

Contractual Payment Terms: A Procedural Study in the Mining Industry of Ghana

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RESEARCH ARTICLE

Abstract

Contracts play a significant role in facilitating business activities and commercial transactions by determining the rights and obligations of each contracting party. This qualitative study seeks to explore the procedures on contractual payment terms of Newmont Ghana as mining companies procure their goods and services through contractors/suppliers. Interviews were conducted with the three contract administrators and complemented with archival records, and the data analysis was inductive, using thematic analysis from a constructivist viewpoint. In addition, the result reveals that contract requests, negotiations, and evaluation were the basis for awarding a contract. However, the challenges have their root in non-compliance and communications gaps in the processes and procedures on contractual payment terms. The study concludes that there is a comprehensive laid-down procedure for how Newmont Ghana arrives at its payment terms. It also proposes that there must be effective coordination and collaboration between the contracts department and the accounts payable office internally while externally Newmont must improve its supplier relationship management through best practices on account payables. Lessons learned with the prescription of four generic points to improve contractual payment terms of any organisation. Furthermore, this is one of the very few papers of a procedural study on contractual payment terms of contractors in the mining industry of Ghana using in-depth interviews and documentation reviews.

Keywords: Mining, Contractual Payment Terms, Contract Administrators, Procedural Study, Ghana

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1 INTRODUCTION

A company's mission statement serves as its overarching objective, which must be achieved for long-term sustainability. This objective will be influenced by how the company operates and utilizes its available resources. Businesses are often described as individual and independent entities, but their operations are in fact interdependent. This is true because it will be difficult for a business to be successful without depending on other businesses. In line with this, the mining industry is a significant player in any economy due to its substantial expenditure and demands for goods and services. This makes it imperative for mining companies to rely on the external market and suppliers for their supplies. Parties that operate in the mining value chain are linked to each other through contracts. This makes it imperative for mining companies to rely on the external market and suppliers for their supplies. Contracts have become more complex and more varied. According to Schuhmann and Eichhorn (2020), contract management is the management

of contract initiation to its completion. [Salami and Abad \(2023\)](#) expressed that contractual terms are imperative in any contract, as they indicate decisive contractual discussions regarding the extent and type of liability of the contracting parties.

[Stone and Devenney \(2015\)](#) noted that contracts are part of business as usual between two businesses through transactions based on promises, allocation of risk, and enforcement by the two businesses. Additionally, [Van der Puil and van Weele \(2014\)](#) emphasized that parties involved in a contract must ensure that they fulfill their obligations under the contract. Also, [Lysons and Farrington \(2020\)](#) suggested that meeting contractual commitments is critical to the agreed-upon terms of the time and cost for the parties involved in the contract. [Monczka et al. \(2016\)](#) advised that the management of contracts must not be considered secondary to pre-award contracting activities due to its importance, as is done by many organisations. The authors affirmed that this could be a significant source of value and a competitive advantage to a company.

On the other hand, [Bozarth and Handfield \(2019\)](#), an unfriendly payment term policy of a company could risk supply disruption problems, as longer payment terms will have an impact on delivery. [Schaeffer \(2007a\)](#) indicated that a payment term could be in the form of advance payment, deferred payments, or a provision agreed upon by the two parties. [OECD \(2008\)](#) was of the view that small and medium enterprises do not normally get paid on time, as the bigger companies most of the time fail to adhere to the agreed payment terms. This can lead to financial challenges for the SME's operations.

[Abdul-Rahman et al. \(2014\)](#) also noted that the timeliness of payment is critical in supply contracting, as late payment affects the supplier's cash flow. [El-adaway et al. \(2016\)](#) cautioned that delayed payments by organisations to suppliers affect the efficiencies in the supply chain due to severe cash flow problems. [IACCM \(2018\)](#) observed that most suppliers are poor at agreeing on payment terms with bigger organisations, thereby making their invoicing inaccurate. [Schaeffer \(2007a\)](#) argued that a company's financial integrity could be defined by its accounts payable management.

The supply chain in the mining sector connects so many market players to partner, collaborate, or do business together or with each other. Selecting the right supplier with the requisite resources and competencies is an ingredient for the success of a company being the buyer. Moreover, a company must align its internal requirements with the supplier's ability to meet its market needs. Building an efficient and effective business relationship with suppliers will be dependent on communication, trust, and transparency between the buyer and the supplier. This will result in improved services and innovation through the right information from the buyer. The very foundation of this trade relationship is a contract between the parties in the trade transaction.

Additionally, supplier selection is the process by which firms identify, evaluate, and contract with suppliers ([Heizer et al., 2020](#)). The supplier selection process culminates in a contract between the buyer and one or more suppliers. The information received from suppliers via Request for Information (RFI), Request for Proposal (RFP), and Request for Quote (RFQ) ultimately must be translated into formal contractual terms before contracting can occur ([Aral et al., 2020](#)). Whereas a formal contract is a legal instrument that binds the contracting parties with the benefits and obligations stated in the contract ([Salami and Abad, 2023](#)). [Ben-Shahar \(2004\)](#) stated that one of the pillars of the law of contract formation is the principle of mutual assent. This principle means that a contract forms only when the positions of the two parties meet. Importantly, it sets the boundary between the precontractual and the contractual stages.

With that, the researchers had an interest in the topic that arose due to the fact that the research is focused on an important, specific social phenomenon that has been understudied or is not in existence. Our purpose in writing this paper led us to focus on the mining sector of Ghana by considering the buyers' perspectives, experiences, and practices on the contractual payment terms. This is one of the very few papers of a procedural study on contractual payment terms of contractors and suppliers in Ghana using an in-depth interview and documentation review. The anchor has to do with the convergence of supply chain, accounts payable management, and accounts receivable. In addition, though the study context is Newmont Gold Ghana Limited, the

result brings about a comprehensive understanding of this specific context, and this understanding may also apply to other mining companies in the extractive sector of Ghana. The transfer of the knowledge of this paper in terms of insight and application is relevant to other contexts or a larger context.

Moreover, Newmont introduced a business transaction software system to better manage its contracts and payments. The expectation was prompt and timely payment for contracted services rendered by the suppliers, as this would help them to meet their obligations. Notwithstanding the effort by Newmont Gold Ghana Limited, contractors still complain about how payment terms that are agreed upon are not complied with by Newmont. These complaints were mentioned at Newmont's annual supplier summits. Hence, a procedural study of payment terms at Newmont Ghana Gold Limited. This is one of the very few papers of a procedural study on contractual payment terms of contractors in the mining industry of Ghana, using in-depth interviews and documentation reviews. Furthermore, through a thorough search using Google Scholar, Repec, Econs Papers, and other reputable databases of restrictive access, the abstracts of other studies suggest that there is scanty information on contractual payment terms in the mining sector of Sub-Saharan Africa, though in the construction sector abroad and in Ghana, several authors have conducted research and published their findings on contracting in the construction sector. There is no published study on the contractual payment terms as a procedural study in the mining sector of Ghana. Thus, there is a need for research to fill the knowledge gap in this area.

1.1 Procurement and Buyer-Supplier Relationships

Newmont Ghana Limited has six stages in its procurement cycle, which comprise contract requests, how contracts are sourced, development of contracts and their maintenance, execution of the contracts, administration of the contract, and the evaluation of the post-contract. The sourcing of suppliers/contractors begins when the contractor has been selected or awarded a contract. If the supplier or contractor is new, then a vendor ID will be set for the contractor. This is then followed by the issuing of a purchase order. For transparency and accountability, Newmont Gold Ghana Limited has made the following documents available for existing and potential contractors: access to the Newmont Code of Conduct, the Newmont Supplier Code of Conduct, the Local Procurement Policy, and the Supplier/Contractor Engagement Document at their official website. Newmont Gold Ghana Limited does all its contracting transactions electronically for invoicing, order accuracy, and tracking. This helps the company to reduce cycle time and increase the rate of on-time payments.

Geipel (2017) argued that procurement by a mining company could be so huge as to have an economic impact on a host country. World Bank (2015) indicated that mining companies are making use of local procurement to support the SMEs in their communities. The traditional role of procurement is to ensure that there is a supply of services and materials to support a business operation. In any serious procurement process, there is a need for a company/institution to develop a sourcing strategy. A company's sourcing strategy determines the direction by which it chooses its suppliers and, consequently, how it optimizes supply chain relationships (Lysons and Farrington, 2020). Many companies might have many existing suppliers from whom goods and services are purchased. Developing a long-term relationship with critical suppliers is a major factor in maintaining a competitive advantage (Heizer et al., 2020).

On the contrary, Ganguly and Roy (2021) were of the view that the success of many organizations is dependent on a positive, long-lasting buyer-supplier relationship. Supplier satisfaction will be affected by factors such as fair purchasing policy, payment, coordination, cooperation, impact of technology, and power dynamics in the buyer-supplier relationship, as stressed by Makkonen et al. (2023); Talay et al. (2020); Ganguly and Roy (2021). Disagreement could lead to conflict in a supply chain where the buyer and the seller come from different cultures Roehrich et al. (2024). This could be addressed by putting in place a formal contract specifying each party's roles, responsibilities, and liabilities (Jaaskelainen, 2021). Agarwal and Narayana (2020) conducted a study among 321 managers from different firms who were directly or indirectly involved in making procurement or purchasing decisions in the firm and were familiar with the firm's supplier

relationships. Their study suggests that relational communication was found to be positively related to relational satisfaction and trust partially mediated this relationship. Paulraj et al. (2012) indicated that buyer-supplier relationships are frequently assumed to be either transaction-based or trust/commitment-based, or a combination of these models. Supplier-distributor relationships are often characterized by power asymmetry in favour of the supplier (Wang et al., 2021).

1.2 Negotiation

Schoop (2021) defined negotiation as a process of communication and decision-making. Chen et al. (2019) were of the view that negotiation strategy had effects on symmetric and asymmetric information in the management of a supply chain. Organizations must manage their negotiation strategy cautiously, as it can impact long-term buyer-supplier relationships and extend the relationship beyond a single negotiation encounter, as suggested by Kaufmann et al. (2023), Fu et al. (2017), and Li et al. (2019). Zhang et al. (2021) expressed that negotiations could involve multiple parties and diverse issues, which makes decision-making situations abound with complex computation, information processing, and interactions. Additionally, Cummins and Clack (2022) indicated that trade and commerce contracts form the basis for parties to agree to do business. O'Brien (2016) suggested that when two or more parties want to do business, both parties try to reach an agreement that meets each party's interest, which the author termed as negotiation. Lewicki et al. (2016) were of the view that for a successful negotiation to take place, a party to the negotiation must plan well for the negotiation, backed with clear goals and a strategy for its execution.

Rogers and Fells (2017) also affirmed that for a successful negotiation, the parties involved must have shared objectives, trust is key, and previous buyer-supplier relationships are important. Soper (2022) indicated that one of the challenges of contractors is negotiation. Every negotiation comes with its complexity and challenges. Negotiators must utilize their knowledge, experience, skills, and intuition to secure a better deal. Schaeffer (2007b) indicated that payment terms are agreed upon during contract negotiations; otherwise, they will be stated on the purchase order when one is provided. Furthermore, Lewicki et al. (2016) stated that negotiation proceeds through four stages: the pre-negotiation stage, the formal negotiation stage, the agreement stage, and the post-evaluation stage. Bulow and Boje (2015) advised that a company must plan and prepare well for any negotiation. The authors suggest that a negotiator must have a detailed understanding of the context and the possible expectations of the opposing partner. Keay (2015) argues that representatives standing in for a company's negotiations and contracting must be guided with certain information so that their decisions will serve the best interests of their companies.

1.3 Invoicing

The payment process is activated when an invoice is raised, which makes it essential to initiate appropriate controls at this stage (Fabrizio et al., 2019). Doxey (2021) has noted that when it comes to invoicing processes, most organisations have a clear invoice system in place with detailed instructions. Bojanc et al. (2024) indicated that the processes of organizational buying and selling, shipping, and receiving of goods need to be documented through the issue of invoices as a communication response between organizations. Meanwhile, Tiwari et al. (2023) were of the view that information management is crucial for the efficiency and competitiveness of a business supply chain. An e-invoice is an invoice that has been issued, transmitted, and received in a structured electronic format, as indicated by Bojanc et al. (2024), Tiwari et al. (2023), and Penttinen and Hyytiäinen (2008). Moberg et al. (2010) affirmed that electronic invoicing is used by most organisations as an alternative to the traditional invoices distributed on paper within the context of Sweden. Cuylen et al. (2016) stressed that if the digitalization of business processes is adopted by companies, it will reduce their administrative costs, improve productivity, and achieve transparency in their processes. The benefits of e-invoicing are a decrease in cost in terms of clerical work and printing cost (Tiwari et al., 2023; Poel et al., 2016), a reduction in payment delays (Bellon et al., 2022; Salmony and Harald, 2010), and convenience for the supply chain partners (Hesami et al., 2024). Schaeffer (2007b) stated that the invoicing processing function is

a key activity of accounts payable management of every organization. Fabrizio et al. (2019) were of the view that discounting an invoice could provide flexibility for a supplier to attract better rates. Doxey (2021) indicated that in most organisations, the department that is responsible for the oversight of all payments issued is the accounts payable department. The author further stated that many organisations have failed to reap the benefits of the procurement and accounts payable in the department, working together toward achieving a common goal.

2 METHODOLOGY

2.1 Location of the Study

Newmont is the world's leading gold company and a producer of copper, silver, zinc, and lead. The company's world-class portfolio of assets, prospects, and talent is anchored in favourable mining jurisdictions in North America, South America, Australia, and Africa. In Ghana, Newmont Gold Ghana Limited is a highly reputable organization. It has two site locations: the Ahafo Site in the Ahafo Region and the Akyem Site in the Eastern Region. The study was conducted at the Ahafo Site.

2.2 Research Design

The objective of the study was to gain a deeper understanding and experience of contract administrators regarding the procedures for contractual payment terms at Newmont Gold Ghana Limited. Descriptive phenomenology and case study are appropriate and suitable research designs for this study. It states that phenomenological research focuses on individual experiences, beliefs, and perceptions regarding a phenomenon. Gronmo (2020) affirmed that descriptive phenomenology is a commonly used methodology in qualitative research. The contract administrators are the unit of analysis; hence, their experiences matter, which is the justification for the phenomenological design. A qualitative case study examines a phenomenon within its real-life context. Tight (2017) noted that the primary purpose of a case study is to understand something that is unique to the case. The appropriateness of the case research is to develop knowledge of a phenomenon that is not well documented (Yin, 2018). Schindler (2019) indicated that a case study is an in-depth description of the experience of a single person, a family, a group, a community, or an organization. The current study aligned with the case study approach by studying the contractual payment terms of Newmont Gold Ghana Limited. This is a single case study with the strength of exploring and describing in depth the procedure for contractual payment terms. The researchers' methodology justification aligns with Patton (2015), where the author opined that qualitative methods are valued for their ability to create depth and understanding to capture reality as a participant experienced it and provide the context and meaning behind such events.

2.3 Sampling Technique

The study purposefully selected Newmont Gold Ghana Limited based on its good standing and huge budget for procurement and contracting. The Ahafo Site of Newmont Gold Ghana Limited has four contract administrators. Three of the four contract administrators were purposively recruited to form the sample size of the study. The three contract administrators, who represent 75% of the total contract administrators within the Ahafo Site of Newmont Gold Ghana Limited, are representative enough in terms of meaning and insights on the topic, which also represent the larger population with the knowledge on the interaction. Their representation is an important component of rigor when it comes to data saturation. Guest et al. (2020) described saturation as a point in data collection and analysis when new incoming data produces little or no new information to address a research question. This is the reason why the inability of the fourth contract administrator to avail himself for the interview did not affect the result of the study. The criteria for choosing them were solely based on their knowledge and insight into procurement and contractual payment terms. The exclusion of the fourth contract administrator was his absence during the interview period. The minimum contract experience of the contract administrators was

three years, with the longest being seven years. They are the main managers of the procurement strategy for Newmont Gold Ghana Limited. Guest et al. (2012) affirmed that the logic and power of purposive sampling lie in selecting information-rich cases for an in-depth study from which one can learn a great deal about issues of central importance to the purpose of an inquiry. Lawrence (2020) reported that qualitative research is concerned with meaning and not making generalized hypothesis statements.

2.4 Research Instrument

The researchers developed a 9-item semi-structured interview guide. An experienced buyer was engaged to look at the interview guide for an expert opinion on the subject. Questions were designed to elicit information on pre-contractual issues, negotiation, compliance with contractual payment terms, and challenges militating against meeting agreed contractual payment terms. Open-ended questions through probing were also asked to encourage interviewees to elaborate on their views and practices on the interview questions. The study also made use of archival records as a complementary data source in the form of a documentation review obtained from internal contract reports and the Newmont Gold Ghana official website. Teddlie and Tashakkori (2009) were of the view that archival material could offer researchers information that cannot be gathered from other sources of data collection.

2.5 Data Gathering Procedure

The three contracts' administrators were taken through the ethical considerations of this study and their permission to participate. The contract administrators were briefed on the purpose of the study. They were assured of their privacy, confidentiality, and voluntary participation prior to the interview. Interviews were conducted by the authors in February 2020. The interviews for the study were conducted for three weeks. In the first week, the participants were asked about areas of procurement-related issues. In the second week, the participants were asked about issues relating to compliance with contractual payment terms. Finally, in the third week of discussion, there were challenges militating against meeting the agreed contractual payment terms. Semi-structured interview questions were utilized in a face-to-face interview with the contract's administrators, which lasted for an hour for each contract administrator in a week. The interview took place at the premises of the company.

The contract administrators agreed to grant the authors the interview, provided it would not be recorded in audio or digital form, so the recording was done verbatim on a notepad. The interviewees were more relaxed knowing that they were not being recorded, and they were more prepared to go over a response once again for more clarity if the need arose. After each interview day, the field notes were typed and stored electronically, which were further converted from text to speech to avoid loss of information. Documenting the interview responses right after the interview was also used in the study by Patton (2015), where it was reported that the preparation of scripts was done immediately, and the interview was done on the same day to minimize recall bias, as this is important for data management.

The interview guide facilitated the interview process. The interview guide serves as a memory aid for the interviewer, as noted by Magnusson and Marecek (2015). The interview guide for this study was a one-page document containing nine topical issues on procurement and contractual payment terms. Knott et al. (2022), affirmed that the strength of conducting interviews lies in their ability to generate various sorts of depth of insight. The extraction of relevant information on procurement and contractual matters was extracted from internet contract reports and resources from the official website of Newmont Gold Ghana Limited for the archival data.

2.6 Data Analysis Process

Exploratory approaches to qualitative data analysis are context-driven, where data are usually generated and most often use purposive sampling, as indicated by Guest et al. (2012). Thematic

analysis as a qualitative descriptive approach was used. The primary aim of using the thematic analysis was to describe the data collected and interpret the various aspects of the research conducted. Agambire et al. (2022) stated that thematic analysis helps to identify, analyse, and report patterns in qualitative data. Coding of interesting features from the data was done systematically across the entire data set. We identified themes across the responses from the interviewees from the content. We analysed the interview data using thematic analysis, while the archival records were documented through content analysis. In ensuring the rigorousness of our data analysis, this study considered credibility, dependability, and conformability as the criteria for rigour, as noted by Mauldin (2019). A reputable company, expertise, and vast experiences of the interviewees ensure credibility; the appropriate qualitative procedures and processes met the dependability criteria; the study reported the interviewee's responses; and one of the contract administrators had the opportunity to read the final draft of this paper, which meets the conformability criteria. Limited claims for generalization can be made from the case study; however, the objective here was to provide, through empirical evidence, valid insights into an area where little research evidence existed.

3 RESULTS AND DISCUSSION

This section is organised in terms of themes and subthemes from the interviews with the three Contract Administrators. The themes are pre-contractual issues, compliance, and contractual payment terms. The Contract Administrator will be represented as [CA].

3.1 Theme 1: Pre-contractual issues

The pre-contractual issues are the fundamental things that must be done to make sure that the contract will go well. The study explored the payment terms, sourcing, contract request phase, contract boilerplates, and the determination of the contract negotiation acceptance or rejection.

Subtheme 1: Payment terms.

There was a need to understand the processes resulting in payment terms, when the contract request is made and by whom, and how contract sourcing is done by the Contract Administrators.

The responses of the Contract Administrators [CA] were:

"The platform for processing the payment terms of Newmont is the enterprise resource planning system." [CA 1]

"The need for products and services by end-users or owners can prompt this by raising a contract request. This is considered critical, as all the necessary approvals must be done, supporting it with a risk document. Before the end-user forwards it to a contract administrator for review and commences sourcing." [CA 3]

"Newmont has a register for contractors to identify prospective bidders and select from. Unless it is the sole source otherwise it will be competitive bidding." [CA 3]

Table 1. Standard Contracts Payment Term Types

Standard Contracts Form	Payment Term (Net D)	Negotiable	Use (Foreign/Ghanaian Contracts)
Consulting Services Agreement (Onshore)	Net 30	N	Ghana Only
Consulting Services Agreement (Offshore)	Net 45	Y	International Only
Construction Agreement	Net 45	Y	Both
General Services Agreement	Net 30	Y	Both
Professional Services Agreement	Net 30	Y	Both
Short Form Services Agreement	Net 30	N	Both

General Services Agreement (Local Local)	Net 15	N	Ghana Only
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Abbreviation: N = No, Y = Yes, Both = Ghana and International

The due date is the term for payment, commonly expressed as Net. In reference to Table 1, Net 15, Net 30, and Net 45, these terms indicate the number of days that a buyer will use to pay a supplier based on the invoice date when the goods or services will be delivered. Payment terms are essential during contract negotiation.

“There are seven standard boilerplates from which contract administrators can select one. It has an in-built payment term (Net D), which comes along with detailed instructions concerning invoicing. A request for an offer will be prepared to gather information from suppliers, but a proposal request could be drafted on a purchase request. Once this is done, an open bid will be initiated for suppliers to bid. Indeed, it is important to say that these documents will factor in the terms and conditions of the purchase request.” [CA 2]

The findings from interviews on the payment terms, sourcing of suppliers, and negotiation suggest that there was a platform for processing payment terms. Newmont had in place a register for contractors, which made sourcing of suppliers and standard boilerplates, which contract administrators could select from at the pre-contractual stage. These findings align with (Schuhmann and Eichhorn, 2020; Salami and Abad, 2023), where the authors expressed the need for organizations to manage their contracts effectively and efficiently from the contract initiation through to contract completion. Furthermore, the findings support the views of authors such as Lysons and Farrington (2020) and Monczka et al. (2016) on the need for organisations to establish contractual parameters for value for money and successful contracting, which will benefit the parties involved.

Subtheme 2:Negotiation.

This section explored how negotiable Newmont’s standard terms and the negotiation of alternate terms

These were the responses:

“This is so as 5 of our standard templates allow some form of negotiation. Newmont negotiates most of the time on Net 30, and this is found the most in our templates.” [CA 1]. “Newmont adheres to a specific process.” [CA 2]

“Negotiation begins when a buyer and seller try to agree on a contract payment term; either the buyer or the seller will accept or reject the offer. If the negotiation goes well with the parties, then it will be accepted. However, rejection of contractual payment terms can happen at the bidding stage or the extension stage of the contract. If the contractor rejects the contractual payment terms, the buyer will inquire about the reasons behind the rejection then the contract administrator will propose a counter payment term. Saving or loss analysis will be done by the contract administrator using a time value calculator to understand if any implications will have on the counter-proposal for Newmont. A follow-up will be on considering selecting alternate payment terms with their consequences on Newmont operations.” [CA 1]

“If a supplier rejects alternate payment terms for the third consecutive time, then a contract administrator will inform the procurement manager about the stalemate situation.” [CA 3]

“Annual spend, capture ratio, interest rate, current terms, future terms, annualized spending, annualized savings, realized discount, and net savings/loss were considerations under the evaluation stage.” [CA 1]

The study found that Newmont standard plates allow some form of negotiation. There was an option of alternate payment terms if a supplier wished to take it. Also, some indicators were

used for the evaluation stage. The result aligns with Keay (2015), indicating that negotiators must serve the best interests of their company in terms of decision-making. Moreover, the finding also confirms the works of Chen et al. (2019); Zhang et al. (2021); Li et al. (2019); and Soper (2022), where it was revealed that negotiation could be complex and challenging. Also, Van der Puil and van Weele (2014) added their voice to the strategic importance of effective negotiation and the reasons why contractual parties should get it right. It is by design that most companies will negotiate extended payment terms with their suppliers to improve their cash flow through delayed payment. This is beneficial in the management of their working capital.

3.2 Theme 2: Compliance with Contractual Payment Terms.

The study explored what must be done to ensure that payments are complied with. Closing the communication gap, workload management, invoice tracking, and challenges faced by contract administrators on the SAP system. The procedure is illustrated in the flow diagram presented in Figure 1:

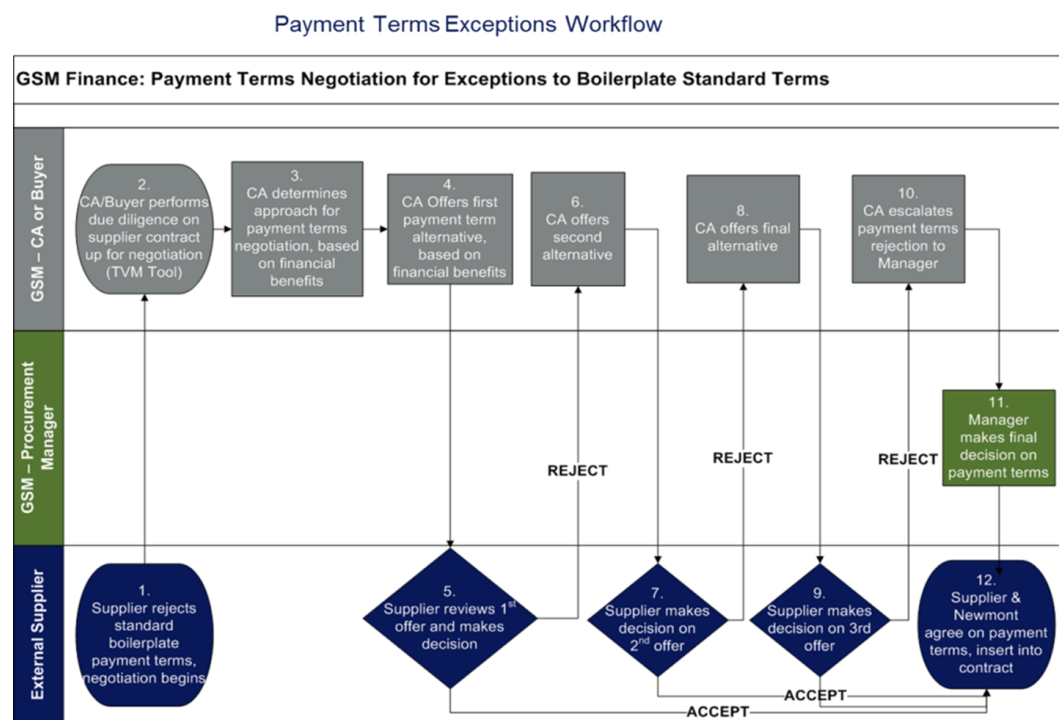


Figure 1. General Negotiability of Newmont Payment Terms.

On the compliance of Newmont contractual payment terms, these were the responses:

"At times Newmont does not comply with its agreed payment terms, which are a concern to most of the suppliers, especially on discounts." [CA 1]

"Discounts are part of contractual payment terms if negotiated well. If it works out well for a supplier and is approved, then it becomes the duty of the contracts administrator to tag the supplier's account with the discount rate in the SAP payment system. The discount rate payment is not done by the contract administrator but by the Accounts Payable Officer, who works from the head office, meaning the contract administrator who is on the site is not the one who does the actual payment." [CA 2]

"Tracking of invoices is not done for every supplier; some of the critical suppliers and top spending suppliers are normally given the privilege of having their invoices tracked religiously in the system." [CA 3]

“Contract administrators affirmed that most suppliers do not understand and do not have the knowledge to use the system well, hence they depend on the contract administrators. Moreover, suppliers use more than one contact person to navigate the system, and this leads the contract administrators to take a new contact person through the web-based system again, which is not helpful as it prolongs proficiency in the use of the system.” [CA 3]

The findings of the study revealed that sometimes Newmont Gold fails to fulfil its agreed payment terms. There was room for discounts for suppliers if they negotiated well. Moreover, tracking of invoices by contract administrators was done for the critical suppliers as a privilege. It seems that Newmont Gold Ghana Limited practices the 80/20 rule principle. Also, the contract administrator suggests that most of the suppliers do not have adequate knowledge of the application of the web-based system.

The study supports the views of [Doxey \(2021\)](#) in that most organisations have a clear invoice system when it comes to their invoice processes. On the other hand, the concerns of the suppliers align with [Bojanc et al. \(2024\)](#) that information flow is critical for supplier satisfaction and [Tiwari et al. \(2023\)](#) on the information management between Newmont Gold and their suppliers. The e-invoicing by Newmont Gold supports the literature by ([Hesami et al., 2024](#); [Bellon et al., 2022](#); [Moberg et al., 2010](#); [Tiwari et al., 2023](#); [Bojanc et al., 2024](#))

There has to be harmony and effective coordination between the works of the contractor administrator and the accounts payable officer in the payment process, as their roles are complementary. The response aligns with [IACCM \(2018\)](#), which states that it is worrying how poor suppliers are at agreeing to payment terms. End-users attaching full details of work requests would have a better and quicker chance of their approval. The inability of the contracts administrator to push through invoices for timely payment is critical as it affects suppliers/contractors' cash flow for their operations. This concern supports the view of [Bozarth and Handfield \(2019\)](#) that late payment affects supplier cash flow. [Abdul-Rahman et al. \(2014\)](#) stressed the importance of timely payment.

Newmont must put in place regular workshops and seminars on the knowledge and the required skills to use the SAP payment systems very well for operational efficiency. Also, Newmont can ask the contractors to provide a list of authorized contact persons for accessing the system for at least six months so that when training and workshops are done for them, it will resolve the concerns of the contract administrators. Newmont Gold failing to meet contractual payment terms is not good for their reputation and supplier relationships. This finding could benefit from the importance of positive buyer-supplier relationships as suggested by [Ganguly and Roy \(2021\)](#), [Talay et al. \(2020\)](#), [Makkonen et al. \(2023\)](#).

3.3 Theme 3: Contractual payment terms

The study explored the lack of suppliers' interest in alternative payment terms, supplier complaints, and the lack of transparency in alternative payment terms.

Subtheme 1 Alternative payment terms

“Contracts Administrators have access to alternative payment terms, but we are not allowed to negotiate further beyond the list of limited alternatives.” [CA 2]

“Most of the suppliers are inclined to take alternative payment terms due to their prior experience with payment delays or late payment.” [CA 1] and “Suppliers have complained of unfavourable payment.” [CA 2]

The study found that contract administrators, though they have access to alternative payment terms, face restrictions on negotiating further beyond a certain limit. Moreover, suppliers were not interested in the alternative payment terms due to past experiences and saw them as unfavourable payment terms due to a lack of transparency. Suppliers not interested in alternative payment terms might support the view of [Chen et al. \(2019\)](#) by suggesting that negotiation strategy could

have effects on symmetric and asymmetric information in contracting. Moreover, Zhang et al. (2021) suggests that negotiators must look beyond a single negotiation encounter. It could be said that the ability for a supplier to negotiate well could improve contract payment terms.

Subtheme 2: Transparency

"There is a lack of transparency on the alternate payment terms since the suppliers do not have access to the document only the buyers have access." [CA 1]

"It is of the essence as relaying this information to suppliers can make them take to be firm and deep-rooted with their stand on payment terms negotiation." [CA 2]

This finding implies that suppliers cannot make informed decisions in negotiating payment terms since they are not aware of alternative payment options. It was highlighted that most of the time, penalties for late payments are not honoured by Newmont. Schaeffer (2007a) stated that companies must implement best practices of accounts payable for their contractors/suppliers for the company's financial integrity. Ganguly and Roy (2021) were of the view that supplier satisfaction is affected by payment, coordination, and cooperation. Agarwal and Narayana (2020) advised that trust is imperative in buyer-supplier relationships. The finding aligns with the view of Paulraj et al. (2012), indicating the need for trust/commitment-based buyer-supplier relationships rather than transaction-based. Wang et al. (2021) affirmation that power asymmetry is in favour of the supplier is contrary to this finding.

Subtheme 3: Invoicing.

The study probed into invoice submittal, agreed payment terms, and invoice approval. These were the responses:

"In all the contracts templates it is spelled out on the protocol on invoice submittal, but one-third of the suppliers surprisingly understood the correct starting point of the invoicing payment processes. This led to the suppliers not using the correct protocol for invoice submission." [CA 1]

"Supplier will have a better chance of being paid as per the agreed payment terms if the supplier submits a valid invoice by the 25th day of the month for review." [CA 3]

"Before the introduction of the new SAP payment system dealing with contractual payment was site-based in terms of approval of invoices and processing of payment if only it is within the financial approval of the managers of the sites. However, with the new system financial approval needs clearance from the head offices when it is beyond Senior Site Manager's scope." [CA 2]

"This brings about internal control activities to avoid the temptation to be corrupt and encourage more transparency in the contracting processes." [CA 1] *"Believed that the system is good, but his concerns were when the officer (approver) to approve the financial limit is not available and proper delegation was not in place it ends up prolonging the payment period. Hence, its effectiveness and efficiency if not managed well becomes a challenge." [CA 3]*

The study findings suggest that invoicing is critical in supplier-buyer contractual terms as it could serve as a legal document. If an invoice is valid could be a catalyst for payment. The need for an invoice as documentary proof has been highlighted by several authors: Bojanc et al. (2024); Fabrizio et al. (2019), and Tiwari et al. (2023). In an era of digitalization, the benefits of using an e-invoice have been suggested by Hesami et al. (2024); Bellon et al. (2022), and Tiwari et al. (2023).

4 CONCLUSION AND RECOMMENDATIONS

This study was carried out to contribute to the supply chain and accounts payable literature on buyer and supplier business relationships through contractual payment terms. The aim of this paper was to explore the procedures on contractual payment terms of Newmont Ghana, as

mining companies procure their goods and services through contractors/suppliers. The thematic areas of the study were pre-contractual issues, compliance with contractual payment terms, and contractual payment terms. The study findings suggest that the contract request initiates the sourcing process using a register of contractors when all the necessary approvals have been made. It was affirmed that contract administrators have seven standard boilerplates to select from on a platform for processing payment terms. Furthermore, it was evident that Newmont standard plates allow some form of negotiation, as there exists an option of alternate payment terms if a supplier wishes to take it. The result of the study confirms that sometimes Newmont Gold fails to fulfil its agreed payment terms. Tracking invoices by contract administrators was done for the critical suppliers as a privilege. Most of the suppliers do not have adequate knowledge of the application of the web-based system.

Though contract administrators have access to alternative payment terms, they are not allowed to do so beyond a certain limit. Indeed, suppliers were not interested in the alternative payment terms due to past experiences. Suppliers cannot make informed decisions in negotiating payment terms since they are not aware of alternative payment options. It was highlighted that most of the time, penalties for late payments are not honoured by Newmont.

This study has revealed insightful knowledge of contractual payment terms in the context of Newmont Gold Ghana Limited. The laid-down procedure for arriving at a payment term seems to be transparent, and the efforts of the contract administrators have helped the course. Newmont must chart a course to improve the collaboration and interdependency working relationships between contract administrators and accounts payable officers through effective communication, irrespective of their different locations. This improvement will be beneficial in resolving any payment challenges. If done effectively, it will enhance the business relationships between the company and suppliers/contractors in complying with the contracting issues for mutual benefits. While this study has made notable contributions to contractual payment terms, certain limitations present opportunities for future research. The study only included the contracts administrators who act as buyers for Newmont Gold Ghana. The suppliers were not contacted for their views due to the non-disclosure policy of Newmont Gold Ghana Limited, which did not allow the suppliers/contractors to be part of the study, which is a limitation of this study.

Another limitation pertains to the company used for this study. This is a case study of one mining company, though reputable internationally, we are careful about making generalizations on the mining industry of Ghana. To enhance the external validity of the findings, future research could replicate this study across other companies in the mining industry of Ghana, which will bring about convergent and divergent views on contractual payment terms. Moreover, this study employed cross-sectional qualitative methods. However, this approach may not have entirely captured everything. Subsequent studies could employ a mixed-method design and consider a longitudinal study

Possible areas for improvement in the contractual payment terms include ensuring that an effective contract thoroughly addresses the basic business, contractual, and technical elements of a purchase or service. Effective communication with contractors and suppliers, regardless of the medium, must be a top priority to achieve the intended objectives of the contract. Contracting parties should also dedicate sufficient time to shaping a deal and establishing the most appropriate relationships and governance structures to ensure better performance. Furthermore, companies must implement procedures and systems to prevent late payments and to ensure that payments are made strictly in accordance with the agreed terms, avoiding both overpayment and underpayment.

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