

# Operations strategy in an emerging economy: the case of the Ghanaian manufacturing industry

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## Abstract

Operations strategy and its development have received a lot of attention in the operations management literature. However, as noted by Ward et al. (1995), an understanding of the factors that influence operations strategy development has not been widely studied. Further, how managers of firms in underdeveloped countries develop operations strategy has yet to receive any significant attention among researchers. This paper takes a look at the development of operations strategy in an underdeveloped economy, Ghana. Specifically, the paper examines the relationships between the business environment and the operations strategy choices made by firms in Ghana. The paper seeks to understand the influence that specific business environmental factors have on the operations strategy choices of low cost, quality, flexibility, and delivery dependability.

A survey of manufacturing firms was carried out in 1998. The respondents (production managers in those firms) were asked to indicate the extent to which business costs, labor availability, competitive hostility, and environmental dynamism were of concern to them. They were also asked to indicate their extent of emphasis on the operations strategy choices of quality, cost, flexibility and delivery dependability. This paper presents the result of the analysis of the relationships between the environmental factors and the operations strategy choices. The data indicate that, among firms in Ghana, the two strongest factors that influence the degree of emphasis placed on operations strategy choices are perceived business costs and competitive hostility. Results are presented for both large and small firms, and for firms that are completely locally owned as well as for joint venture firms. © 2001 Elsevier Science B.V. All rights reserved.

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## 1. Introduction

Operations strategy is generally defined as the development of specific competitive strengths based on the operations function that is aimed at helping an organization achieve its long-term competitive goals.

The concept of operations strategy began to receive some coverage in the operations management literature following the seminal work of Skinner (1969) in which he delineated the role that manufacturing strategy can play in the formulation and implementation of corporate strategy. The thrust of Skinner's article was that management needed to recognize the tradeoffs involved in the development of an appropriate operations strategy. Skinner postulated a model in which the business environment drives the content of operations strategy through the latter's linkage with the

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business strategy. In other words, an understanding of the business environment is important in understanding the formulation of manufacturing strategy.

Since Skinner's work there have been several different papers on different aspects of operations strategy. Some of these studies have sought to argue for the need to recognize the competitive advantages that operations strategy provides (Buffa, 1984; Hayes and Wheelwright, 1984; Prahalad and Hamel, 1990). Other studies have sought to identify, understand and/or clarify the content of operations strategy (Hayes and Wheelwright, 1984; Leong et al., 1990; Roth and van der Velde, 1991; Vickery et al., 1993; Miller and Roth, 1994; Ward et al., 1994, 1996). Yet others have looked at specific approaches for building manufacturing competence such as flexible manufacturing, just-in-time manufacturing, total quality management, lean production and agile manufacturing (Schonberger, 1982; Garvin, 1988; Womack et al., 1990; Upton, 1995; Duguay et al., 1997). Some of these studies have been conceptual in nature while others have been empirically based.

Business environmental issues have long been recognized as important considerations in the development of corporate strategy (Porter, 1980). However, as noted by Ward et al. (1995), environmental issues have not received much attention in operations strategy research. This lack of attention is occurring although empirical evidence seems to suggest that practicing managers do consider environmental factors when they seek to develop operations strategy. In a case study of six manufacturing firms on the development of manufacturing strategy conducted by Marucheck et al. (1990), the data showed that managers indeed do consider the importance of the assessment of competitors and customers in the development of manufacturing strategy. Thus, research linking environmental issues and operations strategy choice is worth pursuing.

This paper examines the business environmental factors that influence operations strategy choices among firms in Ghana. The study seeks to build on the work of Swamidass and Newell (1987) and the work of Ward et al. (1995). The study is important because, first, as pointed by Ward and his colleagues, it is very likely that environmental factors affect operations strategy development differently in different regions of the world. Swamidass and Newell's

study was confined to 35 firms in the US (a highly developed country), and Ward et al.'s study was carried out among firms in Singapore (a newly industrialized economy). Insights from Ghana (an emerging economy) should therefore be worthwhile. The contribution here is to find out if the general theory proposed by Ward et al. is applicable in an emerging economy. The generalizability of the theory is enhanced if it can be shown that it applies in an economic environment such as pertains in Ghana.

The second reason this study is important is that it is an empirical study and more empirical studies are needed in order to build the necessary foundation for the development of theory on operations strategy. Therefore, studies such as ours will help extend the knowledge base and the understanding of operations strategy needed to advance theory development.

The motivation for studying the specific environment and a brief discussion of the economic environment are presented in the next section. This is followed by a presentation of the model and hypotheses that form the foundation of this study. The research method is then described, followed by a presentation and discussion of the results. The paper ends with the conclusions.

## 2. Motivation and background

### 2.1. Motivation

There have been very few studies aimed at understanding operations management issues in developing countries. Of these, most have been devoted to delineating difficulties and/or problems that are likely to surface with the implementation of operations management practices. One of the earliest known studies was the work of Skinner (1967) in which he discussed the procurement issues that international manufacturing plants face in developing economies. Ebrahimipour and Schonberger (1984) described problems encountered by manufacturing firms in developing countries and made an attempt to show the potential of practices such as just-in-time and total quality control in helping to ease those problems. Caddick and Dale (1987) pointed out that sourcing from developing countries is more complex than from a domestic (US) market.

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