jobs and a source of training.

Table 1: Ghana’s age structure, 2012

<table>
<thead>
<tr>
<th>Age group</th>
<th>Percentage out of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 14 years</td>
<td>36.5%</td>
</tr>
<tr>
<td>15 – 64 years</td>
<td>60%</td>
</tr>
<tr>
<td>65 years and above</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Index Mundi (2012), [http://www.indexmundi.com/ghana/age_structure.html](http://www.indexmundi.com/ghana/age_structure.html)

To further emphasize the need for industrialization is the Prebisch Singer Hypothesis which brings forth the long run decline in relative prices for primary goods. Lewis (1954) argues that large populations result into unlimited supply of labor causing the persistent subsistence in the cost of real wages in countries that produce commodities. Low real wages result in low cost of production and for the
reason of these goods being commodities and face competition, prices cannot be easily raised and in the long run are most likely to decline.

A further study by Harvey et al. (2008) attest to this negative relationship and explains it with the theory of a low income elasticity of demand for primary commodities and a lack of differentiation among commodities leading to highly competitive markets. This paper also revealed that for the least developed countries, approximately 60% of export earnings are derived from primary commodities. This is evident in Ghana as its export comprises mainly of primary goods, see figure 7 and 8.

Figure 7: Composition of exports 2009

Figure 8: Post-oil exports composition 2011

Ghana economic outlook, economic structure (2011)

Figure 7 shows Ghana’s export composition for 2009: you would observe that cocoa and gold comprise of 76% of exports, note that these are not the only primary goods exported so the 24% of other includes other primary goods such as timber. In 2011, with the introduction of oil, the ratio of primary versus value added goods exported has gotten worse with cocoa, gold and petroleum absolving 85% of export: again note that the section labeled others entails some primary products.
Other theorists like Thirlwall and Bergevin (1985), Grilli and Yang (1988) and Bunzel and Vogelsang (2005) have all offered some supporting evidence of the Prebisch and Singer with Sachs and Warner (1997) throws light on the slow growth of least developed countries by putting forward the argument that countries endowed with natural resources have tended to grow slower than economies without substantial natural resources. This negative relationship was found to be true even after controlling for many variables such as initial GDP, openness policy, investment rates, human capital accumulation rates, changes in the external terms of trade, government expenditure ratios, terms of trade volatility, and the efficiency of government institutions which previous authors found to be important for economic growth.

Sachs and Warner (1997) explains this negative relationship with the argument of easy riches leading to sloth hence the focus on just natural-resource extraction, as opposed to manufacturing which leads to a more complex division of labor and a higher standard of living. He also points out the Dutch disease models which demonstrate that the existence of large natural resource sectors, or booms in these natural resource sectors will affect the distribution of employment throughout the economy, as wealth effects pull resources in and out of non-traded sectors. These sectoral shifts can affect long term growth as it promotes de-industrialization.

Matsuyama (1992) writes about two sectors of production, agriculture and manufacturing. Matsuyama described manufacturing as learning-by-doing which is emulated and adopted across firms resulting to a rate of human capital accumulation relative to the total of this sector’s production; not limited to a single firm’s production. As a result of this, benefits from production are not restricted to an
individual’s firm since a collation of firms result to accumulated benefits which are efficiently translated to the society.

Matsuyama (1992) states that going by free trade’s principles, economies rich in land and natural resources would be tempted to shift resourced away from manufacturing towards agriculture sector, this sector directly employs factors of production that otherwise would be used for manufacturing. Matsuyama goes on to state that trade liberalization or any force which pushes the economy away from manufacturing and towards agriculture will lower the growth rate by reducing the learning-induced growth of manufacturing.

According to Ghana National Commission for UNESCO report, the manufacturing sector is characterized by a narrow industrial base dominated by agro-industries, limited diversification, reliance on imported inputs of raw materials and intermediates, relatively under-developed industry linkages, prevalent use of obsolete technologies and production that is mainly focused on the domestic market. In order to achieve significant transformation of the sector, it is necessary to promote and stimulate a diversified structure of production; undertake processing of more of the natural resources, thus optimize the exploitation of domestic natural resources with which Ghana is endowed.

The article also states that Ghana needs to strengthen backward and forward linkages within and between the manufacturing sector and the rest of the economy; to achieve competitiveness of this industry in the domestic and international markets. This would result in a raise in levels of technological capabilities; create for new employment opportunities to absorb the rapidly growing labour force; to
strengthen the SME sector and put emphasis on sub-regional collaboration and south-south cooperation.

Government initiatives to improve this sector include the formation of Ghana Trade and Investment Gateway Program (GHATIG), seeking to improve foreign direct investments (FDI); Trade Sector Support Program (TSSP), to deliver rapid and strategic expansion of Ghana’s productive base, and the Private Sector Development Strategy (PSDS), which focus on creating a thriving private sector, creating jobs and enhanced livelihoods for all.

The Ministry of trade is also developing a new National Industrial Policy to complement the existing one. This is intended to create a consistent and stable policy environment in which the private sector can competitively promote industrial activities effectively and with certainty.

This paper puts forward that all these are good initiatives but we have the issue of whether FDI is wholly good for development. This paper argues that as things stand, no; the Ghanaian manufacturing sector would have to learn and improve on their domestic manufacturing economies for a more felt development. All the other policies employed by the government would not be effectively transformed into development if domestic manufacturing companies do not rethink their competitive strategies in order to take advantage of the opportunities these policies create. A result of FDI is the presence of Multinational Companies (MNCs) in Ghana.

**Quinlivan** attempts to present Multinational Companies as assets to developing countries he does not agree with the myths of multinational engaging in destructive competition and insidious plots to economically and politically manipulate entire economies and the perception of Multinationals methodically eliminating
domestic firms in order to exploit their monopoly powers. Nor does he agree with arguments that Multinationals exploit low-waged countries and the external debt problems of developing countries among others. He argues that multinationals present developing country with jobs, an expanded tax base, and new technologies among other factors contributing to their reduction of the world’s poverty.

These myths are fueled by the fact that local companies are seen to be too small and incapable of competing with multinationals. Quinlivan argument could be made stronger if local companies see multinationals as bench marks and try to live up and compete with them; this would result in a greater impact on the economy since businesses and profits would be owned and retained by locals. Wages, an expanded tax base and the entrance of new technologies are not enough especially that these Multinationals receive incentives such as tax exception for the first ten years of operation (Ghana Free Zones Board) to encourage them to come to Ghana, in addition, these companies are big enough competitors to submerge local companies.

“Coleman and Nixon argue this by acknowledging that MNCs may present a positive effect on growth in the short-run but goes further to argue that, as a result of these companies repatriate their profits, negotiate for taxes, transfer pricing and engage in intra-firm trading, as well as pay royalties, technical, and managerial fees to parent companies, the long-run effect would be negative”

Jones (2010) form his analysis of how multinationals survived and succeeded in foreign countries presents strategies which multinational companies used that local companies can adopt. These included the attraction and retention of innovation from host countries, this is more obvious in the case where local companies expand to
other countries but is also practical in current conditions since there are a wide variety of people with different levels of innovation, the company just has to be equip to identify these and adopt them.

During tough eras when there was a spread of independence, nationalistic, anti-foreign governments (de-globalization era) and the push for localization of management Multinationals relied on decentralized management systems which were capable of dealing with turbulent economic and financial environments, and high levels of intervention by governments.

Using a structured questionnaire survey involving 569 manufacturing firms in China, Zeng et al. (2008), endeavored to study the perceptions and internationalization efforts of the Chinese manufacturing firms. The findings from this study was that “technology level”, “cost control”, and “brand consciousness” are the top three most important factors affecting the competitiveness of internationalization of manufacturing in China.

The three bottlenecks of internationalization (competition of smaller firms in markers involving large firms) include “internationalization business experience”, “financing capacity” and “senior managers with management know-how”; with a proactive view from decision making team, these should pose as opportunities not hindrance.

This proactive attitude is be backed by Green Jr. et al. (2004) research on optimism; optimism results to pro-activeness. Green Jr. et al. (2004), investigated the role of optimism in the manufacturing sector; developing attitudinal optimism within employees, using a random sampling of 4,005 and issuing out questionnaires
using descriptive statistics and correlation matrix and ANOVA was used for non-response bias. The research yielded positive results that an optimism subculture leads to implementation of a goal setting process which in turn improves employee optimism and relatively high levels of employee optimism lead to improved individual and organizational performance.

An optimistic attitude backed with pro-activeness must be complimented with a firm’s available resources and strategic movies to result in great performance. In Navaretti and Tarr (2000), the importation of new machinery and intermediate goods, exportation of services and goods to meet consumers’ preferences and industrial alliances between Northern and Southern firms was seen as an efficient approach to develop LDCs firms.

This alliance was postulated by Jones (2010) and reiterates that after attraction and retention of innovation (as talked about earlier), multinationals were able to improve operations and build brand image which attract investors resulting to the formation of large business groups which facilitated a joint effort to manage costs whiles raising equity, debt, contracts and cross-directorships and also facilitated the recruitment of high quality staff who transferred managerial and scientific knowledge between individual companies. This process would help develop local manufacturing firms and improve their competitiveness in the today’s international market.

Tybout and Westbrook (1995) also point out that free trade could reflect on firms in LDCs’ efficiency, for this Lanhcen et al. (2009) recommends upgraded policies as a measure to take advantage of free trade; local firms can copy the new technology, or they are forced through increased competition to upgrade their technology and innovate (Blomstrom and Kokko 1996). Upgrading policies help
firms to grow in order to take advantage of economies of scale, improves their technological capabilities and prepare LDCs’ firms to more competitive contexts (take advantage of free trade); this process impacts their attitudes and their efficiency as they imitation best practices in terms of marketing, pricing, distribution, and innovation.

The growing populations of developing countries, especially their urban middle classes with rising incomes, resulted in fast-growing markets and a source of low cost labour for industries; this coupled with governments offering incentives for multinationals to invest in their countries (after de-globalization era), presented great opportunities for Multinationals, this they clutch to.

In the case of Ghana, we have the growing population and the Ghana Free Zones Board as an incentive for investment; this is not restricted to only foreign firms so locals should make use of this opportunity too. Jones (2010) states that local firms also have the opportunity of lower barriers to building managerial capabilities and sometimes favors by policies of national preference in contracts and regulations, often out of concerns to provide their populations with cheaper products; this can result to local firms posing as competition to multinationals, that is if they are able to take advantage of opportunities presented.

As argued by Simon Kuznets (1967) and Julian Simon (1986), large societies could be used as an advantage, as they are capacitated to take advantage of economies of scale and are better positioned to develop, exploit, and disseminate the increased flow of knowledge they receive. The Ultimate Resource by Simon (1981) shows how the eventual decline prices of natural resources, induced by the
growing demands of rising populations can lead to positive impacts on economic
development\textsuperscript{ix}. As prices of natural resources fall, output would be negatively
affected, with an increasing population resulting to an increasing demand; human
ingenuity would be stretched, and the population would have no option but to find
ways to increase output, hence, economic development; this paper argues that
improving the manufacturing sector is an effective way of increasing output. “The
Green Revolution, which has almost quadrupled world food production since 1950
using just 1 percent more land, was a direct reaction to population pressure”\textsuperscript{xii}.

Increasing the participation in the manufacturing sector has a larger effect on
a country’s economy; "Manufacturing has the largest multiplier of all sectors of the
economy. Every dollar in final sales in manufacturing products supports $1.37 in
other sectors of the economy.”\textsuperscript{xiii}

\section{3. METHODOLOGY:}

\subsection{3.1. Method:}

This section provides you with details on the scope and other details of this
research and methods used to collect and analyze data collected

The Research endeavors to answer the question: what lessons can a
successful MNC provide to a Ghanaian owned manufacturing company, using a
case study of Cocoa Processing Company and Cargill Ghana Limited. In an
attempt to answer this question, I visited the Ghana Cocoa Board Website to
gather information on the current situation of the cocoa industry. My second
task was to find out the opportunities and strengths posed to this industry and
to also identify the threats and opportunities available to this industry using the two companies selected. Interview were conducted with managers at key positions namely the operations manager, finance manager, marketing manager, human resource manager and the general manager for both companies to gather the necessary information.

**Why a Case Study:**

“A case study is an empirical inquiry that investigates a contemporary phenomenon with its real-life context when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”\(^{\text{xxiv}}\). This research investigates current real-life situations in Ghana where there has not been any clear boundaries drawn between observed facts and their surrounding circumstances and implications, hence the use of a case study. The two companies under study are a typical example of the sample and information gathered can be conveniently generalized to suit Ghanaian manufacturing companies: other Ghanaian manufacturing companies might be doing better or worse but recommendations can be easily contextualized to suit the Ghanaian owned manufacturing company you desire.
**Exploratory Research**

This paper embarked on an exploratory research in investigating and observing the business environment, operational processes, management systems and performance of the two organizations under study. It would explore several literature around the topic in coming up with strategies and measures to solve the existing problem and filling the gap existing in previous literature.

### 3.2. Methods of Data Collection:

Data for this study was collected using observations, interviews, document reviews and literature from reliable sources by me. Primary data as the main source of information for this literature was gathered though observation and interviews whiles complimentary secondary data were obtained through the analyses of documents gathered from reliable organizations and internet sources.

**Access and Reliability of Data**

An introductory letter from Ashesi University College was presented to the companies under study to easy the access of information. A follow up contract from companies has been signed by me to use all information gathered strictly for academic purposes in exchange for me interviewing and gathering as much information possibly needed. Information obtained was from experts and therefore, have a high level of reliability and credibility.
Interviews

**Semi-structured interviews** were conducted; this was to provide me with a plan on which areas to ask questions. This format contains structured relevant questions which minimized the risk of forgetting to ask key questions vital to the study whiles giving me room to ask question which were not initially planned but came up from observations or interviews and were vital to the study.

To ensure the accuracy of reports and analyses, interviews were recorded; this was also to increase the level of objectivity and consistency and to aid in-depth analyses of information at convenient times.

**Observation:** an observation of the work environment during the research was to provide me with first hand information and evidence to aid me in my analysis of my response.

**Document review:** The annual reports of the companies under study were also analysis to increase the robustness of data gathered and to aid further and indebt analysis of the companies.

### 3.3. Sampling Procedure and Sample Size

**Sampling Procedure:** this research was conducted over a time span of eight months (September 2012 to April 2013) within the scope of the Ghanaian manufacturing sector, specifically, Accra and under the Ghana Free Zones Board for the reason of time and financial constraints. This paper has its stakeholders to be all manufacturing companies in Ghana, the government of Ghana and the general public.
**Sample Frame:** the sub population of this study entails all workers of Cargill Ghana and Cocoa Processing Company, chosen from the total population of all Ghanaian manufacturing companies. Although a larger sample frame would have increased the robustness of my paper, due to time and financial limitation, I rely on existing literature to add substance to recommendations.

**Sample Size**

This paper would employ a purposive sampling in selecting ten personnel, five from each company under study. The five personnel from each company would be the operations manager, finance manager, marketing manager, human resource manager and general manager since they are better suited to provide information needed. This paper might sort to snowballing should managers refer me to other personnel for more information so the sample size might increase but I do not expect it to exceed 15.

3.4. **Data Analysis**

Descriptive Analysis: This paper would have to describe conditions and processes pertaining in the environment of study.

Content Analysis: this paper would have to analyze contents of interviews, documents and observation in order to draw accurate conclusions in making recommendations to stakeholders.
3.5. Limitations:

- The two companies under study are just two out of a lot in the sector so the probability of over generalization is high. I hedged against this by using a company which is not doing so well but has not faded out yet so recommendation can be applied to other manufacturing companies.
- Time and money constraints: I hedge against this by starting my research on time and explored other ways of communicating with respondents such as emails and phone calls to minimize my visits to the company.
- Difficulty in gathering data from companies

4. RESULTS

This section is in two halves: the first half describes the findings from interviews with the operations manager, marketing manager, technical manager, human resource manager and the managing director of Cargill and CPC. Identical questions were posed to all managers. Data and information from reports obtained from visited both companies’ websites were analyzed to ensure that the information entails a high level of reliance. The second half in a deeper analysis of both secondary and primary data collected.

4.1. FINDINGS

4.1.1. GHANA’S COCOA INDUSTRY

“Nearly a third of companies doing business in Africa say the market is as attractive as or more attractive than both Asia and Latin America”\textsuperscript{xxv}. With this news of the attractiveness of doing business in Africa, Ghana has not been left out; investment
and business opportunities are increasing, this is also evident in the cocoa industry. The Cocoa Processing Company (CPC) used to be a monopoly domestic processor but now Ghana’s cocoa processing sector has players including Cargill, Barry Callebaut, WAMCO, ADM, Afrotropics and others.

The presence of Ghana Cocoa Board (COCOBOD) has been very beneficial to the industry as this body undertakes and encourages the processing of cocoa, coffee, sheanut and cocoa with the aim of adding value for export and local consumption.

This body regulates the quality and quantity of cocoa from Ghana which have been observed to have a high content of the obromine, thus making it the best cocoa thus attracting a premium on the World’s Commodities Markets.

This status has been diligently maintained over the years as COCOBOD buys cocoa beans directly from farmers and ensure they pass through and meet the effective quality control practices of its Quality Control Division (QCD). COCOBOD continues to put measures in place to boost cocoa bean production, never the less, production keeps fluctuating and only reached 1million tones in 2011 but fell to 820,000tones in 2012.

**4.1.2. PROFILE OF CARGILL GHANA**

Cargill International founded in 1865, is a private Multinational Manufacturing company and is an international producer and marketer of food, agricultural, financial and industrial products and services. **Cargill Ghana** is under Cargill’s food and ingredients segment under the cocoa and chocolate business unit which started operating in 4th November 2008. The cocoa and chocolate business unit deals with the processing of cocoa into liquor, cake, butter and cocoa powder which it sells to both foreign and local buyers such as Nestle, Cadbury, Promo and Cargill Netherland.
From a visit to the factory, I observed that the factory is highly equipped with machinery and technology: Cargill has two bore holes to supplement water flow, machinery which processes bean shells into fuel to supplement energy, an automated control room, heat exchanger which processes wind to generate heat instead of the normal fire used, a heavily air conditioned ware house, enclosed silos which preserve flavor of beans and other modern technology.

An interview with the technical manager and the operations manager who oversee the operational process revealed the information below. With 180 workers, Cargill fosters strong communication among employees, and threats safety as a very key issue while upholding integrity and ethics in meeting its production target of 60,000 tons of cocoa products which is expected to double in a few years. A review of company’s annual report and website supported these findings.

Table 2: SWOT ANALYSIS OF CARGILL

<table>
<thead>
<tr>
<th>Strength</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ The brand name, Cargill has strong recognition and affiliation to quality cocoa products both locally and internationally.</td>
<td></td>
</tr>
<tr>
<td>➢ State of the art plant; the best automated processing facility in the industry.</td>
<td></td>
</tr>
<tr>
<td>➢ Unique processing technique, an example would be enclosed silos which</td>
<td></td>
</tr>
<tr>
<td>➢ Fast growing Africa: expanding into new nearby regional markets (Togo and Nigeria) and serving additional customer groups.</td>
<td></td>
</tr>
<tr>
<td>➢ Growth of Ghana’s cocoa industry</td>
<td></td>
</tr>
</tbody>
</table>
preserve the flavor of the beans giving Cargill a competitive edge.
- High technological competence
- Quality products (made up of 100% Ghanaian cocoa beans)
- Compensate weaknesses with strengths from other business units when necessary
- Production is done in large quantity
- Supplementary water and energy source

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Inability to retain employees after substantial effort and resources has been dedicated into training them. This is due to other attractive opportunities such as the telecommunication sectors; those sectors make higher profit margins so their employee pay is higher compared to the cocoa industry.</td>
<td>➢ Unavailability and rising cost of energy</td>
</tr>
<tr>
<td></td>
<td>➢ Unavailability of certain goods and services; e.g. Wooden pallets for packaging</td>
</tr>
<tr>
<td></td>
<td>➢ Lack of qualified personnel in the industry</td>
</tr>
<tr>
<td></td>
<td>Ineffectiveness of institutions</td>
</tr>
<tr>
<td></td>
<td>➢ Congestion at the port, hindering importation and exportation</td>
</tr>
<tr>
<td></td>
<td>➢ Delay at customs</td>
</tr>
</tbody>
</table>
You would notice that weaknesses and threats are a little outside Cargill Ghana’s reach; there is little they can do as a company except push for the government to address issues such as unavailability and rising cost of energy and congestions at the port. In spite of this, Cargill Ghana has explored its technological strength in providing supplementary water and energy sources. And with the threat of lack of qualified personnel in the industry, it spends a substantial amount of resources training and developing their employees.

The technical manager pointed out that due to restrictions by the government in an effort to keep its local companies in business, Cargill Ghana is not allowed to produce chocolates and other confectionary products in Ghana.

4.1.3. PROFILE OF COCOA PROCESSING COMPANY

Cocoa Processing Company (CPC) was incorporated on the 30th of November 1981 as a limited liability company to process cocoa into finished and semi finished goods. Its shares publicly traded on the Ghana Stock Exchange. The core activities of the company is the manufacturing of high-quality semi finished cocoa products: cocoa liquor, butter, cake and powder. It also produces chocolates and other confectionery finished products but this amounts to less than 8% of its production which makes Cargill its close competitor.

CPC’s factory is equipped with a large work space and experienced workers with some working in the industry for over 30 years. The company has 280 workers with a production capacity of 64,500 tons but currently producing at 30,000 tons as a result of its inability to purchase enough beans.
From information gathered from my observations and interviews with the human resource manager, marketing manager, operation manager and the managing director, I compiled the information below. Most of the responses to my question were the same from all managers and the general manager’s report of 2008/2009 and financial statement for 2011 and 2012 backed most of the information provided.

Table 3: SWOT ANALYSIS OF CPC

<table>
<thead>
<tr>
<th>Strength</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Availability of experienced workers</td>
<td>➢ Fast growing Africa: expanding into new geographical markets and additional customer groups.</td>
</tr>
<tr>
<td>➢ Confectionery products have a strong brand name domestically: Golden Tree.</td>
<td>➢ Using e-commerce and internet technologies to dramatically cut cost and/or to pursue new sales growth opportunities</td>
</tr>
<tr>
<td>➢ Quality products (made up of 100% Ghanaian cocoa beans)</td>
<td>➢ Increasing awareness of health benefits of cocoa consumption</td>
</tr>
<tr>
<td>➢ Golden Tree product has won both local and international recognition.</td>
<td>➢ Opportunity to supply confectionery products to the Ghana School Feeding Programme</td>
</tr>
<tr>
<td></td>
<td>➢ Opportunity to increase profits by increasing supply of confectionery products (prices are regulated by CPC)</td>
</tr>
</tbody>
</table>
### Weaknesses

- Not financially strong
- High production cost
- Inability to meet growing customer demand
- Lack of modern technology to aid productivity
- Lack of internationally appealing packaging
- Non-autonomy of board of directors
- Producing way below capacity level

### Threats

- Intensity of competition among industry rivals for raw materials and market.
- Influx of cheaper chocolate and other confectionery products from foreign markets.
- Inability to cope with fast pace of technological changes
- Inability to cope with growing demand for cocoa products.
- Unavailability and rising cost of energy

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**4.2 ANALYSIS**

This section analysis my findings with the help of charts in meeting my third objective, thus, identifying problems that CPC faces. It was observed that CPC’s weaknesses, threats and its inability to take advantage of its opportunities have translated into problems for CPC. This section also ties these problems to literature so make clear the effects of points made.

**IDENTIFIED PROBLEMS CPC FACES**

Considering the fact that prices of raw materials and semi finished goods are dictated by the world market; the options of making profits in the industry lies greatly in:
- Availability of cocoa beans
- Your ability to buy beans at suitable quantities and prices
- Your efficiency at cutting cost
- Your efficiency at processing beans without much waste
- Your ability to produce in large quantity
- A ready market for your goods

CPC incurs problems in almost all these stages and other aspects which have resulted in its low or in terms of profits, negative performance.

Non availability of cocoa beans

Cocoa beans production in Ghana is in large quantities but not adequate to meet both domestic and foreign demands. Cocoa production is heavily influenced by the amount of rainfall and has been observed to be fluctuating as you would observer from figure 9; it exceeded 1million in 2011 but dropped in 2012. According to COCOBOD’s website, they are pumping money into the production of beans but there is still a long way to go in trying to meet demand: both operations managers of Cargill and CPC point this as a problem that affects productivity.

COCOBOD could have tried the option of importing cocoa from Togo or Ivory Coast but they are faced is the problem of sub-standard beans and does not have a huge storage facility to buy and process these beans.
Since the number of players in the industry has increased, this would automatically affect the quantity of beans demand. This problem is faced by all players in the industry but whiles CPC, for lack of adequate resources, struggle with the problem and its productivity, hindered; Cargill works around this problem by having a separate account to buy beans as and when they are available, this feeds into my next point.

**Inability to attain beans at favourable quantities and prices**

Cocoa beans come in two forms, the main crop and the light crop, they differ in sizes and price as the former is bigger and more expensive than the later; most companies desire the light crop since it is less expensive.CPC as the pannier used to enjoy discount rates and the benefit of attaining light crop but with competition and a
resulting increase in demand for the product, prices have increase and CPC no longer enjoys its former benefits.

Faced with fluctuations in quantity supplied and prices and a generally limited supply, a company’s ability to buy when quantity is high and prices are low, which is mainly influenced by the availability of light crop, aids in the reduction of that company’s cost of raw materials. The problem is, most companies desire the light crop which comes in small quantities resulting into a shortage, see figure 10.

Figure 10

![Cocoa production in Ghana (distributed between main crop and light crop)](image)


Cargill, as a hedge against non availability and high cost of raw materials has reserved funds to take advantage of favorable prices and quantity (most desirable, light crop) as and when the opportunity presents itself. These companies cannot grow their own beans since COCOBOD buys all beans from farmers in Ghana and then regulates its distribution; this is done to ensure their quality.
As stipulated by Zeng et al. (2008), the three bottlenecks of internationalization (competition of smaller firms in markers involving large firms) are financing capacity, internationalization business experience, and senior managers with management know-how; this bottleneck of financial capacity hinders CPC’s performance. According to the operations manager of CPC, as a result of the company’s financial weakness, they currently buys beans on credit and do not have the financial strength to better its position in the near future. This implies that CPC is not at a good position to bargain for the light crop or even quantities which are more suitable to them. This leaves CPC with the main crop to purchase, which is more expensive and not at the required quantity. This affects cost of production and also quantity of production which would be looked at below.

**Lack of Effectiveness in Cutting Cost**

According to CPC’s operational manager, CPC incurs a high cost of $400 in processing one ton of cocoa product with its overheads cost accounting for a large percentage of this cost: this reflects in my analysis below. This huge cost is an accumulation of its weaknesses such as its lack of modern technological equipment to aid the production process, a large work force and an inefficient measure to commensurate work with pay and benefits. The table below represents a summary of CPC’s financial statement for 2010 and 2011 and some analysis.
Table 4:

<table>
<thead>
<tr>
<th>Financial Position</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>GH₵</td>
<td>GH₵</td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>84,127,817</td>
<td>89,164,530</td>
</tr>
<tr>
<td>cost of sales</td>
<td>(82,761,971)</td>
<td>(85328194)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>1,365,846</td>
<td>3,836,336</td>
</tr>
<tr>
<td>Other Income</td>
<td>154,355</td>
<td>208,619</td>
</tr>
<tr>
<td>Selling and admins.</td>
<td>1,296,392</td>
<td>2,078,626</td>
</tr>
<tr>
<td>General admins.</td>
<td>9,344,730</td>
<td>11,147,399</td>
</tr>
<tr>
<td>Loss</td>
<td>(9120921)</td>
<td>(9,181,070)</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>618,219</td>
<td>893,170</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profitability Ratios</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit margin</td>
<td>1.62%</td>
<td>4.30%</td>
</tr>
<tr>
<td>Gross profit mark-up</td>
<td>-1.65%</td>
<td>-4.50%</td>
</tr>
<tr>
<td>General expenses to gross profit</td>
<td>684%</td>
<td>291%</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>-10.84%</td>
<td>-10.30%</td>
</tr>
<tr>
<td>Employee benefits to Gross profit</td>
<td>45.26%</td>
<td>23.28%</td>
</tr>
</tbody>
</table>

CPC annual report, 2011

From the profitability ratio section of table 4, CPC’s profit margin for 2010 was 1.62%, this is very low and a cause for alarm since it indicates that CPC has just 1.62% of its revenue available to cover for its operational and other cost. In 2011, it rose to
4.30% but this is still not good enough. This also indicates that the remaining 98.36% (2010) and 95.7% (2011) went into the procurement of beans. This cost is a reflection of the company’s inability to buy beans at favourable prices.

Gross profit mark up is used by most companies to determine selling price. “It is an internal indicator that the company sells its products at a higher price than its cost. It is also the amount added to the cost of a product to determine its selling price.”

In the case of CPC, it has a negative gross profit mark up which implies that they are selling their product at a lower cost than it cost them to produce them which would definitely result into losses. Going by the second part of the definition, it also means that they would in effect be adding a negative figure to their cost of production to determine their prices; this is bad for profitability.

The general expenses to gross profit ratio shows the percentage of gross profit that goes into general expense and CPC was a high of 684% in 2010, this implies that their general expenses where over 6 times their gross profit figure. This ratio fell in 2011 but was still at a high of 291% which was close to 3 times gross profit: in both years, their general expenses way exceeded their gross profit. CPC is still in business because most of its expenses were from its long term borrowing figure which stood at GH Cedis 121,295,555 in 2011. If the company does

From the general manager’s report, CPC has an opportunity to adopt e-commerce, internet and other technologies to dramatically cut cost and/ or to pursue new sales growth opportunities. Technology is a huge drawback for CPC as a visit to the factory revealed that most of its equipment was old and the operations manager put forward that they were out of date and had frequent break downs: this is evident in the
company’s huge general expenses. Another contributing factor is the company’s large work force since salaries also adds up to this cost: figure 11 shows a comparison of number of workers for both companies under review.

Figure 11: Level of employment for both companies

![Number of Employees](chart.png)

Source: Field data

Even though CPC has a larger work force, they still produce lesser than Cargill does, see figure 12.

The operational profit margin thus, the percentage of profit a company makes from its sales: in the case of CPC they have a negative percentage which is a reflection of their losses. The company recorded -10.84% and -10.30% for 2010 and 2011 respectively, this implies that for 2010 they made a loss of 0.184 for every unit of sale and a loss of 0.103 for 2011.

If the company does not work on addressing the problems discussed above and only focuses on increasing output they would be making more losses because they ratios are multiplied by the units sold to get the company’s total loss.
The problem of inefficiency at the commensuration of work with benefits is evidence in the ratio of employee benefit to gross margin: this shows the percentage of gross margin that goes into employee benefits and you would realize that even though in both years the company made losses, they paid as high as 45% (in 2011) of their gross profit as employee benefits leaving just 55% of the already loss gross profit to cater for other expenses. According to the human resource manager, workers have been laid off, from over 700 employees to 280 employees and non-core service such as cleaning, canteen and others have been outsourced. This came with huge cost as dismissing workers was fueled by huge benefit packages and outsourced services.

This is not to say that this was not a good decision, on the contrary, eventually if CPC is able to cut down its processing cost and other costs, the cost of laying-off workers would be regained and it can reap the benefits of having fewer and more efficient work force.

According to Zeng et al. (2008), cost control and technological level are two of the top three most important factors affecting the competitiveness of internationalization of manufacturing in China and as it has been observed, China has been very successful in the manufacturing sector.

Navaretti and Tarr (2000) also talks about the importance of technological level. At this pace, CPC has a much higher production cost than Cargill but they both sell their products at the same price (world market price, except for CPC’s confectionary products which is just about 8% of their production); this implies that CPC would have a lower profit margin, which means that they have less to invest in raw materials,
technology and other factors that otherwise would improve upon their current conditions.

**Inability to produce in large quantity**

Once CPC is *not producing to meet its full capacity*, if the identified problems discussed above can be addressed such that beans are purchased at favorable prices and quantity and technology is enhanced, production can be increase without any huge additional expenses; this means CPC would be able to increase its profit level.

Figure 12: Production levels for both companies

![Current Production Level in Tons](image)

Source: Field Data

This problem results into CPC’s inability to meet the growing demand of cocoa products. This means it would not be able to retain its customers whose demands are increasing resulting to a loss of customers. The company’s ability to take advantage of their opportunities of the increasing awareness of health benefits of cocoa consumption, supply confectionery products to the Ghana School Feeding Programme and a general
opportunity to increase profits by increasing supply of confectionery products lies in their ability to increase the production levels.

A ready market for your goods

Cargill has a ready market for its products as a result of its strong relationships with both local and foreign companies including Nestle, Cadbury, Proma and Cargill Netherland which buy in large quantities. Cargill also has a mother chocolate manufacturing plant which buys its cocoa butter, liquor, cake and powder as well as a ready market in the USA where it originates from.

In as much as CPC also has markets in Togo, Benin, Sierra Leone, Senegal, Nigeria, European markets and local retailers, its lack of international appealing packaging causes, its confectionary products to suffer at the hands of competition on international markets.

Currently CPC’s confectionary product forms about 8% of its production, according to the managing director, the confectionary market is a more profitable section since prices are dictated by the company unlike the semi-finished goods which are dictated by the world market. He says CPC is working at increasing it confectionary products. While this is still in progress, the problem of a lack of international appealing packaging still persists.
Other problems identified

**Non Autonomy of Board Of Directors**

The operations’ manager pointed out that the political factors that affected operational process was the fact that a change in government results into a change in the Board of directors, resulting into change in major policies of the company like how much to invest in the purchasing of cocoa. As analyzed earlier, every decision especially that of how much to purchase and when to purchase cocoa beans is very important. The non-autonomy of board of directors is an evidence of Ghana’s weak institution.

**Unavailability and rising cost of production materials**

Ghana’s institutions are also responsible for making available energy, fuel and other vital materials for production. Both companies complain about the unavailability and rising cost of these raw materials and the negative effect it has on profits. This is evident in CPC as table 4’s ratio analysis gives a high percentage for general expenses to gross profit ratio. Ghana’s institutions should be able to check and control the unavailability and rising cost of energy and other production costs.

**Influx of cheaper chocolate and other confectionery products from foreign markets**

An increase in confectionary production is an opportunity for CPC to boost its profits as stated by the general manager since prices of these products are dictated by the company. The opportunity in terms of quantity produced and regulation of prices is hindered by keen competition from stronger brands with more attractive brand
packaging. The keener the competition, the more difficult it becomes for CPC to increase or regulate their prices or make adequate sales to boost subsequent productions.

5. CONCLUSION AND RECOMMENDATIONS

This section is divided into two parts; first, conclusion drawn from data gathered. The second part draws knowledge from literature, lessons from Cargill’s and the authors own views personal thought in making recommendation for both government and CPC.

5.1. CONCLUSION:

From information gathered, the objective of identifying the problems CPC faces has been met. CPC faces a lot of problems that it needs rethinking, long term planning and re-strategizing to be able to revive from its current poor performance. It is for this reason that this paper presents its recommendation section.

5.2. RECOMMENDATIONS

GOVERNMENT

➢ COCOBOD should invest more in cocoa beans production

The problem of non availability of cocoa beans to a large extent cannot be dealt with by these companies as they do not deal directly with farmers but with COCOBOD. With Ghana producing the world’s best quality cocoa, the demand for cocoa beans is rising and so government has to invest more in this sector so
supply can if not meet but catch up with demand at least for the survival of local companies who rely on this.

- Focus on encouraging local manufacturing

Systems in place should be geared towards boosting local manufacturing. With regards to distribution of raw materials between exporting and selling to companies within the country, I recommend that large quantities should be sold to manufacturing companies within the country preferably, Ghanaian owned companies. Companies producing in Ghana are buyers of other Ghanaian products such as energy, water and even labour. They serve as a source of highly trained jobs and other benefits discussed in my relevance section, so it is important that we encourage them.

I used preferably Ghanaian companies because, at the end of the day, these company’s profits stay within the country and adds to strengthening other sectors. In the case of foreign companies producing in Ghana, with the Ghana Free Zones Board (GFZB) offering most of these companies 100% exemption from payment of income tax for the first 10 years and not exceeding 8% thereafter and other benefits, these companies have enough incentives to invest. Also, the fact that profits are repatriated to home countries at the end of the day, it is economically sound to encourage local companies rather than foreign ones since these companies receive enough benefits already and are financially strong to squeeze out local companies.
Government should Subsidize manufacturing cost

With the wide spread of free trade and the presence of other cheap products like those from China, it becomes increasingly difficult for smaller and less exposed local companies to compete with these other companies even in their own countries. Fortunate, the wide spread of knowledge on policies applied by these successful companies is available to us, all we need to do it explore the theoretically and see if it would work within our individual systems.

“China’s economic growth plan is based on promoting exports at all cost. To accomplish this, the Chinese government provides massive subsidies to many of its industries to allow them to produce goods for export at an artificially lower cost.”

Also the United States has adopted the strategy of subsidizing manufacturing cost to aided in revive its local manufacturing industry. Mr. O'Shaughnessy, a co-chairman of the Coalition for a Prosperous America, a lobbying group that seeks to strengthen domestic production. Said “The only manufacturers in America who go without government support are those whose markets are so insignificant that they are not noticed by foreign producers.”

Ghana could adopt these strategies and subsidize manufacturing cost to boost its manufacturing industry because as discussed earlier, this is a source of economic growth and development. Ghana could consider reducing utility tariffs such as cost of energy and other raw materials. This is most often than not done but my recommendation is that more emphasis should be placed on doing this for the manufacturing sectors.
Government should pump more money in CPC

This recommendation might be questioned since the company is currently making losses but the only way it can come out of this situation is if it can raise funds to start with. After funds are raised, subsequent recommendations must be implemented to ensure the efficient use of these funds.

Currently COCOBOD owns 57% and the ministry of finance, 21%; these are both government institutions which mean the government owns 78% of the company. The company’s financial weakness and its resulting inability to purchase beans at favourable prices, technological incompetence which result into the company’s huge costs can be curbed by pumping in more money into the company.

I must emphasis that this should only be done if the company is able to provide a convincing plan as to how other problems such as cost control and lack of appealing brand packaging would be addressed. After monies have been pumped in, the government should monitor performance; this can be done efficiently by ensuring that competent and independent external auditors are in place.

Make available loans for local manufacturers – as was done in Nigeria

Apart from investing directly into the company, government can also explore the option of making available loans for local manufacturers; this increases their level of accountability because regardless of whether they make profits or not, they would be required to pay back loans. This is a way of keeping them on their toes but also the government would be earning interest on these loans which would be used for other government expenses.
This has actually been implemented in Nigeria as its Central Bank has approved the investment of N500 billion Debenture Stocks which are to be issued by the Bank of Industry (BOI) as the government tries to facilitate the operations of the credit market. This action is geared towards fast-tracking the development of the country’s manufacturing sector by improving access to credit to manufacturers which would result into an increase in output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis. These are similar objectives which need to be addressed in Ghana, hence my recommendation of loans for the local manufacturing sector.

- Encourage private individuals and organizations to invest and join board

As it stands with government owning 78% of the company, other individuals or organization have little authority in the company. With other individuals and organizations on board, managerial skills would be more diversity and monitoring of performance would be done keenly since employees would not be largely accountable to government which is seen as the body for us all but also other private individuals and organizations who would be keener at protecting their investment. Also this is a form of decentralizing management, which Jones (2010) encourages as he puts forward that this is seen as capable of dealing with turbulent economic and financial environments, and high levels of intervention by governments. This is also a source of attraction and retention of innovation which Jones (2010) also recommended.
Strengthen Ghanaian institutions

Strengthening of Ghanaian institutions would curb nepotism and increase the autonomy of board of directors. It would also increase accountability of all sectors which include efficient performance of duties and taxes which leaves the government with more money to invest back in further strengthening the institutions (North and Thomas 1970) and also available funds to invest in cocoa beans production and generally subsidizing manufacturing costs.

Emphasis the need to strengthen local production and demand

Government can run educational programs to emphasis the need and importance of strengthening local production and demand as this leads to continues production and improvement which could only make our economy better. The mind set of foreign is better which drives the demand for foreign goods is not always true as golden tree produces quality chocolate which contains more cocoa and less sugar and artificial ingredients. The government initiative of making Valentine’s Day, chocolate day and the official Friday African wear are good initiatives but there is still more that can be done.

CPC

Raise more capital/funds

As discussed earlier, an improvement in the company’s finances would create room for it to take advantage of favourable prices of beans, relevant technology and increase its productivity. But I must mention that raising capital is just the
first step in solving CPC’s problems, recommendations discussed below must be followed to ensure positive outcomes. Zeng et al. (2008) presents financing capacity as one of the three bottlenecks of internationalization (competition of smaller firms in markers involving large firms). Bottlenecks, when not addressed stiffen all other processes that come after it, in the case of a business, if capital is the bottleneck then it would stiffen every other process because raising capital in the first step of a business.

- Reserve part of its funds for purchasing beans during favourable prices

Once funds have been raised, CPC would have to address issues regarding its supply chain, starting with reserving an account for the purchasing of beans during favourable prices and quantities. This is a strategy that has worked for Cargill and since CPC is faced with similar situations, it makes financial sense (reduced cost of raw materials would increase gross profit) and is most likely to would work for CPC too.

- Invest in relevant technology

From the problems discussed earlier on, technological incompetence manifests itself in CPC’s operational costs. If CPC is able to invest into relevant assets, which might be huge costs at the beginning, it would be able to cut down other costs, increase its production and sales for a long period of time which would eventually cover this cost. The company has started working on a bore but it can do more as technology can aid them in finding supplementary energy and water supply.
According to Cargill, technological competence is a strength that results in them cutting down energy, water cost and other costs since they have machinery that process shells which are waste products into energy and two bores to supplement their water supply, they also have less machinery break down. Technological competence also aids them in building their brand image as they produce the finest cocoa powder and butter; for one reason, they have enclosed silos which preserve the flavor of their products.

Cargill’s strategy reflects Zeng et al. (2008) conclusion of “technology level”, “cost control”, and “brand consciousness” as the top three most important which affects the competitiveness of internationalization of manufacturing in China.

Also technological competence would boost both CPC’s quality and quantities of goods thus aiding CPC meet customer demand and specification. This builds CPC a good brand image (as has been the case of Cargill). According to Jones (2010) a good brand image attracts investors resulting to the formation of large business groups which facilitated a joint effort to manage costs whiles raising equity, debt, contracts and cross-directorships and also facilitated the recruitment of high quality staff who transferred managerial and scientific knowledge between individual companies.

In conclusion, an investment in technology would trickle down through cost control, output enhancement (quality and quantity) and even going further to build the company a good brand image and attract more investment. This is definitely an investment that should be made.
➢ Increase production

CPC has the opportunities of fast growing and developing Africa which provides increasing market size and income levels of people within, an opportunity to supply confectionery products to the Ghana School Feeding Programme, increase profits by increasing supply of confectionery products and the opportunity to explore new geographical markets. This can only be taken advantage of if it is able to increase its production level.

➢ Rebrand package

The problem of poor packaging can be addressed by hiring an expert to come up with a new brand package or CPC could outsource this activity. Whatever be the case, the company’s brand package must be attractive as well as reflect what it stands for, thus premium confectionary products.

➢ Explore new markets especially for its confectionary products

A discussion with the marketing manager of CPC revealed that the company would not want to dilute its brand by producing other products with more sugar and other ingredients since this is what differentiates them from other brands. Whereas a discussion with the general manager revealed that, CPC has not fully explored its market options.

I recommend that they should maintain the golden tree product line as one that produces premium confectionary product but delve into another product line which satisfies the market that is looking for more sugar and other ingredients in their chocolate bar. According to Ryan (2011), Doutre Roussel, a former chocolate
buyer at Fortnum & Mason, states that "boosting about a high cocoa content is as ludicrous as praising a wine for its high alcohol content. Percentage is a meaningless concept; you need the right amount of sugar and cocoa to allow expression of aromas, to allow it to bloom." Her comment backs my recommendation of delving into other product line that accounts for more sugar, aroma and other ingredients. Also, Navaretti and Tarr (2000) recommend that customer preference must be companies focus.

- Commensurate work with pay and other benefits

Considering CPC’s ratio of employee benefit to gross profit, clearly, a lot of its gross profit goes into employee benefits when there are other huge and important expenses to be covered, not to say that it is not important to provide employees with benefits but it must commensurate performance and output. CPC must come up with or seek advice on policies regarding pay and benefits; the economic criterion is the “marginal product of labour should be the wage”.\textsuperscript{xxi}

- Have a plow back strategy

After all is said and done, CPC has to have a strictly followed plow back strategy; at the end of the financial year, a portion of earning has to be plowed back into the business if it wants to be able to improve upon performance and sustain growth.
Final Comments

Developing countries need Foreign Direct Investment to aid development as this provides the countries with a market for their raw materials such as energy and water which goes into production. These companies also provide developing countries with employment opportunities and skills development opportunities but this becomes harmful to the developing countries if measures are not put in place to take advantage of the opportunities this FDI presents them.

Ghana for one attracts FDI mainly in its industrial sector, (in the form of MNCs) this provides Ghana a huge opportunity to learn and adopt new ways of doing things in other to partake in health competition locally and globally. As it stands, this is not the case, these MNCs, because of their financial strengths, technological competence and generally effective operational processes excel whiles local companies who are trapped in their old ways of doing businesses get squeezed out of business.

CPC is a typical example of a local manufacturing company which has been stuck in its old ways of operating, exposing it to a lot of weaknesses and threats. However, considering its strength and opportunities; a good reviving strategy when implemented would put the company in a better position and aid it to take advantage of its opportunities in excelling in the industry.

According to the Ghana Free Zones Board (which is responsible for attracting FDI), Ghana keeps track of MNCs progress. With this being the case, Ghana can actually learn from these companies and re-strategizing and adopt new ways of doing business to reviving its local manufacturing industry. If this is not done and local manufacturing companies are left to their faith, they would eventually die out and Ghana would be
stuck with exporting raw materials and the cruel hands of the Prebisch Singer Hypothesis. This means low income from export, negative balance of trade, poor economy and all the negative outcomes of a poor economy. Upgrading our local industry is a gateway to economic growth and development.

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## Appendix

### Interview design

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
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<tbody>
<tr>
<td>1. What is your core business?</td>
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<td>2. What sets you apart from your competitors?</td>
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<td>3. What number would you place yourself, placing the industry leader as 1?</td>
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<td>4. What would you say are your company’s main opportunities</td>
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<td>5. What are your company’s strength</td>
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<tr>
<td>6. What are your company’s weaknesses?</td>
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<td>7. What are your company’s threats?</td>
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<td>8. How efficient is your company’s operation process? Why?</td>
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<td>9. Does your company have any employee development systems in place? What are they?</td>
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<td>10. How does your company monitor employee performance?</td>
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<td>11. How are employees motivated?</td>
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<td>12. Does your company embark on research and development? If yes, how often and how is it done?</td>
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<tr>
<td>13. What problems does your company face?</td>
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