

Procurement Practices and Delivery of Cocoa by Agroecom District Office at Juaboso, Ghana

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Abstract

Government has expressed its desire to support COCOBOD and believes the target of 900,000 metric tonnes for the 2015/2016 crop year could be attained, based on the trend of cocoa production over the past ten years and good agronomic practices being adopted by COCOBOD. The optimism from the state comes on the back of a disappointing cocoa production season with Ghana set to miss its production target 950,000 metric tonnes for the 2014/2015 crop season. However, there has been a decrease in tonnage for 2015/2016 main crop season which resulted in importation of Cocoa bean from Ivory Coast. Thus the aim this study is to assess procurement practices of Agroecom in Juaboso district and **delivery of Cocoa beans by Agroecom District office at Juaboso, Ghana**. The study was a descriptive study and the population was the staff of Agroecom Ghana Ltd from Juaboso districts. The sampling technique used was a non-probability sampling and specifically purposive sampling was used. The sample size for the study was 16 for their importance to the analysis of the topic. Data was collected using both primary and secondary approach. Questionnaire and interview guide were the main research instruments. The data was analyzed using SPSS with conclusion and recommendations drawn from its analysis. The study recommend that district managers should ensure that only high quality beans are purchases and delivered at the right time to ensure that funding is sustained in the district

Keywords: procurement practices; Agroecom ; Juaboso; Ghana

Introduction

The popular saying cocoa is Ghana and Ghana is cocoa illuminates the importance of cocoa production in Ghana (Ministry of Finance and Economic Planning, 2009). Ghana is one of the major producers of cocoa in the world and the sector employs millions of people. It is not only small scale farmers that depend on the earnings from cocoa but the entire Ghanaian state (ICCO, 2006). The crop contributes about 3.4% of the Gross Domestic Product annually and average of 29% of the revenue between 1990 and 1999 and 22% between 2000 and 2002 (Ministry of Finance and Economic Planning, 2009).

As one of the essential Cash Crop Industries, it is paramount to ensure that the purchases of Computers, Furniture, Scales and stationary among others are done according to the law. These items are generally procured by the Head office and distributed if the need be to the various districts after the centralized purchase.

In the various districts, some form of decentralized purchases is done with regards to rims of A4 sheets, and other items. Significantly across the districts, Cocoa is purchased from the farmers through the purchasing clerks. This is made possible when money for the purchase of cocoa is transferred from the Head Office to the various districts (Head Office Transfer). AGL's Major client Lindt and Sprungli who buy from it expects the produce to reach it early in the best quality possible. This makes it essential for AGL to ensure the quality and timely delivery of the said goods to Lindt and Sprungli in UK. This has therefore made it essential for me to elaborate on the impact of sourcing on quality and timely delivery of goods, and the related benefits associated with it.

Ghana is one of the major producers of cocoa in the world. The crop contributes to about 22% of Ghana's Gross Domestic Product. For the fact that the government has lost out on a target of 900,000 metric tonnes in the 2014/2015 cropping year from 1,000,000 metric tonned in the 2009/2010 cropping year calls for concern. It is worth noting that, no LBC like any government would wish to do business at a loss.

With the myriad of issues bedeviling the cocoa production industry, such as dwindling prices, cocoa rehabilitation and illegal mining otherwise known as galamsey. Based on the points aforementioned, it is eminent to find out the relationship between sourcing, quality together with timely delivery of goods and funding. With AGL as the focus firm, we make no mistake as it is currently the number two LBC with high volume purchases in Ghana. Therefore studying "The impact of sourcing on quality and timely delivery of goods in Ghana: A case study of Agroecom Ghana Ltd at Juaboso.

Literature Review

'In business, the term sourcing refers to a number of procurement practices, aimed at finding, evaluating and engaging suppliers for acquiring goods and services.' Wiktionary, the free dictionary. 'Sourcing, also known as procurement is the practice of locating and selecting businesses or individuals based on set criteria. Sourcing is carried out in business in many different areas and for different reasons. One of the areas in which sourcing is commonly used is in supply chain management. Businesses that can find the most appropriate suppliers at the

lowest cost can develop a competitive advantage.’ What does sourcing mean? HRZone.

Based on the above definitions, we can therefore say that Sourcing is accessing or purchasing products and services from one or more identified suppliers. According to Kingsford Brefo – Manuh, there are two main Sourcing Strategies, namely Single and Multiple Sourcing Strategies. Single Sourcing he says means that, a company only uses one supplier for a certain item, despite the other suppliers being available on the market. While, Multiple Sourcing means that, for every item, several alternative suppliers are used simultaneously and parallel.

For a long time, this has been the dominating strategy and is what is mainly used in the purchases of Cocoa, even though; some auxiliary items are bought using the single sourcing strategy. This method is what in Brefo – Manuh’s handout, he refers to as Hybrid Sourcing. I as a result believe that sourcing can be referred to as the processes involved in identifying and buying a product or service from one or more suppliers to satisfy ones need.

The impact of sourcing on quality of good in AGL.

Baily, et...al, (2005) quality circles have become a popular approach to the improvement not only of product quality but also of other aspect of company performance and the quality of working life. ISO (1995) as cited in Lysons (2006), defines quality as the totality of features and characteristics of product that bears on the ability to satisfy stated or implied need whereas Crosby (1980, cited in Lysons, 2006, P 266) defines quality as “conformity to requirements not goodness. Quality is very important for ensuring good performance and success of any organization. Quality control contributes to profitability and growth. Quality of goods and services determines the performance of an organization through increased sales, customer retention and business sustainability (Barker, 2006). Quality determines the value placed on product. Thus, market determined premiums in. Commodity markets are based among other factors on quality perceptions. In cocoa, it is not just a perception; it is the reality (Quality Control Handbook, 2007). Total quality management (TQM) is a „„commitment to continuous improvement of quality““ not just in industry but also totally in society (Gana, 2008).

We can therefore come to terms that quality is what every client requires in all aspects of the product (cocoa) to continue funding. Lindt and Sprungli as an organization in funding AGL seeks that, high quality beans is purchased for them. That is why they have put in place programmes to train the indigenous farmers on good agronomic practices. Therefore the need for commercial officers in the process of ensuring quality beans is derived from the farmer based associations established in the various districts.

Quality Control Divisional officers are responsible for certifying if the stock, cocoa meets the quality standards set. If it does not, it is not permitted to be exported until the anomaly is corrected. This is what is termed as reconditioning in this industry. It comes at a cost to the district, which is passed on to the purchasing clerks in some instances and at other instances born by the Franchise holder, thereby extending the lead time.

The period between the transfer of funds date and the secondary evacuation date is usually two weeks maximum. This period is known as the cycle time. To be able to meet up with the cycle time, for more funding, we must ensure that high quality beans is purchased.

The impact of sourcing on timely delivery of goods in AGL.

According to Baily, et...al, (2005), if a company is seeking competitive advantage by becoming better able to respond to customer needs as they arise, then it follows that the company require a greater degree of responsiveness from its own suppliers. The achievement of delivery on time is a standard purchasing objective. If goods and material arrive late or work is not completed at the right time, sales may be lost, production halted and damages clauses may be invoked by dissatisfied customers leading to slow down the cash to cash cycle thus reducing the organization’s efficiency or profitability. One of the critical roles of strategic sourcing is reducing on lead- time and improving on delivery to meet the customers demand. Lysons and Farrington (2006), define lead time as the period between a customer's order project is worth doing, testing that implementation is realistic and achievable, detecting the potential impacts and pitfalls before starting knowing the sustainability of service or product design and delivery. An effective procurement plan provides an organized means whereby time and money are saved..It also provides a framework to that guides the achievement of tasks and duties. (Langford, 2010, Kakabadse, 2005). This lead time is what AGL refers to as the cycle time, which is usually 14 days. This is sometimes distorted by so many inhibiting factors. Such as poor weather condition which is uncontrollable. There are other controllable factors as purchasing clerks sell the stocks obtained to other Licensed Buying Companies (LBCs) with the intention of getting it before the time lapse. Pre-financing perceived good farmers but not getting the stocks in time, amongst others.

Funding in AGL.

Funding in AGL is primarily based on delivery of the stocks in the right quantities at the right time. This delivery is not just to the depot, but for onward shipment to the client. Failure to this would cost the district funding for the week.

A balance is drawn each week, identifying the quantity of stocks that have arrived at the port for each district

out of the transfer made the previous week. This gives rise to the quantity that has failed to arrive. That is deducted from the transfer for the week. This reduces the districts purchasing power for the week.

Every district would wish to have a higher purchasing power, with the capacity to buying in volumes. High volumes with minimal outstanding balances determine the strength of the district. This is what makes the district obtain transfer even when others are not funded.

The relationship between sourcing, quality and timely delivery of goods as against funding in AGL.

In AGL like any other firm, the product sourced for must be delivered before any other funds would be released to the district in question. The stock, cocoa must be purchased, evacuated primarily to the depot, graded and sealed, and finally secondary evacuated to the port for any further funding. For instance, if one hundred bags funds is estimated to be transferred to the district per week. But for the previous week ninety has been evacuated, then the district manager can invariably understand that only ninety bags funds should be expected.

In this case, the price for a bag is GH¢425.00. Then that of 100 bags per week is $\text{GH¢}425.00 * 100 = \text{GH¢}42,500.00$. If 90 bags are evacuated the previous week, the outstanding of 10 bags is $\text{GH¢}4,250.00$. Therefore the District Manager can only expect that 100 bags Less the outstanding of 10 bags funds all other things being equal. That is $\text{GH¢}425.00 * 90 = \text{GH¢}38,250.00$. We can therefore state emphatically that, sourcing of quality goods and delivering them in time has a direct relationship with funding in AGL.

Methodology

Descriptive research design was used in this study. Data was collected through use of closed and open ended questionnaires that were distributed to JKUAT staff, the target population comprised of staff at the JKUAT main campus since that's where most of procurement is done. Based on the above study by the said authority, the descriptive research design was used in this study. Data was collected through use of closed and open ended questionnaires that were distributed to the Juaboso A, B, C and D district staff of Agroecom Ghana Ltd. The target population comprised of the District Managers, the Operations Officer or Accountant, the Depot or Stock Keepers, and the Driver of the aforementioned districts with respect to the hierarchy given above.

The study generated both qualitative and quantitative data through the research instruments. Based on the study objectives and questions, the massive qualitative data collected from the research tools was grouped into meaningful patterns that revealed how categories or themes were related (Verma & Mallick, 1999). Responses from the research tools both open and closed ended were tallied and counted according to themes. They were then analyzed using descriptive statistics such as percentages and frequency tables to produce quantitative and quantitative data that gave a summary of the study findings in the form of Dispersion, Range, Variance and Standard Deviation to mathematically explain the research.

Statistical Package for social science [SPSS] was used for the analysis. Results were presented in terms of tables, graphs and pie charts to visually illuminate what is depicted in the project work.

The primary data comes from the questionnaires administered by the District Managers, Operations officers, Depot Keepers and the Drivers of the districts in question. It is relevant to mention that, those who were made to administer the questionnaire were purposively selected. This is meant to give the study a true reflection of the funding issues of the company.

Table 1: Target Population

Positions Considered	Targeted Population	Sample Size
1. District managers	4	4
2. Depot/Stock Keepers	4	4
3. Operations Officer	1	1
4. Drivers	4	1
Total	13	10

Source: (Researcher' field work, 2015)

Data collected was analyzed with the focus on providing answers to the research questions. We commenced with coding of the responses in the questionnaire into an SPSS (Statistical Package for Social Sciences) data base. The SPSS was then used to generate the measures of charts and figures based on the statistical analyses relating to SWOT (Strength, Weakness, Opportunity and Treats) analyses.

Results and discussion

Analysis of Demographic Characteristics of Respondents.

The respondents are situated at the Juaboso district which has been divided into four political districts. These four districts are Juaboso, Bodi, Bonsu and Bia Districts. It is worth noting that the Bia diatrict has also further been divided into the Bia East and West districts when the recent 45 districts were created.

Juaboso based on its long standing success of having past Armajaro B district which used to purchase over 70,000 bags of cocoa per year can never be under estimated. The respondents are as a result selected from this area

where 60% of Agroecom’s cocoa comes from. This area is referred to as the Western north district generally. We can’t end without mentioning that a larger chunk of Ghana’s targeted purchases now comes from the Western north district. That is the more reason why the respondents were selected from this all important area of the industry.

Districts

The districts in consideration are as represented on the first column of the SPSS, 1-Juaboso A, 2-Juaboso B, 3-Juaboso C and 4 for Juaboso D districts respectively. A total of 10 respondents administered the questionnaire, with 2 from each district representing 20%. For the reason that Juaboso B is the only district that had an employed driver, that is why their respondents were 3 instead of 2, representing 30%. Moreover, the Operations officer works for all the districts, representing 10% of the respondents. The table for the districts is as represented below:

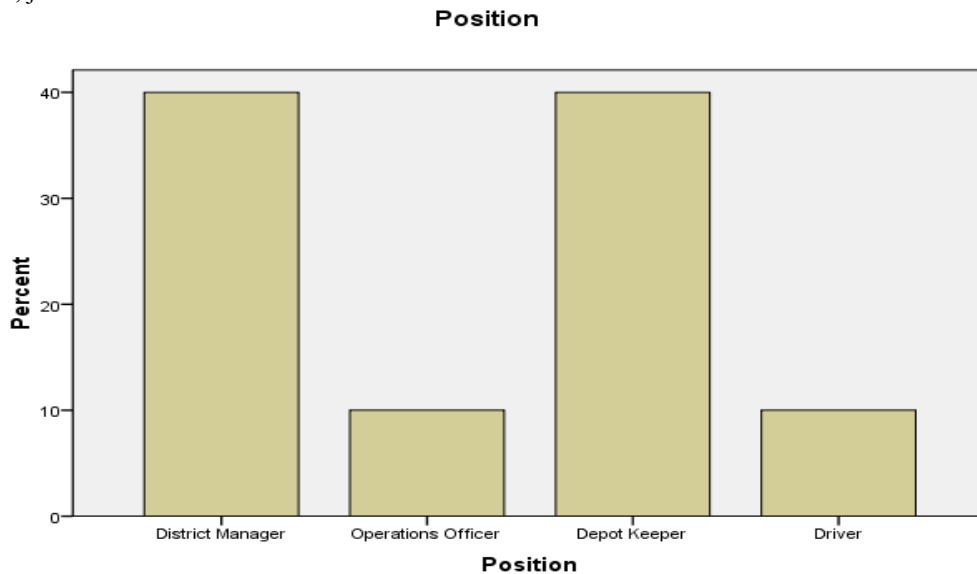
Table 2 Districts and the respondents

Districts	Number of respondents	Percent
1	2	20.0
2	3	30.0
3	2	20.0
4	2	20.0
1,2,3 and 4	1	10.0
Total	10	100.0

Source: (Researcher’ field work, 2015)

Positions Considered

4 District Managers administered the questionnaire, representing 40% of the respondents but 100% of that category, same as the Depot Keepers. A 100% of the Operations Officer post representing 10% of the total respondents was used, just as the driver.



Source: (Researcher’s field work 2015)

The Bar Chart above shows the pictorial evidence of the table for the positions considered in the administration of the questionnaires. This is no different from the explanation given before the table.

Gender of the respondents

In the research, it was identified that 90% of the respondents were males while 10% were females. This is the reason why the other business of AGL, made up of Unicom as its sister Company is piloting a feminine office approach. In this pilot, the whole depot setup will be made up of females. It is likely that the tedious nature of the work is why fewer numbers of females are prevalent.

Table 3 Gender of the respondents

Gender	Frequency	Percent
Male	9	90.0
Female	1	10.0
Total	10	100.0

With the blue representing the male percentage as the green represents that of the female. This depicts precisely what the legend shows.

Age distribution

The respondents belonged to the following age categories. The lowest age was 26 years while the highest was 43 years. The ages of the respondents above are as represented on the bar chart below:



BarChart 4.1.4 How old were you on your last birthday?

Statistical Operation.

The aforementioned age distribution gave rise to the following statistical figures. Out of the 10 respondents, the dispersion is, Mean Age- 31.90 which is almost 32 years. The Median of the ages is 29.00 while the Modal age is 28 years as can be vied from the Bar Chart above. The median age is the fourth bar from either side. It is common knowledge that the second bar from the left represents the modal age. This shows that, probably on the average youthful people are engaged in this industry.

The Range being the difference between the highest and the lowest ages, which is 43-26 is what gave us the 17 years. This range is also youthful even though a year below the working class.

Again, the Variance which is 30.989 is also very youthful; almost 31 years of age, still going a long way to prove that most of the people in this industry are supposedly energetic.

Analysis and Discussion of main Data.

This segment of the project work would through more light on the individual specific objectives. It would delve much into the importance of each and every one of the said objectives. In assessing the impact of sourcing on the quality of goods in AGL as per the study objective, questions 5 and 6 from the questionnaire were the parameters. According to the study 100% of the respondents answered in the affirmative, when the question on the importance of quality in cocoa purchases was posed.

Table 4 Responses to the Statement analysis

Statement	Response	Frequency	Percent
Input quality is good	Yes	10	100.0
Timely delivery of of essence	Yes	10	100.0
How related is quality sourcing to funding	Directly related	10	100.0

The reasons ascribed to this massive affirmative answer are that:

- a. The clients, who buy cocoa from AGL, only seek for quality cocoa beans. They require well dried, disease free, and contaminant free beans only. Ensuring that, this is achieved, means customer or client satisfaction.
- b. It is company and country standard that has been set. The various districts can do nothing but to strive to meet these set standards. This is to ensure that quality is not compromised to dent the image corporate Ghana and AGL have created for themselves.
- c. Cocoa Board will not grade and seal substandard quality beans. They will reject such beans. This will intern prevent the stock from being transported to the port for onward delivery to the client. If this happens, it will curtail further funding.

- d. Securing quality beans makes the end product worthwhile. It is common knowledge that the cocoa beans are used in the manufacture of Chocolate, Milo and other end products. If it contains no contaminants, then health is improved. For example, infections which might even lead to death might occur, if an American eats the end product of the cocoa beans mixed with peanuts. That is why the standards discourage the eating of groundnuts when drying cocoa.
- Adding up to the reasons cataloged above, in answering the question ‘What would it cost the district, if poor quality cocoa beans’ is procured?’ were as follows:
- To start with, this may cost the company the loss of its contract with the client, thereby running at a huge loss. In order not to entertain such losses, the district manager together with the other staff may be fired instead. The least may be to surcharge all the debt incurred to that district manager as a sanction.
- Such quality management systems that may bring about surcharging the district instead of dismissing him/her may include sending not thoroughly dried (NTD) cocoa to the port unintentionally. To add up to that, short weighted cocoa may also be evacuated among others. This may happen if the said stock is able to go beyond the field QCD officers. This is to say that beyond the field QCD officers, there are others at the port too who would send the stocks to the discrepant for huge charges to be surcharged.
- It is best to ensure that, the NTD declared by the QCD officers at the district is worked upon to prevent further charges.

To evaluate the impact of sourcing on the timely delivery of goods in AGL.

Likewise, a 100 percentage response indicated that timely delivery of goods is of essence. The frequency shown above is so because of the following reasons as enumerated by the respondents.

- a. AGL policy states that the cycle time, otherwise known as the lead time, is two weeks. That is to say that the time lapse for turning the cocoa money into cocoa and delivering it to the client is two weeks. But in actual fact, that is one week for the various districts. This is to tell you how much delivering on time is of importance to AGL.
- b. Timely delivery of cocoa to the client reduces the risk of infection and spoilage. This leads to minimizing indebtedness of the district.
- c. Funding will be astronomically reduced if not seized entirely when the stock is not delivered on time. Non timely delivery of goods sends a signal that there is either no cocoa or the volumes in the district has fallen. As a result, head office transfers may be stopped. This therefore inhibits the district’s ability to buy higher volumes. Thereby reducing the profitability of the district. To add up to this, the district will be on pressure to pull the stocks before they could be funded.
- d. Timely delivery of goods is the final means by which value for money is achieved. The money is not of essence until it is invested. But in this cash crop industry, value is placed on the stock only when it makes its way to the client. That is where it would be turned into the end product.

To analyze the relationship between sourcing, quality and timely delivery of goods as against funding in AGL.

The relationship between sourcing of quality goods and its subsequent timely delivery and funding may either be directly, indirectly or inversely related as perceived by the research. In posing this question to the respondents, a whopping 100 percentage response revealed its direct relationship. This answer they gave with a number of reasons. Before enumerating the varied response, the table is as shown below:

For the fact that this relationship is the bases of this research, the pie chart below epitomizes its graphical representation. The interpretation of the overwhelming 100% response given in the graph above came with the following response.

First of all, it must be made resoundingly clear that virtually all the respondents added that the district will not be funded if sourcing of quality beans and its timely delivery is not achieved. This as a result goes a long way to prove the direct relationship they all stated for this comparison. Moreover, they emphasized that it is AGLs policy to buy quality cocoa and deliver them in time before that district is funded. This is a policy that can’t be compromised for any other thing. The district has no other option than to adhere to it completely.

More so, the district can only prove their ability to meeting the cycle time only by ensuring that sourcing of quality and the timely delivery of goods is achieved. It is evident that the cycle time is what would have been technically referred to as lead time. This is the period between the time the client orders for the goods, through its processing till it gets to the said client. Two weeks is what has been designated to this cycle time. Because the districts are actually responsible for the processing of the orders made by the client, the processing is limited to one week.

Also, the profitability of the district is determined by its ability to ensuring that the order processing period is met. For the fact that profit making is the ultimate aim of AGL, the district which aids satisfying the client is best funded to increase its profit margins. If a district is not in adherence of this cycle time, it is not funded until

the funding is regained in the form of cocoa.

Last but not least, it is not by accident that the essence of buying quality cocoa, delivering it on time and their relationship all enjoyed a hundred percentage affirmative response. Funding in AGL is simply dependent on the other two.

Cash and carry or Pre-finance.

In this industry, the client thinks that cash and carry is what gets them their cocoa. But on the field, there are so many LBCs to the extent that even new ones are emerging. Olam, Kuapa, Akuafo Adamfo, Federated Commodities (Fedco), Merchant, Produce Buying Company (PBC), Brusaman, Trans Royal, Roco are only but a few of the competitive firms around. With this number of LBCs around, the PCs may turn to them for money if Cash and carry is the only method used in procuring the stocks.

Furthermore, if cash and carry is not used, it may increase the indebtedness of the district. The PCs, who may owe the district, may as well go to other LBCs for money. These had been the reason for the 20% of the distribution below preferring cash and carry to pre-finance despite the numerous LBCs surrounding them.

Table 5 Preferred purchasing system

Purchasing systems	Frequency	Percent
Cash and carry	2	20.0
c. Both	8	80.0
Total	10	100.0

However, both cash and carry and pre-finance at different times may help attain the benefits of both systems. This is the means by which volumes could be purchased with less indebtedness, if proper management is put in place.

Cash and carry is best used at either the tail end of the season or the light crop. During the main crop, implementing cash and carry may not enable your LBC to have the PCs to your side. That is why pre-finance is best to operate at this time.

This is the reason accountable for the distribution on table 4.3 above having as much as 80% of the respondents opting for both cash and carry and pre-finance. It is as a result likely that a greater percentage of the staff of this industry may prefer both cash and carry and pre-finance to just one of them in their purchases.

Conclusion and Recommendation

In concluding, permit me to reiterate that if AGL takes advantage of the Strength and Opportunities aforementioned, by seeking that quality beans is patronized and delivered in time, funding of those districts may never be curtailed. That is until there is an external audit after the closure of the season to restart the next one.

More to it, if AGL shuns away from the said controllable weaknesses and external threats, that might occur, profit may be its final achievement. This may stem from ensuring that high quality beans is bought and delivered at the right.

I recommend that district managers ensure that only high quality beans are purchases and delivered at the right time to the client. This is the only way of ensuring that funding is sustained in the district.

Again, it must be understood by all that both cash and carry and pre-finance are used in the purchase of cocoa. I believe that, policies may as a result be put in place in order to regulate the system better. This would do away with the misconception of only cash and carry in the industry.

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