Perceptions of managers in the South African mobile industry regarding strategic sourcing benefits

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DECLARATION

I, Thapelo Motsoeneng, declare that this research article is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Thapelo Motsoeneng

Signed at Johannesburg

On the 15th day of January 2018.

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ABSTRACT

In order to run a functional business, companies form relationships with other entities that exist within their supply chain. These relationships have implications to the company in terms of their financial as well as operational efficiencies. In practical terms, the relationships formed with third party companies are entered into using, in most cases, the procurement system of a company. Given that the procurement system impacts the outflow of funds in terms of costs paid to suppliers as well as the “last mile” that these suppliers play a role in; it is necessary for companies to apply their minds to how they ensure efficiency in the manner in which they carry procurement out.

The centrality of the procurement function within a company implies that it is a pivot on which company operations rotate. Seeing this pervasive presence of the procurement function throughout the units of a company, the attainment of company strategic goals relies on a well-functioning procurement system. Strategic sourcing is a component of the procurement function that gives practical expression to the strategy within the broader strategic approach of a company.

This article explores the perceptions of managers within the mobile phone industry on the manner in which Mobile Network Operators utilize strategic sourcing in order to ensure that they stay in business and become significant players within their industry. The paper explores the following propositions;

Proposition 1: Strategic sourcing contributes to company performance.

Proposition 2: Strategic sourcing can be used to achieve cost reduction.

Proposition 3: Strategic sourcing can be used to gain and maintain competitive advantage.

Proposition 4: Strategic sourcing is a structured process.

Proposition 5: Supplier development initiatives are an important component of strategic sourcing

In this exploration endeavour, a strategic sourcing model was selected and its elements were used to develop a tool to analyse the benefits of strategic sourcing on company performance, cost reduction and competitive advantage.

INTRODUCTION

A basic observation of the manner in which mobile phone services are consumed reveals that there are a number of independent enterprises playing a role in the service provision. In South Africa the most easily identifiable of such enterprises are the mobile network operators (MNOs) such as Vodacom, MTN, Cell C (ICASA, 2016) and Telkom Mobile; as well as the device manufacturers such as Apple, Samsung, Huawei, Blackberry and Nokia, to name a few. These entities and others exist within a supply chain which Beamon (1999) defines broadly as an integrated process through which raw materials are turned into final products that are ultimately delivered to consumers. This definition gives us a broad framework of the space in which these enterprises exist.

The Business Dictionary (2017a, p. 1) gives us a more comprehensive definition of the supply chain which recognizes that it is an “entire network of entities, directly or indirectly interlinked and interdependent in serving the same consumer or customer. It comprises of vendors that supply raw material, producers who convert the material into products, warehouses that store, distribution centres that deliver to the retailers, and retailers who bring the product to the ultimate user”. The critical role of a supply chain is that it is a way in which any producer can get the right product to the consumer at the right price and time. In this day and age where producers have access to information regarding production processes and methods, it is within the supply chain where enterprises maximise their ability to compete (BusinessDictionary, 2017a).

The supply chain described above underlies the value chain of a product. A value chain is defined as "the process by which businesses receive raw materials, add value to the raw materials through various processes to create a finished product, and then sell that end product to customers" (Investopedia, 2017, p. 1). According to Sturgeon (2001) this value chain is essentially a vertical chronology of how goods are eventually delivered, consumed and maintained.

More comprehensively a value chain is defined as "interlinked value-adding activities that convert inputs into outputs which, in turn, add to the bottom line and help create competitive advantage. A value chain typically consists of (1) inbound distribution or logistics, (2) manufacturing operations, (3) outbound distribution or logistics, (4) marketing and selling, and (5) after-sales service. These activities are supported by (6) purchasing or procurement, (7) research and development, (8) human resource development, (9) and corporate infrastructure" (BusinessDictionary, 2017b, p. 1).

In deciding to enter a specific industry, companies need to assess the extent to which they have a relative chance of making sufficient profits in line with their expected return on investment. The extent to which there is competition within an industry is an indication of the relative chances of a company making the desired profits. Porter's five forces framework assists companies in determining the nature of the industry in terms of five competitive forces(Johnson, Scholes, Whittington, Angwin, & Regner, 2008). These are, the extent to which substitute products are available in the market, the bargaining power of customers, the extent of the ease with which competitors are able to enter the market, the bargaining power of suppliers and the extent of rivalry between competitors within the industry (Johnson et al., 2008). This implies a strategic approach to industry analysis.

Threat of entry

New players in any market are there to wrestle market share away from the incumbent players. This threat on its own leads to current companies keeping prices low while the investment and costs that are necessary to incur in order to remain competitive are placed under pressure (Porter, 2008). It follows therefore that incumbent companies have to discourage new players from entering their market. Porter (2008) contends that companies can do so by exploiting the supply-side economies of scale that they enjoy. These economies of scale arise when companies are able to maintain lower production costs as a result of, among others, favourable terms that they enjoy with suppliers (Porter, 2008).

Availability of substitutes

Substitutes are products that are different in nature but perform the same function for an industry. Johnson et al. (2008) contend that managers mistakenly overlook other industries where substitutes to their products may in fact be residing. "Substitutes can reduce demand for a particular type of product as customers switch to alternatives even to the extent that this type of product or service becomes obsolete" (Johnson et al., 2008, p. 45). Managers must look out for the extent of availability of substitute products.

Buyer power

Buyers are the employees of an organization that the supplier markets its products to. These are not the eventual consumers of the product or service but the conduit through which products move within the supply chain and/or the value chain. Under certain conditions these role players can be very powerful and exert a significant impact on the supplier's ability to realize profits. Johnson et al. (2008) claim that such conditions are:

- *Concentration*: when the industry is made up of a few big customers from whom most sales come.

- *Low costs of switching:* This occurs when the buying company has the easy ability to move from one supplier to the other.

- *Buyer competition threat:* This arises when a buyer is either able to produce the product themselves or have the ease of acquiring such a capability.

(Johnson et al., 2008).

The power of suppliers

On the opposite side sits suppliers who too can be very powerful under certain conditions. It is logical that if a supplier does not depend solely on a particular industry for their profits they will wield an increased ability to charge higher prices in that industry (Porter, 2008). Furthermore, as implied earlier, when buyers operate in an industry where the costs of switching from one supplier to another are high, the power of the supplier will be increased as it would make sense for the buyer to retain a particular supplier. (Porter, 2008).

Rivalry among competitors

Companies that are vying for sales from the same market express their rivalry based on how and where they set prices, offer discounts introduce and advertise new/ current products. When rivalry is high within an industry profitability is limited (Porter, 2008).

Similar to analysing an industry, Ireland and Webb (2007) argue that a strategic approach to a supply chain is a critical source of competitive advantage. This critical position that suppliers sit in necessitates a very detailed and well thought out process of selecting them in the first place. Araz and Ozkarahan (2007) contend that this application of mind is critical as selecting an inappropriate supplier can deteriorate an entire supply chain's financial position.

The mobile phone industry in South Africa is made up of a number of independent businesses in a supply chain that rely on one another for the delivery of services. Mpwanya and Van Heerden (2015) contend that the nature of this industry requires high levels of cooperation and collaboration in order to achieve business goals and competitive advantage. One of the most common ways in which companies give effect to cooperation and collaboration is through entering into supply relationships which are created, in the main, through a process of strategic sourcing.

PROBLEM STATEMENT AND SCOPE

The purpose of this article is to ascertain the perceptions of managers in the South African mobile phone industry with regards to the benefits of strategic sourcing. Whether they believe that the benefits that flow from strategic sourcing include company performance, cost reduction and competitive advantage. The article makes use of elements of a selected strategic sourcing model as a tool to analyse the benefits of strategic sourcing in relation to the propositions made.

The South African mobile phone industry

South Africa has a visible mobile phone industry that increasingly impacts the entire society. This can be seen in how companies make value propositions, through advertisements, to customers using mobile phones as a platform. Further observations are the use of computer applications (APPs) on mobile phones for security measures (access control) in residential complexes. The use of Uber, whose APP is based on mobile phones is further evidence of how mobile phones are used in the transport industry as well. WhatsApp, which is a communication application has also penetrated society in terms of its use in various ways.

According to Sabat as cited in Mpwanya and Van Heerden (2015) this industry is made up of the following role players:

- Mobile Network Operators (MNOs), who provide network connectivity that makes communication between nodes possible.
- Content Providers (CPs), who create and offer varied types of services such as music, movies, etc.
- Content Enablers (CEs), who provide mobile applications and platforms such as We Chat, WhatsApp, Facebook, Instagram and Twitter, etc.

- Service Providers (SPs), who utilise network connectivity for their own and their end users' needs.

(Mpwanya & Van Heerden, 2015)

An additional and very important role player in this industry is that of mobile device suppliers.

Mpwanya and Van Heerden (2015) recognise the fact that even though MNOs are in the business of offering the service of network connectivity to their customers, they also offer products such as cell phones and tablets as these are vital for the actualization of their service offering to customers, which is the focus of this article.

LITERATURE REVIEW

Introduction

This article examines how MNOs create and maintain relationships with first-tier suppliers of mobile devices such as cell phones and tablets. A first tier supplier is defined as "a company that sells and delivers materials or goods to a customer's factory or shop" (FinancialTimes, 2017, p. 1).

Strategic Sourcing Defined

Talluri and Narasimhan (2004) describe strategic sourcing as being about identifying and selecting suppliers for strategic long term relationships and engaging in supplier development initiatives. "Strategic sourcing is an organised and collaborative approach to leveraging targeted spend across locations with select suppliers that are best suited to create knowledge and value in the customer-supplier interface" (Engel, 2004). This definition provided by Engel, emphasises the benefit to move away from operating in silos when executing procurement. It encourages the need to work with multi-functional teams in order to ensure success. The University of Michigan (2017) defines strategic sourcing as being a systematic process that is based on facts. They contend that it is geared towards the optimisation of an organisation's base of suppliers as well as the improving of its value proposition. The below diagram by the University of Michigan (2017) further describes strategic sourcing in more detail and clarifies what it is and what it is not.

STRATEGIC SOURCING	
What it is	**What it is not**
Focused on the Total Cost of Ownership (TCO) incorporating customer needs, organisational goals, and market conditions	Focused ONLY on cost
Getting the best product/service at the best value	Getting the cheapest product/service
Driven by a rigorous and collaborative approach	Ad-hoc activities involving only purchasing
Addresses all levers of savings	Focused on "beating up suppliers"
Decisions based on fact based analysis and market intelligence	Decisions based on opinion, unjustified preference, or complacency
A continuous process	A one-time project or decision

(Michigan, 2017)

The concept of strategic sourcing is discussed in detail later in this article. This article is a discussion of strategic sourcing which is an activity located within a supply chain as defined above. In its nature strategic sourcing is a phenomenon located in the inbound logistics part of a value chain. Porter as cited in Burke, Carrillo, and Vakharia (2007) asserts that sourcing largely supports inbound logistics and is crucial for the creation of value. Much as all of the five competitive forces that have been described above are important for all companies to consider and assess, this article focuses on the relationship between the company and its suppliers.

Strategic sourcing and the business

Strategic sourcing and company performance

Strategic sourcing is led by the procurement function of a company with its own procurement strategy that it pursues. Watts et al, as cited in Knudsen (2003) contend that in its pursuit of its procurement strategy, the procurement function needs to ensure that it does not do so in isolation and must ensure consistency with the corporate strategy. In recognition of this critical role of the procurement function, Benjabutr (2015) claims that a number of companies have begun to see sourcing as a more strategic function with an ability to impact growth. This is a view shared by Van Weele as cited in Schalén and Lindén (2012) who argues that once sourcing is considered as strategic it is also seen as a company growth driver.Gottfredson, Puryear, and Phillips (2005) contend that given that companies prefer to be vertically integrated less than they used to before, sourcing is becoming a more strategic function.

Lau et al as cited in Khan and Pillania (2008) assert that strategic sourcing impacts organisational performance positively when aligned with strategy and operated as an integrated system across the entire organisation. Su, Dyer, and Gargeya (2009) have also found that strategic sourcing has a positive impact on the performance of a business. As indicated earlier, strategic sourcing finds its expression within a supply chain. Burke et al. (2007) contend that strategic sourcing is a crucial component of this supply chain given that any disruptions arising from insufficient supply could potentially impact profitability. “Hendricks and Singhal, bear this out by showing in the 90 days prior and subsequent to a reported supply chain problem stemming from supplier glitches that the buying firm’s average shareholder return typically decreases by 12%”(Burke, Carrillo, & Vakharia, 2009, p. 475).

Company performance can be measured in terms of financial indicators as well as operational efficiency indicators. It is important that strategic sourcing initiatives demonstrate value add in these two areas in order to justify companies engaging in such initiatives in the first place. Fuchs, Pais, and Shulman (2013) have found that companies that engage in “leading-edge” purchasing practices such as strategic sourcing, financially outperform companies that do not implement strategic sourcing measures. Fuchs et al. (2013) further contend that companies that take sourcing seriously and put money into their sourcing potential have seen twice the returns of those entities who have not done the same. Knibloe and McKerley (2017) contend that it has been shown that when companies implement proper strategic sourcing initiatives they see improvements in earnings before interest and tax, among other financial indicators.

It is against the above background that shows the potential impact of strategic sourcing on both financial and operational efficiencies that we arrive at our first proposition.

Proposition 1: Strategic sourcing contributes to company performance.

Strategic sourcing and cost reduction

One of the major determinants of profit is the extent to which a company achieves cost efficiency in its operations. Su et al. (2009) acknowledge the significance of the cost of components, raw materials and services procured from suppliers in a manufacturing firm. This is also true for the mobile phone industry where MNOs do not exist in isolation of other role players from whom they procure goods and services.

In strategic sourcing, the goal is to form alliances with a firm’s suppliers to the extent that they are seen more as partners to the firm than mere suppliers in a literal sense. Knudsen (2003) contends that in order to achieve the desired profits companies have to gain a thorough understanding of where the costs lie. It is therefore logical that if the firm has a proper long term relationship with its suppliers it will have insight into the areas of high cost in the supplier’s business and work together with them to continuously seek to reduce such costs. This point is accentuated by Anderson and Katz (1998) when they share the Wal-Mart approach to procurement which emphasizes the reduction of their costs simultaneously with the costs of their suppliers in order to achieve lower prices that the consumers get charged.

It is clear from the above literature reviewed which in actual fact shows how having insight into the operations of suppliers/partners based on a mutually beneficial relationship can assist cost reduction. Given that such relationships, as shown earlier, are forged using strategic sourcing, we therefore arrive at our second proposition.

Proposition 2: Strategic sourcing can be used to achieve cost reduction.

Strategic sourcing and competitive advantage

Brookshaw and Terziovski as cited in Schalén and Lindén (2012) contend that companies can effectively utilize strategic sourcing to gain competitive advantage by having access to raw materials, working in a relationship of equals with suppliers. Schalén and Lindén (2012) argue that in so doing companies foster relational capabilities that breed competitive advantages and this benefit accrues to both companies.

Pressey et al as cited in Schalén and Lindén (2012) assert that through the supplier’s capability to deliver superior value to the buying company, the buying company is able to strengthen its competitive advantage. This mutually beneficial relationship is particularly important to the buying firm as it depends on its supplier base to produce quality goods/services timely and at a low cost (Su et al., 2009). Over and above the value added towards a competitive advantage, Benjabutr (2015) avers that the capabilities of the suppliers relieve the firm of the need to invest heavily in assets such as equipment and research and development facilities as well as the need to creating such capabilities in the company itself while enhancing flexibility and responsiveness. This point is further stressed by Khan and Pillania (2008) who say that strategic sourcing decisions are crucial to companies that want to focus on their core competencies and contract other activities out in order to attain and/ maintain competitiveness.

Fawcett, Magnan and McCarter as cited in Peristeris, Kilbourn, and Walters (2015) record the benefits of strategic sourcing as broadly of effective supply chain management as "the marketing of unique products and services, faster research and development (R&D) cycle times, superior quality, cost competitiveness, shorter order cycles, flexible customer response, enhanced delivery performance, improved asset management, shorter cash-to-cash cycles, and superior relationships with supply chain members" (Peristeris et al., 2015, p. 2).

On the basis of the reviewed literature which demonstrates the benefits of fully understanding the supply market in terms of capabilities of suppliers, buying companies can leverage the expertise of its partners who are better placed to manage the dynamics of that market. This does not amount to abdicating the buying firm's responsibility to ensure security of supply but locates the responsibility in the hands of those best placed to manage it. These assertions bring us to our third proposition given that such strong relationships are brought about formally through a process of strategic sourcing.

Proposition 3: Strategic sourcing can be used to gain and maintain competitive advantage.

Strategic sourcing framework

Strategic sourcing methodology (Supplier evaluation and selection)

Strategic sourcing in companies is not done for its own sake but it is undertaken in order to attain the strategic objectives of the company. Chen (2010) advises that before a company resolves on how it will assess and select suppliers it ought to first identify its own competitive strategy by doing a strengths, weaknesses, opportunities, threats (SWOT) analysis. This is an important starting point in aligning the efforts of sourcing to the strategy of the company. Chen (2010) states that in line with the competitive strategy of the company, the sourcing endevour should set the criteria as well as indicators that will inform the supplier selection framework. Once this is done the next step is to screen potential suppliers using data envelopment analysis (DEA), then the Technique for order preference by similarity to ideal solution (TOPSIS) and a multi-attribute decision-making (MADA) method are used to rank potential suppliers (Chen, 2010).

These stages are summarized as follows:

- Competitive strategy confirmation.
- Criteria and indicators setting.
- DEA to screen potential suppliers.
- Ordering of potential suppliers.
- Confirm feasibility of MADA.

(Chen, 2010).

As demonstrated earlier, suppliers have an impact on both the strategic and operational dimensions of a company. It therefore follows that strategic sourcing decisions that create a relationship between a company and it's suppliers should be based on both the operational and strategic capabilities of such suppliers (Talluri & Narasimhan, 2004). Talluri and Narasimhan (2004) list the operational considerations as being delivery, cost and quality while they include process capabilities, quality management, management practices, cost reduction capabilities as well as design and development capabilities as the strategic considerations.

Talluri and Narasimhan (2004) have developed an objective strategic sourcing model that assists managers in concluding on which suppliers to consider for strategic partnerships. Furthermore the model developed by Talluri and Narasimhan (2004) gives managers insight into how to effectively allocate resources to the supplier development initiatives as well as which suppliers to remove from the supply base. Similar to Talluri and Narasimhan's approach, Engel (2004) emphasises that a strategic sourcing process needs to be structured and objective.

The process proposed by Talluri and Narasimhan (2004) involves a number of steps, viz;

- Identification of suppliers to be evaluated.
- Supplier data collection.
- Evaluation of supplier efficiencies.
- Ranking of suppliers.

(Talluri & Narasimhan, 2004)

The evaluation of supplier efficiencies gives an indication of their capabilities and performance. Once these steps are concluded suppliers are then categorised in terms of those that qualify for long-term strategic relationships, supplier development initiatives and those that must be removed from the supply base(Talluri & Narasimhan, 2004).

It is clear from the literature reviewed that effective strategic sourcing is not an uncoordinated and haphazard process but followed some kind of "blue print". Even though the "blue-prints" of different strategic sourcing frameworks may differ they all are structured which brings us to our fourth proposition.

Proposition 4: Strategic sourcing is a structured process

Supplier development initiatives

As indicated earlier, the strategic sourcing process is a continuous one that involves the buying company supporting suppliers that have been identified as candidates for supplier development initiatives. This implies that the company needs to be geared up to develop the relationship by actively working with suppliers in order to nurture the trust and collaboration that are a prerequisite for the success of strategic sourcing (Benjabutr, 2015). In such a relationship suppliers are handled in a manner that is just, by, for example, making it possible that they enjoy reasonable returns which in turn ensures their sustained existence. (Benjabutr, 2015). Over and above this the buying company offers the supplier expertise of a technical nature in so far as production methods, etc. are concerned (Benjabutr, 2015). Talluri and Narasimhan (2004) emphasise that in these types of supplier development initiatives benchmarks must be set and feedback continuously given to suppliers to support improvement.

Given that we have demonstrated the dependence of the buying company on its supply base, it is logical that it is in its best interest that such a supply base develops and remains relevant in the broader market in which it operates. It is therefore in the best interests of the buying company that this development is managed and ensured. This brings us to our fifth proposition.

Proposition 5: Supplier development initiatives are an important component of strategic sourcing

Strategic sourcing model

This article does not seek to research strategic sourcing models, however it was useful to review a couple of strategic sourcing models in order to utilise elements of one of them in aiding analysis.

Coyle, Langley, Novack, and Gibson (2013) provide us with a comprehensive 7 step model of strategic sourcing as depicted in table 1 below. This model incorporates the elements of the models of the strategic sourcing framework discussed above. Its implementation further gives effect to the areas of business that strategic sourcing impacts as discussed above. We have reviewed the strategic sourcing model offered by Engel (2004) which is an 8 essential steps model.

We have found that the model of (Coyle et al., 2013) is the most comprehensive, robust, detailed and systematic of the ones reviewed in this article and we therefore base our study on the model of Coyle et al. (2013). Our finding is based on the fact that this model comprehensively covers the broad areas of planning, spend analysis, assessing supplier markets and executing sourcing strategy. It also goes further and guides the required actions during transition and integration. Furthermore, this model goes on to ensure that the usually missing element in sourcing, that of monitoring and evaluation of the sourcing endeavour is implemented. These attributes make the chosen model a more persuasive proposition hence its choice.

Over and above the attributes of the Coyle model alluded to above, its other powerful attribute is that, through its 7 steps, it gives practical effect to the important consideration of Total Cost of Ownership (TCO) which is crucial for a complete strategic sourcing process. “TCO is an estimate of the total costs of goods, services or construction works over the whole of their life. It’s the combination of the purchase price plus all other costs you will incur, less any income you receive” (Governmnet, 2013).

The New Zealand Government (2013) avers that TCO can be used at various stages of the strategic sourcing process. These stages include the following:

- During planning when the risks, benefits and costs of the envisaged acquisition are being considered
- When seeking to comprehend the varied cost drivers in the entire life cycle of an acquisition
- When analysing the different business models, operational (maintenance) options in a manner that allows comparison of the varied options
- When bidders themselves demonstrate the full benefit of their offering including where their initial pricing may be higher than that of their competitors yet the total cost of ownership is more competitive
- When the acquiring company compares the suppliers with a view to select the one that makes the most compelling value proposition when taking into account the entire life costs associated with an acquisition
- In monitoring and evaluation of in-contract acquisitions in terms of actual spend and revenue in line with the planned budget
(Governmnet, 2013)

Table 1: 7-STEP STRATEGIC SOURCING MODEL

Step 1. Project Planning and Kickoff	**Step 2. Profile Spend**	**Step 3. Assess Supply Market**	**Step 4. Develop Sourcing Strategy**	**Step 5. Execute Sourcing Strategy**	**Step 6. Transition and integrate**	**Step 7. Measure and Improve Performance**
2 weeks	***2-3 weeks***	***4-8 weeks***	***2-4 weeks***	***6-12 weeks***	***3-4 weeks***	***Ongoing***
* Define steering committee	* Identify demand drivers	* Identify potential sources of supply	* Reconfirm scope and desired outcomes	* Manage competitive bidding process	* Communicate results, rationale, and benefits to appropriate parties	* Establish joint supplier/enterprise process improvement team
* Assemble and train sourcing team	* Review, align, and standardise specifications	* Evaluate supply market/industry and economics	* Identify key leverage points and improvement opportunities	* Compile and analyse responses	* Finalise contractual agreements	* Implement savings tracking system and report savings
* Develop team charter	* Assess purchasing process effectiveness	* Identify viable sources of supply	* Develop sourcing strategy	* Prepare for negotiations	* Plan the transition to new processes and supplier relationships	* Monitor contract compliance and address maverick buying
* Identify stakeholders	* Identify process improvement opportunities	* Perform supplier assessments	* Develop quote process and package (RFI and RFP)	* Manage negotiations process	* Internal transition	* Benchmark the supply market on an ongoing basis
* Document size of buy	* Review customer requirements, issues, and risks	* Perform supplier comparisons	* Determine decision criteria	* Identify recommended supplier(s)	* Supplier transition	* Monitor supplier performance and provide feedback to supplier
* Develop category workplans		* Identify supplier opportunities	* Define negotiation strategy	* Gain agreement on recommendation	* Manage the transition process	
* Communicate team scope			* Communicate strategies	* Obtain final approvals	* Develop savings tracking system	
				* Award contract	* Conduct training on new processes	
KEY DELIVERABLES AND OUTCOMES						
> *Project charter*	> *Spec review*	> *Request for information*	> *Sourcing strategy*	> Supplier selection	> Transition plans	> Savings tracking
> *Project kickoff*	> *Total cost model*	> *Supplier listing*	> *Request for proposal*	> Supplier letter of agreements	> Supplier contracts	> Ongoing improvement
> Communications						

(Coyle et al., 2013)

RESEARCH METHODOLOGY

Introduction and paradigm

This is a qualitative research. This research method has allowed for the issues under examination to be examined in a detailed manner. It has allowed for space for the respondents to raise other issues about strategic sourcing that the planned interview questions missed or did not consider. This was done by the use of open ended questions on the topic. The researcher interacted with the respondents in order to seek their own understanding of strategic sourcing and its benefits.

Research design

The research was conducted using face-to-face interviews and culminated in this written narrative article. The advantages of using this approach included the ability to probe and interrogate the views expressed by the subjects during the interviews which facilitated further insights and the ability of the researcher to observe non-verbal cues, emotions and behaviours that enriched the findings. The disadvantage of this approach has been the dependence on the researcher's capabilities and the potential impact of his own biases. We have managed these disadvantages actively throughout the process by continuously and deliberately keeping awareness of their impact. The prior preparation of the interview questions was also used to manage the disadvantages.

Population and sample

Population description

The literature review showed that there are many types of different role players in the South African mobile phone industry. These range from network operators to content providers, content enablers, service providers, mobile virtual network operators (Mpwanya & Van Heerden, 2015). Suppliers of mobile devices are also role players in the supply chain. Due to the fact that strategic sourcing is the responsibility of all managers to varying degrees and frequency, the population for this type of study included line and procurement managers of these types of companies.

Sample

The names of the companies in which this research was conducted as well as the names of the interview subjects are withheld for confidentiality considerations. In order to further ensure confidentiality of the respondents, we allocated codes to each of them and we refer to them as such in this article. The codes are:

- A1
- A2
- A3
- B4
- B5
- B6
- B7
- B8
- C9
- C10
- D11

The nature of the mobile phone industry is such that the mobile network operators are at the centre of the supply chain and they are the ones who primarily take the service to the consumer. We have therefore conducted our research in four South African mobile network operators. A total of 10 managers (from the device management and supply chain management departments) and 1 procurement specialist from mobile network operator companies comprised the sample.

The research instrument

The research instrument used is semi structured interviews based on prior prepared questions.

The procedure for data collection

The selected managers and specialist were contacted by the researcher to request their participation in the study. Interview logistics were agreed and appointments set. The interviews took place at agreed venues during July, August and September 2017. All interviews were recorded after permission to record was granted by the respondents.

The data analysis method

The audio recordings were be transcribed and the transcripts were read. The transcripts of the recordings were analysed to identify the themes as well as similarities and contradictions that emerged.

Interpretation of the data and interpretive lens

The themes, issues, similarities and contradictions that emerged were coded and compared to the literature review done. A descriptive and explanatory narrative was written.

Linking propositions to strategic sourcing model

The data was analysed in a manner that linked the details of each of the chosen strategic sourcing model's selected actions, considerations and processes with the themes covered in the propositions. This is informed by the fact that an analysis was done to determine which of the chosen strategic sourcing model’s actions and/or steps give practical effect to each of the propositions.

As discussed in the literature review section, in their model, Coyle et al. (2013), have prescribed certain actions, considerations and processes that, in our analysis and if implemented, give effect to the five propositions that we made earlier. It is on these basis that we have linked certain of the actions, considerations and processes within each of the steps to our five propositions. Below is the proposition/strategic sourcing model link matrix that was used in the research project.

Proposition 1: Strategic sourcing contributes to company performance	
Step 2	**<u>Actions, considerations, processes</u>** >Identify process improvement opportunities >Review, align, and standardize specifications >Review customer requirements, issues, and risks >Identify demand drivers
Proposition 2: Strategic sourcing can be used to achieve cost reduction	
Step 4	**<u>Actions, considerations, processes</u>** >Develop quote process and package (RFI and RFP) >Define negotiation strategy >Reconfirm scope and desired outcomes
Proposition 3: Strategic sourcing can be used to gain and maintain competitive advantage	
Step 3	**<u>Actions, considerations, processes</u>** >Identify potential source of supply >Evaluate supply market economics >Perform supplier comparisons

Proposition 4: Strategic sourcing is a structured process	
Step 1	**<u>Actions, considerations, processes</u>** >Define steering committee >Assemble and train sourcing team
Step 5	**<u>Actions, considerations, processes</u>** >Manage competitive bidding process >Manage negotiation process
Proposition 5: Supplier development initiatives are an important component of strategic sourcing	
Step 6	**<u>Actions, considerations, processes</u>** >Manage transition process
Step 7	**<u>Actions, considerations, processes</u>** >Establish joint supplier/enterprise process improvement teams >Monitor supplier performance and provide feedback to supplier

This linkage between the chosen strategic sourcing model and the propositions, is further demonstrated in the schedule of interview questions, which contains both the main and sub-questions posed, that is attached to this article as part of the supplementary files.

Limitations of the study

The study did not cover all types of role players in the mobile phone industry. It was based on a sample of 10 line/procurement managers and 1 procurement specialist. The findings are not generalizable.

Validity and reliability

Two colleagues with and with no strategic sourcing experience took part in the pilot phase of the research. They were interviewed in order to ensure that the study as well as its interview questions are understood.

Each audio recording has been properly and clearly marked and kept safe. The transcripts of the audio recordings have also been properly marked and kept safe.

FINDINGS

Specific Findings

The questions that were posed to the respondents were directly linked to the chosen strategic sourcing model that was presented in the literature review section of this article. In this section we will present the consolidated data that was collected in response to both the main and sub-questions.

Strategic sourcing and the business

Strategic sourcing and company performance

We have found that in instances where the MNOs resolve to acquire a device that is not branded or one that will carry their brand as the MNO, they utilize the data at their disposal in order to inform the technical performance specifications that they require. This data includes, amongst others, the performance of current devices on their network and the enhancements that ought to be made in order to improve such performance within the market segment for which the device is intended. This data is built into the specification that device manufacturers are required to respond to and meet in order for their bids to be considered. As a result the Request for Bids (RFB) that goes out to the device manufacturers is based on the improvement needs that the business unit requires. This crucial emphasis on the procurement function doing its work in sync with the company strategy and in line with the needs of the business units was emphasised by, amongst others, B4 who said:

> *"Procurement initiatives are linked with the company's strategies…. when we do our work we should always take into account what the overall strategy is."*

The maintenance of strategic relationships with device manufacturers emerged strongly as a way to ensure that the strategic sourcing process aids company performance. The respondents emphasised that in a strategic relationship with the manufacturer, they ensure that there is not only joint Research & Development (R&D) but that they go further to look at the end to end lifecycle of the device and agree on which roles are allocated to each of the partners. This includes who becomes responsible for the after-sales service to the customer, who does the after sales care in terms of device repairs and who takes responsibility for the acquisition of the required spare parts. In determining these roles and responsibilities the MNOs draw from previous experiences in order to ensure that processes such as the repair of devices are improved.

In order to ensure that the performance of the devices that MNOs sell to their customers to operate on their network responds to the customer requirements, issues as well as risks, they build into the device specifications the corrective measures that will lead to an optimal customer experience. These corrective measures are based on the data collected through the repair centres that are run by the MNOs. This emanates from the faults that are reported by the customers when they return devices for non-performance. This is supported also by the information that is collected through their customer care departments as well as focused research that is done which informs what the customer requirements are.

MNOs further create platforms such as through their retail channels for customers to be able to give them device performance feedback. They research customer requirements through the attendance of events such as the mobile world congress held in Barcelona annually. Further customer research is undertaken through reports that are produced by market intelligence companies which give an in-depth analysis of the customer requirements in so far as mobile devices are concerned. All of this information forms the basis of what the MNOs define as customer requirements, issues as well as risks and these are taken into account during the strategic sourcing process. This attention to customer needs was alluded to amongst others, by C9 who said:

> *“We have focus groups; we run focus groups to identify what the customers’ needs”.*

Given the centrality of procurement in terms of the outflow of cash as well as sales generated from the devices procured, MNOs have to assess the impact of their sourcing decisions on the company’s financial performance. What has come out is that they see the company’s financial results as an indication of how good the sourcing decisions were. Given that the companies determine their own Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) targets upfront, the company’s performance against this target is seen as an indication of how good the sourcing decisions were, given that this target is what the procurement team, amongst others, is working towards as part of the collective within the company and not as a stand-alone function.

Apart from the EBITDA targets, other financial indicators are used to determine the performance of the sourcing endeavour. These financial indicators include the extent of obsolescence of the device stock and age of the inventory that they keep, as this is an indication of the capital tied in stock and not available for other company endeavours as a result. The better these indicators are the better the sourcing endeavour is perceived to be doing.

It also came through quite clearly that the MNOs look at other financial value that is brought about by strategic sourcing. This type of value is the one extracted out of manufacturers/suppliers in negotiation, such as undertaking marketing campaigns jointly with the manufacturer/supplier at part expense of the manufacturer/supplier. This can include the provision of say a power bank as part of an offering together with a specific device. This type of value together with the savings realised in not having to pay in full for the marketing campaign is attributed to the manner in which the sourcing was undertaken and concluded.

The strategic sourcing impact on company operations is analysed in varied ways. It is done by way of maintaining a supplier performance score card which is assessed on a periodic basis. The outcomes of the score card assessment give an indication of the supplier's performance and impact on the operations of the company. For example the score card may include adherence to agreed delivery turn-round times. Based on the contractual obligations of the supplier if performance is below the required standards then remedial action is taken which may include penalties as well the blacklisting of such a supplier until they have remedied the situation. The extent of the remedial action taken is a function of the severity of the transgression.

The approach that the MNOs take is to take a holistic view of the performance of the supplier in a cross functional manner. As a result of this approach the outcomes that the company realises are seen also as an indication of how well sourcing was undertaken. This cross-functional approach includes input from demand planners who analyse deliveries against orders as well as the sales team who analyse these against the actual sales made and/or lost. A check is also made in terms of whether the prices that were agreed to, remain the ones that are charged and paid. This is all done jointly with the supplier as part of joint contract monitoring.

When asked if they believe that strategic sourcing contributes to company performance, 10 of the 11 respondents responded in the positive. A3 went on to say:

"If it is done holistically". He further stated: "it must not be done by procurement alone".

Only one respondent indicated that he does not believe that strategic sourcing contributes to company performance and raised the fact that if a company is acquiring a strong brand, strategic sourcing has no impact on company performance due to the dominant position that a strong brand occupies.

Strategic sourcing and cost reduction

The respondents emphasised that insisting on cost reduction in the conclusion of procurement contracts is an important aspect. However they also emphasized that this is not done at the expense of the quality required by the company based on what the customer wants. They therefore package their quotation process in a manner that puts the technical capability of the bidders ahead of the price without losing focus on the importance of price. In order to attain this, they indicated that the suppliers that are approached to submit bids are suppliers that are already on the company's database who have undergone a rigorous due diligence process prior to being place on the database.

They indicated that the minimum specifications that are included in the quotation process for mobile devices include network compatibility, the technical capabilities of the camera, battery life, earphones, casing, radio frequencies as well as the charger. Once such specifications are satisfied and the process followed in line with company policies and procedures the issue of price then becomes a subject of negotiation.

Once in negotiation, the MNOs have a number of aspects that they include in their strategy that are meant to ensure that they achieve the most favourable deal that ensures that they achieve the envisaged reduction in costs. These aspects include the volumes that they will be acquiring over the life of the contract. The rationale of negotiating around volumes is so that they ensure that they benefit from the economies of scale which implies procuring larger volumes will attract a lower cost per unit. The lifespan of a particular device is an aspect that is negotiated around as well. For instance, a device that will be replaced in the market with a newer model in a short space of time ought to attract a lower cost than a device model that is expected to remain in the market for a longer period.

The approach taken and the attitude of the MNOs is to allow space for the supplier to make input into the holistic relationship with the MNO. The respondents emphasized that apart from attempting to gain cost reduction on the actual device itself, they allow space for innovative approaches to say, marketing to be proposed by the supplier as well. This leads to cost reduction in other areas of the business as well. This strategic partnership approach to the relationship was well captured by C10 who, when speaking about their negotiation strategy said:

> “We believe in a win win because we believe that our suppliers are our strategic partners. They are an extension of our company, so they form part of the business of the company”.

In order to assess the impact of strategic sourcing on the cost reduction, the companies compare the initial asking price to the ultimately contracted price to determine if there were gains. They are further guided by threshold prices that are set company wide, particularly for those MNOs that have an international presence. These are used to test if the acquiring jurisdiction has been able to negotiate a lower price compared to the threshold. The management of stock, by way of placing orders in batches and allowing sales to inform further purchase orders of the specific device are seen as a way of ensuring cost reduction as well in that the risk of financial loss due obsolescence is reduced.

Once again the respondents emphasized that the profitability of the company as well as performance against financial outcomes that are set ahead of time indicate success or lack thereof in attaining cost reduction. This gets tracked formally and periodically mainly by the finance departments of the companies.

When asked if they believe that strategic sourcing contributes to cost reduction all 11 respondents responded in the affirmative. It was further emphasised by a respondent that a more holistic view is taken wherein it is acknowledged that MNOs are in the business of selling airtime and data with the device being more of a means to an end.

Strategic sourcing and competitive advantage

The MNOs believe that they are spoilt for choice when it comes to accessing potential sources of supply in the manufacture of mobile devices space. The majority of the respondents said that they get approached almost daily by suppliers who would like them to procure the devices that they either manufacture or distribute. They see this as a stable source where they are able to find potential sources of supply. Rather than relying entirely on this source of supply, they undertake other endeavours such as running their own innovation initiatives. They further use research methods such as online searches and attending industry conferences where suppliers/manufacturers show case the work that they do in the mobile device space.

Over and above these efforts, the MNOs deploy teams in foreign countries such as China, whose job is to find manufacturers of devices and determine if they can have a supplier relationship with them. Suppliers who are already registered on the data base of suppliers are regarded as potential sources of supply particularly when MNOs decide to produce self-branded devices. Other important sources of supply that have been identified by the respondents are “word of mouth” as well as input from managers within the device business function.

One of the more powerful ways in which MNOs keep track of the supply market economics is by running open tender processes in the acquisition of devices. The respondents contend that the fact that an open tender process is competitive in nature, implies that once the bidders pass the specifications test they will then arrive at the most efficient and most fair price. These prices are not known to the rest of the market therefore the credibility of the process ensures that the MNO receives the most cost competitive proposal.

The MNOs take the effort of developing methods of breaking down the cost of producing a particular specification of device. They do so by accounting for the costs of each component of the device and use the aggregated cost to set a cost benchmark prior to approaching the market. They are able to source the cost information of components from manufacturers of such components as manufacturers of devices do not necessarily produce all the components but rather buy such from specialised producers.

Furthermore MNOs ensure that they require of the supplier to provide cost visibility by breaking down the individual item costs that build up to the total cost of a device. This was demonstrated, amongst others by C10 when he said:

> *"We don't look at the total price per se, we ask them to break it down so that we can see what goes into the price and we interrogate each line item to make sure its cost effective. We also work with the suppliers and collaborate to provide the offering that we want, we don't want all the bells and whistles and all we need is just the bell if I (may) say so".*

This complete understanding of the supply market economics strengthens the hand of MNOs in considering proposals and in negotiation prior to finalising contracts.

In order to decide on which suppliers to form strategic partnerships with MNOs look at a number of criteria and compare suppliers on those basis. The financial stability of suppliers is looked at in order to ensure that such suppliers will have the ability to maintain operations from a funding point of view. They further ensure that the broad based economic empowerment (BBBEE) credentials are in line with the South African legislation which is intended to empower blacks who were excluded from meaningful economic activity in the past. The reputation of suppliers, based on past work they have done, including for other tele-communications companies is also considered. These criteria together with technical capability, value extraction and ultimately price form the basis of the weighted criteria that the MNOs use in comparing suppliers and deciding on which ones to work with in a strategic partnership.

In order to assess the impact of strategic sourcing on the company's competitive advantage, MNOs analyse the sale of their own branded devices and compare themselves to the sales of their competitors' own branded devices. The outcome of such an analysis gives a sense of how they are doing in staying competitive in the market. They further compare their own sales performance holistically to that of the other MNOs with whom they compete. Furthermore procurement units survey business managers within their company in order to determine what their views and outcomes are relating to the acquisitions that were made. Whether these contributed to an increase in sales and to what extent.

The analysis of the MNO's competitive position in the market is done by cross functional teams and jointly with their suppliers and is further based on the commercial outcomes that are realised by the company. Over and above this competition analysis done by independent companies is considered.

One respondent said in his view the company does not analyse the impact of strategic sourcing on competitive advantage in a pointed manner. He however said that the analysis of competitive advantage is performed companywide and its results inferred on the role of the sourcing function.

When asked if they believed that strategic sourcing contributes to the company's competitive advantage all 11 respondents said yes.

Strategic sourcing framework

The strategic sourcing methodology (Supplier evaluation and selection)

Our research has found that MNOs create device buying committees that make decisions on which types devices they will list as part of their offering to the market. They base such decisions on industry reports and own analysis which inform them of the preferences of the customers. These findings are captured in business cases that get considered at the level of the device buying committees. The output of these committees then gets subjected to strategic sourcing processes which include the creation of cross functional sourcing steering committees. These committees include resources from procurement, business (devices), network management, finance, marketing and any other department that is deemed to be a stakeholder in the procurement of devices.

The anticipated value and nature of the item to be procured play a role in the approach taken in the sourcing of devices. Aspects such as the risks and complexity of the sourcing endeavour inform the approach taken is so far as the creation of procurement steering committees is concerned. These considerations were well articulated by A1 who said:

> *"It depends on the value, If I'm going to spend R10 000.00 I'm not going to create a steering committee, so should something (be) very complex even though its low value (we) will have a steering committee, if it's something that is strategic or there's risks to it there'll be a steering committee."*

When asked if the procurement steering committees receive training prior to commencing with the procurement process, all the respondents indicated that this does not happen. They indicated that the training that takes place is for procurement professionals and is not linked to a specific project but is a more holistic and generic procurement training that gets provided. One MNO runs an online procurement academy while another subjects its procurement professionals to training provided by the Chartered Institute of Procurement and Supply (CIPS).

In order to ensure that there is a level of competence among business unit managers as well as other staff within the companies, procurement workshops are undertaken, on the job training provided and communiques sent out using the communications platforms within the company. The view expressed by managers who come from the business units is that the cross functional nature of the steering committees mitigates the need to train all staff on procurement given that the procurement professionals are there to be relied upon by the steering committees.

The selection of suppliers is informed by aspects such as their track record within the industry, their financial stability, tax compliance, BBBEE credentials, local presence, as well as compliance with the required device specifications (required business solution). One of the respondents emphasized that the ethics of the company are included in this criteria which cover, amongst others, the labour practices that the manufacturer employs in the production of the devices. These criteria are then included and used to come to a weighted outcome of the selection process.

In so far as the company protocols that guide negotiations are concerned, the respondents indicated that once again when the procurement value is low, the procurement department is allowed to finalise the negotiations independent of the business unit. This practice was criticized by B8, who holds the view that business should get involved in all negotiations given the value add that they can bring to such discussions, which is something that procurement does not possess nor are they expected to possess. In instances of high value acquisitions the negotiations are undertaken together with the business unit that is the user of the devices that are being procured. For standardised devices negotiations are guided by the companywide set price benchmarks.

MNOs have clear standard operating procedures in place that guide how and by whom negotiations with suppliers are to be undertaken. There is strict governance in place which includes rules such as that minutes must be taken during negotiations and these have to be filed in order that they are accessible in the future should the need arise.

When asked if they believed that their company makes its sourcing decisions in a structured manner one respondent opted to not respond to this question. One respondent said this is the case but not in all instances while two respondents said yes but the process is too structured and too bureaucratic in their view. Seven respondents said that they believed that their companies make their sourcing decisions in a structured manner. Two of the seven respondents mentioned above said that despite the structured manner in which procurement takes place, they still experience cases of maverick buying. They said that in such instances consequence management is implemented by the company which includes the instituting of forensic investigations.

Supplier development initiatives

During the period of transition, be it when one supplier replaces another or when a new supplier is brought on board, MNOs put measures in place to ensure that the transition is smooth and that business continuity is assured. They hold bi-weekly meetings in which they introduce the new supplier to processes such as how orders will be place in terms of systems, how invoicing will be managed and what the expectations are in terms of delivery. This is a managed process and is undertaken by the procurement team together with the responsible business unit. Over and above these engagement in meetings, the MNOs take time to visit the sites of their suppliers and give guidance in so far as health and safety as well as warehousing are concerned.

Each of the contracts that are signed with suppliers contain clauses with regard to handover. This is to ensure that if a supplier is replaced by another, they are contractually bound to perform the hand-over activities for periods that range from one to three months. Where the type of switch over of suppliers lends itself more to business continuity, the MNOs do run parallel relationships with the outgoing and incoming supplier.

By and large MNO’s do not establish joint supplier/enterprise process improvement teams in a formal way. A respondent contended that they maintain an “open door” policy that allows suppliers to call on the company if they require assistance. These types of engagements are initiated by the suppliers themselves. The more formalised and scheduled development type of initiatives occur in the context of the contract life cycle management processes between the MNOs and the supplier .

Asked if the size of the supplier impacts the nature of the supplier development initiatives that MNOs undertake with the respective supplier, varied responses were given. One respondent said that the development initiatives will arise based on the performance of the supplier. Whether the supplier is big or small, if its performance is sub standard it will receive support in order to bring the performance to acceptable levels. However, if the performance is up to the required standard then no development initiatives will be undertaken. Four of the respondents said that in this space of devices supplier development initiatives are undertaken in an unstructured manner. They said that these initiative are erratic in nature with smaller suppliers receiving much support and the bigger ones no support.

One respondent said , in his view, supplier development initiatives are not part of strategic sourcing at all and more so not on devices A further respondent said that depending on the experience of the manager representing the MNO, a lot of advice will be given to the supplier, once again, during normal service level management engagements.

In so far as the multi-national big brand device producers is concerned nine of the respondents were clear that they do not engage in any supplier development initiatives with them. Their view is that these companies produce for the entire world and as a result the MNOs simply acquire their products given their strength in the market. They further say that the large multi-nationals do not require further development and in fact the MNOs do not believe that they are capable of developing such multi national brands.

A1 said that the power relations between the MNO and large multinationals is such that supplier development initiatives are not even in consideration. When explaining the skewedness of the power relations between the big brand multinationals and the MNOs and why supplier development initiatives are not possible A1 went on to say:

> *"They dictate to us actually"* and
>
> *"They are very prescriptive to us as to how we engage with them".*

Another respondent was of the view that some supplier development initiatives do take place albeit in a non-formal way. He shared instances where multinational device manufacturers would ask South African MNOs questions in the process of research. He says the mere fact that our MNOs respond consistently and comprehensively to the questions asked is indicative of non-formal supplier development initiatives.

When asked if they believe that supplier development initiatives are necessary for their companies to undertake, all the respondents said yes for a variety of reasons. These reasons range from giving smaller suppliers a chance to succeed in the industry, to that such initiatives help the MNOs with their own BBBEE scores.

A further respondent said it is important to engage in supplier development initiatives because "we want them to compete with the big brands".

Another view that emerged was that such initiatives benefit the MNO as it ensures security of supply into the future as those suppliers on their development programmes remain readily available to the MNOs over lengthy periods. This view emphasizes that supplier development initiatives have a positive effect on the business continuity of the MNOs.

General Findings

One of the main findings that have come out this study is that strategic sourcing is not necessarily defined and referred to as such in MNOs. The strategic sourcing elements are not undertaken at a central place and by single teams focused on it. This point was clarified by, along with others,A8 when he said:

> “Sometimes we may be doing the strategic sourcing thing but we are doing it to manage other risks within our environment”.

It has also been found that in the mobile device industry there are major multinational brands whose engagements with MNOs are not subjected to the majority of the strategic sourcing elements contained in our selected model. This is due to the powerful position in terms or reach and size that these multinationals sit in. MNOs implement most aspects of strategic sourcing when they resolve to have their own self-branded device or non-branded devices produced. This was indicated by the majority of the respondents and well-articulated by A8 when he said:

> *“The only time we’re looking for suppliers is when (we) want to build our own phone, we (want to) build our own sort of product or feature set”.*

These global multinationals are therefore engaged in a different manner in terms of how their products are sourced, with the element of negotiation implemented as depicted in our selected strategic sourcing model. As a result of this finding that runs across the entire sample studied, the results of this research applies mainly to the instances where the MNOs acquire devices from suppliers that manufacture or distribute non-braded or MNO self-branded devices. Given that there is significant interaction and spend between non strong brand suppliers and MNOs the results of this study remain significant.

DISCUSSION

In this section of the article we discuss the findings of our research in line with the literature that we reviewed earlier as well as the propositions made therein. We structure this section according to the proposition made and proceed to compare the findings with the literature reviewed.

Strategic sourcing and the business

Proposition 1: Strategic sourcing contributes to company performance

The finding that the strategic sourcing process and in particular the development of the required device technical specifications, is informed by the performance enhancement needs that have been identified by business units (technical, customer care, research, etc) of the MNO; demonstrates that the sourcing endeavour is undertaken not in isolation but is consistent with the broader corporate strategy of the company. The approach is a cross-functional one that touches all of the functions within the company. This resonates with the contention of Knudsen (2003) that the procurement function has to ensure that the work it does and results it produces are consistent with the company strategy. This is a contention further held by Lau et al as cited in Khan and Pillania (2008), who say that strategic sourcing impacts organisational performance positively when aligned with strategy and operated as an integrated system across the entire organisation.

A further finding that MNOs retain relationships with their suppliers, wherein they cooperate in R&D and also allocate responsibilities to each other with regards to the end to end lifecycle of the devices, ensures that there are no disruptions in service. This is meant to avoid the assertion of Burke et al. (2007) that interruptions that arise as a result of supply inefficiencies potentially impact profitability negatively. When an MNO has a clear view of the efforts and performance of a supplier they are empowered to avoid such supply inadequacies.

This research has found that the sourcing endeavours of the MNOs is linked to and assessed against the EBITDA targets of the companies. This resonates with the findings of Knibloe and McKerley (2017), who show that when companies implement proper strategic sourcing initiatives they see improvements in earnings before interest and tax, among other financial indicators.

These findings show the positive impact of implementing the actions, considerations and processes within step 2 of our 7 step strategic sourcing model on company performance. It is therefore concluded that the research findings support the proposition that, when done holistically and consistently in line with the broader company strategy, strategic sourcing contributes to company performance and it does so both operationally and financially.

Proposition 2: Strategic sourcing can be used to achieve cost reduction

We have found that MNOs emphasise price in their engagements with suppliers but do so not at the expense of the supplier. We further found that they allow suppliers space to propose innovative ways in which they can engage with the MNOs and in that way they find cost reduction in other areas of their business as well. This resonates with the contention of Anderson and Katz (1998) when they show the approach that ensures that not only should the companies endeavour to reduce their own costs but they should endeavour to reduce those of their suppliers as well for their mutual benefit.

A further finding is that MNOs seek to understand the component parts of devices that aggregate to the total costs. This they do in order to ascertain areas where they can ensure that they and the supplier reduce the cost where there is scope. This is in line with the view expressed by Knudsen (2003) who contends that companies have to gain a thorough understanding of where the costs lie. This is the case in the acquisition of devices and assists the companies to negotiate reduced costs. This supports the acknowledgement of Su et al. (2009) around the significance of the cost of components, raw materials and services procured from suppliers.

Our findings have shown the value add of implementing step 4 of our chosen strategic sourcing model on cost reduction. The fact that all 11 respondents are of the view that strategic sourcing contributes to cost reduction as well as their emphasis on not seeking cost reduction to the detriment of the supplier, together with the findings alluded to in this article, demonstrates the validity of the proposition that strategic sourcing contributes to cost reduction.

Proposition 3: Strategic sourcing can be used to gain and maintain competitive advantage

We have found that MNOs emphasize the need to be constantly aware of what is happening in the device manufacturing space in terms of potential partners. MNOs go to the extend to deploying teams abroad whose sole purpose is to seek out manufacturers that they can work with. We have also found that MNOs go further and research the existence of such potential suppliers using the internet and other means. These endeavours resonate with the contention of Khan and Pillania (2008) who say that strategic sourcing decisions are crucial to companies that want to focus on their core competencies and contract out other activities in order to attain and maintain competitiveness.

We have seen that the MNOs emphasize the retention of suppliers on their data bases of suppliers in order for them to be utilised whenever required, particularly in the supply of non-branded and/or self-branded devices. This emphasis on retaining such relationships is in line with the views expressed by Benjabutr (2015), who holds that the capabilities of suppliers relieve the firm of the need to invest heavily is assets such as equipment and research and development facilities.

We have found that MNOs ensure that they have long term relationships with their suppliers where they treat them as an extension of their own companies. This approach and attitude towards suppliers allows MNOs to retain security of supply as they are able to call on suppliers to produce and deliver what they require at a particular point in time. This resonates with the views held by Brookshaw and Terziovski as cited in Schalén and Lindén (2012) who hold that companies can effectively utilize strategic sourcing to gain competitive advantage by having access to raw materials, working in a relationship of equals with suppliers.

Our findings have shown the benefit of implementing step 3 of our chosen strategic sourcing model on competitive advantage. The proposition that strategic sourcing contributes to competitive advantage is supported by the findings that have come through in our research particularly given that all 11 respondents agreed with this proposition and provided practical ways in which this is embraced within their companies.

Strategic sourcing framework

Proposition 4: Strategic sourcing is a structured process

We have made findings that in approaching a strategic sourcing endeavour MNOs create committees that are responsible for making the device buying decisions. They further go on to create cross functional sourcing teams that act as steering committees for the sourcing endeavour at play at that time. We have further seen that they train certain of the role players within the sourcing team, particularly the procurement professionals. This is in line with the strategic seven step sourcing model developed by Coyle et al. (2013) particularly during step 1 which is about project planning and kickckoff.

We also found that MNOs develop criteria which includes a number of such as financial stability, tax compliance, BBBEE credentials, local presence, etc. These criteria are considered and computed into a weighted result on the basis of which suppliers are then selected. This resonates with the multi-attribute decision-making (MADA) method of selecting suppliers that is offered by Chen (2010).

Our research has shown that MNOs have strict protocols in place that guide the manner in which they go about their negotiations. We have for instance found that MNOs have rules around how, where and by whom negotiations can be undertaken. This formalised approach to negotiations can be found in the strategic sourcing model developed by Coyle et al. (2013) in step 5 where they refer to the executing of the sourcing strategy.

Our findings show that the MNOs have structured ways in which they make their sourcing decisions. These may not always be strictly in line with the sourcing model that we have chosen for this paper however there is a structure that they follow which covers all the seven steps of our chosen strategic sourcing model. The proposition that we made that strategic sourcing is a structured process is therefore proven.

Proposition 5: Supplier development initiatives are an important component of strategic sourcing

We have found that in the mobile device space, supplier development initiatives are not emphasized. These occur depending on the performance of the supplier. In this case suppliers are developed if they are not reaching the agreed service levels or in instances where they request such development/ assistance. This on its own is in line with step 7 of our chosen strategic sourcing model particularly with regards to the monitoring of supplier performance and provision of feedback. We have seen that MNOs believe that they need to contract with suppliers who are already at development stages that are in line with their requirements. One of the findings is that MNOs are of the view that the big brand device manufacturers do not require any development initiatives proposed by the MNOs themselves. Having said that we have also found that in the transitionary period when a supplier comes on board some support by way of advice on aspects such as warehousing and health and safety is provided to the suppliers by the MNOs. This is in line with step 6 of our model and it resonates with the contention of Benjabutr (2015) who says that companies need to be geared up to develop their relationship with suppliers by, for example, offering engineering advice if needed.

Interestingly the respondents unanimously agreed that supplier development initiatives are necessary for their companies to undertake. They offered justification for this ranging from compliance to legislation, to social type of responsibility as well as strategic considerations such creating competitors to challenges dominant brands.

Despite our finding that supplier development initiatives in the mobile device space are erratic and given the views expressed by the respondents we believe that the proposition that supplier development initiatives are necessary for companies to undertake is correct.

CONCLUSION

This research has demonstrated that strategic sourcing is an integral part of MNOs' operations. It has an impact on the ability of an MNO to reduce costs and thereby contribute to profitability. It further impacts the company's ability to attain and maintain a competitive advantage. Strategic sourcing should be formalised and run in a more deliberate and focused manner. Given its pervasive nature throughout the functions of an MNO, it has to be brought into the mainstream of the management functions that managers are responsible for. This can be done in the same way that managers are made responsible for human resource management, finance as well as leadership broadly. This will ensure that strategic sourcing ideals are implemented and maintained throughout an organization.

FURTHER RESEARCH RECOMMENDATIONS

This article focused on the approach followed in the strategic sourcing of mobile devices and linked this to the benefits of strategic sourcing to a company. A more focused research endeavour is required to probe why companies do not make strategic sourcing a main stream management function that is expected to be performed by all managers guided by the procurement departments of companies. This article did not go into the detail of exactly how companies go about selecting suppliers. A further more focused research endeavour that is recommended is to go into the detail of how companies go about supplier selection.

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Appendix A

CONSISTENCY MATRIX

How can South African mobile phone companies effectively use strategic sourcing?					
Sub-problem	**Literature Review**	**Propositions**	**Source of data**	**Type of data**	**Analysis**
Does strategic sourcing contribute to company performance?	Knudsen (2003) Khan and Pillania (2008) Schalén and Lindén (2012) Su et al. (2009) Fuchs et al. (2013) Knibloe and McKerley (2017) Peristeris et al. (2015)	Proposition 1: Strategic sourcing contributes to company performance.	How does your company use strategic sourcing to improve company performance?	Nominal	• Coding • Content Analysis • Descriptive explanatory narrative
Can strategic sourcing be used to achieve cost reduction?	Mpwanya and Van Heerden (2015) Anderson and Katz (1998) Knudsen (2003) Khan and Pillania (2008) Su et al. (2009)	Proposition 2: Strategic sourcing can be used to achieve cost reduction.	How does your company use strategic sourcing to achieve cost reduction?	Nominal	• Coding • Content Analysis • Descriptive explanatory narrative

How can South African mobile phone companies effectively use strategic sourcing?					
Sub-problem	**Literature Review**	**Propositions**	**Source of data**	**Type of data**	**Analysis**
Can strategic sourcing be used to gain and maintain competitive advantage?	Schalén and Lindén (2012) Su et al. (2009) Benjabutr (2015) Khan and Pillania (2008) Peristeris et al. (2015)	Proposition 3: Strategic sourcing can be used to gain and maintain competitive advantage.	How does your company use strategic sourcing to gain and maintain competitive advantage?	Nominal	• Coding • Content Analysis • Descriptive explanatory narrative
Is strategic sourcing a structured process?	Coyle et al (2013) Chen (2010) Talluri and Narasimhan (2004) Khan and Pillania (2008) Engel (2004)	Proposition 4: Strategic sourcing is a structured process.	How does your company go about its strategic sourcing process?	Nominal	• Coding • Content Analysis • Descriptive explanatory narrative

How can South African mobile phone companies effectively use strategic sourcing?					
Sub-problem	**Literature Review**	**Propositions**	**Source of data**	**Type of data**	**Analysis**
Supplier development	Talluri and Narasimhan (2004) Benjabutr (2015) Benjabutr (2015)	Proposition 5: Supplier development initiatives are an important component of strategic sourcing and they contribute to competitive advantage.	How does your company go about its supplier development initiatives? How does the size of your suppliers impact the nature of supplier development initiatives that you undertake?	Nominal	• Coding • Content Analysis • Descriptive explanatory narrative

Appendix B

SCHEDULE OF INTERVIEW QUESTIONS

The questions below are aimed at testing the company's strategic sourcing processes. They are linked to the 5 propositions above as well as the 7 steps of the model of Coyle et al. (2013) depicted on table 1. The numbers in brackets next to the relevant question indicate the corresponding step in the model on table 1.

1. **HOW DOES YOUR COMPANY USE STRATEGIC SOURCING TO IMPROVE COMPANY PERFORMANCE?**

1.1 How does your company use strategic sourcing to identify process improvement opportunities? (2)

1.2 How does your company review customer requirements, issues and risks? (2)

1.3 How your company formally analyse the impact of sourcing decisions on company financial performance? (2)

1.4 How does your company formally analyse the impact of sourcing decisions on company operations? (2)

1.5 Do you believe that strategic sourcing contributes to company performance?

2. **HOW DOES YOUR COMPANY USE STRATEGIC SOURCING TO ACHIEVE COST REDUCTION?**

2.1 How does your company develop and package your quote process? (4)

2.2 What does your company include in its negotiation strategy? (4)

2.3 Does your company formally analyse the impact of strategic sourcing on cost reduction? (4)

2.4 Do you believe that strategic sourcing can contribute to cost reduction?

3. **HOW DOES YOUR COMPANY USE STRATEGIC SOURCING TO GAIN AND MAINTAIN COMPETITIVE ADVANTAGE?**

3.1 How does your company identify potential sources of supply? (3)

3.2 How does your company evaluate supply market economics? (3)

3.3 How does your company compare suppliers? (3)

3.4 Does your company formally analyse the impact of strategic sourcing on its competitive advantage? (3)

3.5 Do you believe that strategic sourcing contributes to your company's competitive advantage?

4. **HOW DOES YOUR COMPANY GO ABOUT ITS STRATEGIC SOURCING PROCESS?**

4.1 Does your company create steering committees for sourcing? (1)

4.2 Does your company train sourcing teams for procurement? (1)

4.3 How does your company go about selecting suppliers? (5)

4.4 How does your company manage negotiations with suppliers? (5)

4.5 Do you believe that your company makes its sourcing decisions in a structured manner?

5. **HOW DOES YOUR COMPANY GO ABOUT ITS SUPPLIER DEVELOPMENT INITIATIVES?**

5.1 How does your company formally manage the supplier transition process? (6)

5.2 How does your company establish and implement joint supplier/ enterprise process improvement teams? (7)

5.3 Does the size of your suppliers impact the nature of supplier development initiatives that you undertake? (7)

5.4 Does your company undertake any supplier development initiatives for large multinational companies? (7)

5.5 Do you believe that supplier development initiatives are necessary for your company to undertake?

EDITORIAL GUIDELINES

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- Articles specifications
- General manuscript sections, and
- Style and formatting

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Over and above the guidelines provided by SAJEMS, this article also followed the research project guidelines provided by the Wits Business School (WBS) and where the two sets of guidelines clashed the WBS guidelines were adhered to. There were two instances where there were inconsistencies between the SAJEMS and WBS guidelines which are, length of article and referencing style. In both cases the WBS guidelines were adhered to.