

IMPACT OF THE SUPPLY CHAIN MANAGEMENT ON SERVICE  
DELIVERY: THE CASE STUDY OF PROVINCIAL DEPARTMENT OF  
ECONOMIC, DEVELOPMENT, ENVIRONMENT AND TOURISM IN THE  
LIMPOPO PROVINCE.

BY

TSHAMAANO VUSANI LIVHUWANI

(MINI-) DISSERTATION / THESIS SUBMITTED IN (PARTIAL) FULFILMENT OF  
THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF PUBLIC ADMINISTRATION

IN THE

FACULTY OF MANAGEMENT & LAW

(SCHOOL OF LEADERSHIP)

AT THE

UNIVERSITY OF LIMPOPO

SUPERVISOR: DR OLIVIER. MTAPURI

2012

(i)

## Declaration

I declare that the work contained in this ( mini-dissertation/thesis) hereby submitted to the University of Limpopo, for the degree of Master of Development in the field of Agriculture ( has not previously been submitted by me for a degree at this or any other university ; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.

Tshamaano V.L. (Mrs)

19 November 2012

(ii)

## Abstract

The main aim or purpose of this study was to examine the impact of the supply chain management on service delivery on the Limpopo Department of Economic, Development, Environment and Tourism (LEDET). The field survey was conducted in LEDET in the supply chain management directorate after gaining permission from the Head of Department of LEDET.

The study was qualitative in design. Semi-structured interviews and questionnaires were used. The questionnaire has both open ended and closed ended questionnaires. The supply chain management directorate plays an important role in all the departments in South Africa as a whole. Supply chain management in South Africa was created to improve the lives of the communities such as historically disadvantaged individuals, disabled and women, but it is no longer serving its purpose because nowadays it is serving the few politicians, public officials and the friends and relatives of the public officials.

One of the findings of this study is that the supply chain management directorate cannot function properly if the public officials who are appointed does not have relevant qualifications, training and experience towards supply chain management. There should always have uniformity of supply chain management in the three spheres of government to prevent corruption. Supply chain management must be centralised. This means that all the tender contract of the three spheres of government must be done in one centralised unit. Linking of the databases in the three spheres of government can also help the supply chain management not to appoint the same service providers in the tender contract. Appointment of service providers must be done electronically to minimize all forms of corruption.

To improve service delivery the public officials must know how to interpret the acts, rules, regulations and policies governing supply chain management. They must also monitor and evaluate the entire contract from the start to the end of the contract

The public officials working in the supply chain management must be paid competitive salaries, because they are compelled by the low salaries to corruption such as bribery, fraud, nepotism, extortion, embezzlement and conflict of interest become common in place. It is further recommended that the officials working in the supply chain management, who are getting lower salaries must also be evaluated and upgraded to the higher salary, depending on their qualification, experience and training.

As part of the findings, the respondents found it that the appointment in tender contracts of friends, relatives and family members of the public officials should be done away with and any one found being involved in such corruption should be charged.

The respondents considered that in order to improve service delivery the service providers who are hired to do the service, should have capacity, skills and knowledge to do that particular job. It is also found that only the public officials who have relevant training and high education credentials should be employed to the SCM in order to minimize corruption and poor service delivery.

It is found that in order to improve service delivery in the SCM the public officials such as senior manager, manager, deputy managers, and relevant public officials should monitor, evaluate and be accountable to any work done by the service providers in their sections and departments in order to avoid poor service delivery and mismanagement of funds.

## Table of contents

Title	Pages
1. Chapter I introduction	1
1.1. Background of the study	2-3
1.2. Problem statement	3
1.3. Motivation of study	3
1.4. Aim of the study	3
1.5. Objectives of the study	3
1.6. Research questions	4
1.7. Significance of the study	4
1.8. Definition of concepts	4-6
1.9. Outline of the work	6
2. Chapter 2: Literature review	7
2.1. Introduction	7
2.2. Objectives of supply chain management	8
2.3. Characteristics of supply chain management	8
2.4. Regulatory framework governing supply chain management	9-11
2.5 Models of supply chain management	15-16
2.6. Pillars of procurement and supply chain management	17-19
2.7. Uniformity of supply chain management	19-20
2.8. Role players in the Department of Limpopo Economic, Development, Environment and Tourism	20-23
2.9. Challenges facing supply chain management.	23-32

2.10. Impact on service delivery by service providers on supply chain management.	32-37
3. Chapter 3: Research methodology	38
3.1. Introduction	38
3.2. Research Methodology	38-39
3.3. Research design	39
3.3.1. Survey method	39-40
3.3.2. Semi- structured interview	40
3.3.3. Area of the study	40
3.3.4. Population	40-41
3.4. Sampling method	41
3.4.1. Purposive or Judgmental sampling	41-42
3.4.2. Choice of instrument	42
3.2.3. Pilot survey	42
3.5. Data collection and procedure	42
4. Chapter 4: Data analysis and interpretation	43
4.1. Introduction	43
4.2. Personal information	43
4.2.1. Respondents from Supply Chain Management public officials	43-44
4.3. Training, Experience and Qualifications	44-46
4.4. Service delivery	46-52
4.5. Uniformity of supply chain management in three spheres of government	52-54
4.6. Supply chain management Acts, policies, rules and regulations and LEDET.	54
4.7. Corruption	55-58

5. Chapter 5: Summary, recommendation and conclusions	59
5.1. Introduction	59
5.2. Summary	59
5.3. Specific recommendations	59-61
5.4. General recommendations	61
5.5. Realisation of objectives	62-63
5.6. Conclusions	63
6. References	64-69
7. Questionnaires	70-80

(v)

List of figures	pages
Figure 1	43
Figure 2	44
Figure 3	48
Figure 4	5



## Acknowledgements

I thank God, the almighty for giving me strength and mental ability to begin and complete my Masters Degree.

My sincere and appreciation are extended to the following people who in one way or another contributed to the success of this study

I thank my husband Thilivhali Simon Sithavhakhomu and my son Phophi for their support and encouragement throughout this study.

My supervisor Dr O. Mtapuri for his guidance, encouragement and patience throughout this study.

My biggest gratitude to the Department of Economic, Development, Environment and Tourism for financing my studies

I owe my gratitude to the staff in directorate of supply chain management in LEDET for their support.

Finally, thanks to all who contributed towards the completion of this study.

## **Abbreviations**

SCM- Supply Chain Management

PPPFA- Preferential Procurement Policy Framework Act

LEDET-Limpopo Economic, Development, Environment and Tourism

PFMA- Public Finance Management Act

BBBEE-Broad Based Black Economic Empowerment

SMME- Small, Medium and Micro- Enterprise

MFMA- Municipal Finance Management Act.

HDI'S-Historical Disadvantaged Individual's

## Chapter 1: Introduction

### 1.1. The background of the study

The Limpopo Province is one of the most disadvantaged provinces of the Nine (9) Provinces of South Africa. According to Nicholson (1999), it is estimated that about 77% of its population is poor, and 37% of the population over the age of 20 years is uneducated. It has a large number of unemployed people, 46% of working age adults are still seeking employment. Only 18% of people in this province have water taps in the house, compared with 45% of people nationally only 13% of the families have access to a flush or chemical toilets compared with 51% nationally.

The Limpopo Province has severe backlogs in basic needs, for example, education, water and sanitation. To try to address this backlog, about 13,5 % of the budget set aside for Provinces is allocated to the Limpopo Province, even though this Province only accounts for 12,1% of the total population (Nicholson, 1999).

It is undisputable that the communities in the Limpopo Province live rather miserably because of the poor service delivery by government institutions. Service providers who have been awarded tenders to provide required services, usually end up not completing their projects but still paid. There are various challenges facing supply chain management on service delivery, namely, corruption, fraud, bribery, nepotism, and bribery, extortion, conflict of interest, embezzlement, tax morality, challenges in political milieu, communication, infrastructural issues, non-compliance to set policies, rules and regulations, lack of links to an interdepartmental database, time of delivery, unauthorized disclosure of confidential information (Fourie, 2009).

Although the main aim of supply chain was to see to it that the historical disadvantaged individuals such as women, Africans and the disabled are empowered, but instead they are the ones who become poor of the poorest. Most of the tenders are given to those who are already rich and are friends of those in authority and those who pay bribes in order to get tenders and the relatives of the officials working in the government (Nicholson, 1999).

According to [\*www.http// intranet of the provincial government of Limpopo Economic, Development, Environment and Tourism,\(LEDET\)\*](http://intranet.of.the.provincial.government.of.Limpopo.Economic.Development.Environment.and.Tourism,(LEDET)) has four distinct programmes to ensure the department is commitment to service delivery, growing the provincial, economic, ensuring sustainable environmental management and tourism, namely, administration, economic development, environmental affairs and tourism.

The mandate of the department is to develop the provincial economy and to promote and manage environment and tourism activities. These will be accomplished through the pursuit of the following six strategies:

- Job creation through a sustainable environment
- Ensuring a healthy and fair trade
- Positioning Limpopo as the preferred eco-tourism destination
- Sustainable environmental management
- Increase in productive investment
- Thriving enterprises in all sectors

The supply chain management directorates falls under the administration branch, that is, Finance section. The main function of the Supply Chain Management is to provide supply chain management services. It consists of various sub- sections such as the Demand, Acquisition, Logistics and Disposal sub- sections. The main clients of supply chain management are the service providers and public officials.

## **1.2. Problem statement**

The Limpopo Province is regarded as one of the poorest of all the Provinces of the Republic of South Africa. It receives funds for paying civil servants and service projects from the national government and other resources from the province. The people who are given tenders to supply the required services to the government and communities cheat and rob the tax payers. This irregularity which has overwhelmed the province needs to be minimized as it is depriving the communities of their right to get satisfactory services. The irregularities are also depriving the communities the opportunity to raise their standard of living.

Being one of the poorest Provinces in South Africa, the public officials in the three spheres of government and the service providers in the area use the public resources inefficiently and ineffectively. The misuse of public resources in this manner has got a detrimental effect and the negative impact on the development of the province. Lack of uniformity in the three sphere of government (National, Provincial and Local government) especially in supply chain management section also contributes towards poor service delivery and the misappropriation of funds.

### **1.3. Motivation of the study**

The study of supply chain management will help public officials and service providers to acquire useful knowledge in service delivery in the Provincial Department of the Limpopo Province. The study will also empower the public officials together with service providers to devise the best methods of improving service delivery.

This research projects will help in improving supply chain practice.. As a result of the development, money allocated to fund various projects in communities will be used effectively and efficiently for the good of all inhabitants.

### **1.4. Aim of the study**

The main aim of this study is to examine the impact of the supply chain management on service delivery using as a case study of the Department of Economic, Development Environment and Tourism in the Limpopo Province.

### **1.5. Objectives of the study**

The objectives of this study are:

- 1.5.1. To appraise how supply chain management impacts on service delivery.
- 1.5.2. To assess whether there is uniformity of supply chain management in the three spheres of government namely, national, provincial and local government.
- 1.5.3. To make recommendations aimed at improving supply chain management in the Provincial Department of Economic, Development, Environment and Tourism in the Limpopo Province.

## **1.6. Research Questions**

The research questions of this study are:

- 1.2.1. What has been the impact of supply chain management on service delivery?
- 1.2.2. How can uniformity of supply chain management in the three spheres of government be effected?
- 1.2.3. What recommendations can be made to improve supply chain management in the Provincial Department of Economic, Development, Environment and Tourism in the Limpopo Province?

## **1.7. Significance of the study**

The study is extremely important to the Provincial Department in the Limpopo Provinces as it has the potential to unpack the problems of supply chain management on service delivery such as corruption, fraud, bribery, nepotism, manifestation of inefficiency and ineffectiveness, non-compliance with set policies, rules and regulations, poor service delivery, lack of an interdepartmental database and so forth.

This study will also encourage the involvement of public officials and service providers in good service delivery and to comply with rules, policy, regulations and acts which govern supply chain management. This study, will in addition, help public officials and service providers to work in a transparent manner and effectively and efficiently for the attainment the goals of the Limpopo Province.

## **1.8. Definition of concepts**

### **1.8.1. Supply chain management.**

Supply chain management is a management of philosophy aimed at integrating a network (or a web) of upstream linkages (sources of supply), downstream linkages (distribution and ultimate to customers) in performing specific processes and activities that will ultimately create and optimize the value for the customer in the form of products and services which are specifically aimed at satisfying customer demands (Hugo et al. 2004).

According to Hugo et al. (2006), supply chain management is further defined as the coordination of production, inventory location and transportation among the participants in a supply chain to achieve the best mix of responsiveness and efficiency for the market being served.

### **1.8.2. Purchasing management**

According to Hugo et al. (2006) purchasing management is the process of buying, learning the need, locating and selecting a supplier, negotiating price and other pertinent terms, and following up to ensure delivery.

According to Weele (1994) purchasing is further defined as obtaining from external sources all goods and services which are necessary for running, maintaining and managing the company primary and support activities in the most favourable conditions.

### **1.8.3. Corruption**

According to the United Nations (2004), the word corruption originated from the Latin word corruptus (spoiled) and corrumpere (to ruin or to break into pieces).

Corruption mean the offering, giving, receiving soliciting of anything of value to influence the action of a public official in the selection process in contract execution (RSA, 2005).

Dike (2001) further defines corruption as a perversion or a change from good to bad corruptions or corrupt behaviour as involving the violation of established rules for personal gain and profit. It requires effort to secure wealth or power through illegal means for private gain at public expense, or a misuse of public power for private benefit regarding (personal, close family, private clique, pecuniary or status gains). It is a behavior which violates rules against the exercise of certain types of duties for private gain.

### **1.8.4. Procurement**

Procurement can be defined as the acquisition of suppliers or service, the hiring or letting of anything, the acquisition or granting of any right or the disposal of movable state property, resulting from the invitation and acceptance of price quotations and, or public tenders (RSA, 2003).

Pauw et al. (2002) state that procurement is the acquisition of goods and services by officials for the people and their administration by means of commercial transactions.

### **1.8.5. Service delivery**

According to the RSA (2003) service delivery is concerned with the provision of a product or service, by a government body to a community which it was promised, or which is expected by that community.

According to Plummer, (2002) service delivery is used in preference to service provision, removing the implication that there is a provider and a beneficiary.

## **1.9. Outline of the work**

Chapter 1 provides the background of the study, problem statement, motivation of the study, aim of the study, objectives of the study, research questions, significance of the study, definition of concepts and the outline of the work.

Chapter 2 presents a critique of information from different authors relevant to this study such as, objectives of supply chain management, characteristics of supply chain management, regulatory framework governing supply chain management, models of supply chain management and the pillars of procurement and Supply chain management, uniformity of supply chain management, and the role players in LEDET, challenges facing supply chain management in LEDET and the impact on service delivery by service providers on supply chain management.

Chapter 3 is research design and methodology. In this chapter the methodology that the researcher will use to get the information from respondents is clearly articulated.

Chapter 4 covers data analysis and interpretation. In this chapter data or information collected is critically analyzed and interpreted in an understandable way to unravel the key findings. Graphs and charts are used for illustration and to back those findings.

Chapter 5 consists of the conclusion, recommendations and implications. In this chapter the researcher makes recommendations to solve identified problems in the supply chain management of LEDET. In this chapter the researcher also highlights the possibilities and limitations of implementing the recommendations.



## Chapter 2: Literature Review

### 2.1. Introduction

It is estimated that South Africa uses R56 billion in procurement in the three spheres of government, namely, national, provincial and local government. In the Constitution of the Republic of South Africa, it is stated that the organs of governments should be fair, equitable, competitive, transparent and cost effective when dealing with procurements (Fourie, 2009).

According to Fourie (2009) supply chain management refers to the procurement by an organisation of goods, products and services of the right quality, in the right quantities, at the right time and place. He further indicates that supply chain management consists of various elements such as demand management, acquisition management, logistical management, disposal management, risk management and regular assessment of supply chain management performance.

Fourie (2009) further states that it provides the interfaces between customers and suppliers in order to organise, source, stock and deliver supplies of materials, goods and services. Supply chain management system is a chain that acts as a medium for the exchange of information and the communication of orders and instructions to ensure that the required goods and services are made available. Fourie (2009) further indicates that supply chain management is a new field of study in South Africa. Supply chain management also consists of the pillars of procurements namely, value for money, open and effective competition, ethics and fair dealing, accountability and reporting and equity.

Fourie (2009) further indicates that this has led to a number of legislative requirements and policy framework that prescribe the methods of procurement and treatment of supplies. In order to achieve good governance and to address the problem in the public sector's supply chain management, it is important to have uniformity, with regard to procedure, policies and documentation and contract options. The government also expects the service providers bidding for work to ensure that standards are not compromised. The suppliers must demonstrate good standing as far as all their tax, levy and service charge obligations are concerned. This should be the requirements for conducting business with government. If the suppliers are failing to meet such obligations, the government would exclude them from participation in public sector procurement.

According to Storey et al. (2006) the precepts of SCM as currently portrayed are a mixture of three elements that is: description, prescription and identification of alleged trends. Description relate to scope and focus. Some of the academics declare that they use the term supply chain management and purchasing synonymously. Some purchasing specialists see SCM as about developing relations with suppliers, while others say that good supplier management is not enough, there is an additional requirements for a wider, more intergrated, all encompassing perspective embracing all processes from sourcing through make and transportation and on to merchandising to final customers (Storey et al. 2006)

Storey et al (2006) further indicate that the problem arise when the shift from description to prescription is relatively covert. Some prescription stem from observed superior practice in particular domain. Prescription can be valuable, but for the discipline to advance there needs to be also rigorous testing- and services exploration of the causes of failure. In trend identification the key trends identified include cooperation rather than competition, a shift from the antagonistic model to a collaborative model. Another facet of trend dimension is the concern with the impacts of SCM on various functions such as purchasing. The underlying claimed trend is that supply management consciousness is accelerating up the corporate agenda and there does appear to be some evidence for this. There is already a reasonably well-developed field concerned with buyer-supplier behavior (or purchasing) And it has their own set of core concerns. Many of these concerns relate to the choice of supplier, managing relationships with suppliers. But this sub-field attends to the wider **vion** of the SCM concept and its idea of end-to-end pipeline management and the seamless, efficient, flow of information and materials/products through the whole network or chain-from source, through make, and on delivery to the end user (Storey et al. 2006)

## **2.2. Objectives of supply chain management**

According to Provincial treasury Limpopo policy on bid committees (2007) the major objectives of supply chain management are to give effect to the provisions of the Constitutions, PFMA 1 of 1999 and the Municipal Finance Management Act 56 of 2003, to transform the procurement of what is required and provisioning functions in government into an integral supply chain management. Section 3(1) and (2) of the regulatory framework for the supply chain management endorses the provisions of section 38 of the PFMA of 1999, whereby giving Accounting officers an obligation, mandated and responsibility to develop and implement an effective and efficient supply chain management for the acquisition of goods and services and the disposal and letting of state assets, including the disposal of goods that are no longer used.

### **2.3. Characteristics of Supply chain management**

According to Hugo et al. (2002) supply chain management consists of various characteristics. It consists of multiple layers of companies striving as a team to optimize the shared supply chain processes in support of the strategic objectives of the principal firm. Team efforts occur across management levels and across internal functional boundaries. They further indicate that organisations may be involved in multiple supply chains of any particular organisation. The supply network of any particular organisation is a partial involvement at any particular moment in time and is likely to change over time. The integration of suppliers, principal firms and customers in the supply chain is a loose affiliation linked to interfaces and bound together by mutual advances.

Hugo et al. (2002) further state that all links and interfaces in the supply chain are not of equal importance and therefore the management task of various nodes or interfaces in the supply chain will differ according to potential impact on the relevant supply chain processes. Information sharing in supply chain management occurs across the breadth of the supply channel. This means that data interchange and data capturing occur at all interfaces of the supply channel. It also means that access to data is open on an interorganizational basis and that data transfer is immediate to all parties to the supply channel. Compatible corporate philosophy is essential in achieving the necessary levels of planning and coordination. This characteristic implies that the top management of all channel members must be committed to the supply chain philosophy and must understand the mutual benefits and risks inherent in the implementation of this approach.

### **2.4. Regulatory framework governing Supply Chain Management**

According to Bolton (2008) there are various legislative frameworks governing procurement in South Africa, namely, Constitution of the Republic of South Africa 108 of 1996 (Section 217), the Preferential Procurement Policy Framework Act (PPPFA) which has been enacted to provide a framework for the implementation of such policies, the Public Finance Management Act (PFMA) which regulates financial management in the National, Provincial and local level of government, the Municipal Finance Management Act (MFMA) which aims at securing sound and sustainable management of the financial affairs of municipalities and other institutions in the local government, the Black Broad Based Empowerment Act and Treasury regulations.

The public procurement legislation and policy were introduced to define and enforce the procedure that is to produce an economic and efficient result, while respecting the public nature of the process and the duty of fairness, to the suppliers. Public procurement procedures must be designed to generate maximum competition.

#### **2.4.1. Constitution of the Republic of South Africa 108 of 1996 (Section 217)**

Section 217 of the Constitution of the Republic of South Africa consists of its well-known principles of procurement, that is, fairness, equitability, transparency, competitiveness and cost effectiveness. This means that any organ of government, national, provincial and local government or any institution mentioned in the national legislation, when contracting for goods and service, must do it in accordance with those well-known principles of procurement (Bolton, 2006a).

According to Bolton (2006b) competitiveness means that the spheres of government should make use of competition when procuring goods and services. They should shop around and attract the maximum number of contractors who will participate in such a competition. To ensure genuine competition, all contractors should also have access to the same information in order to compete on equal footing. Bolton (2006b) further indicated that is linked to competitiveness and can be defined as to the effective and efficient use of government resources. The aim should always be to obtain the highest possible value for money, (taxpayers` ) money.

Bolton (2006b) further states that fairness refers to the method employed by organs of state when procuring goods and services and generally means free from discrimination, treating people equally and without prejudiced. The idea of equal treatment in the procurement process should, be understood in the light of South African`s history of unfair discriminatory policies and practices. Before the abolishment of apartheid in 1994, the majority of state contracts were awarded to large and usually white businesses. Today, an organ of government is allowed to treat private contracting parties differently. There is specific provision made in the Constitution for the equitable or preferential treatment of certain contractors in the award of government contracts. The principle of transparency means the government procurement procedure should be open or public. An organ of state should not contract behind closed doors. Procurement information should be generally available, there should be publication of general procurement rules and practices, contract opportunities should be advertised, contractors should know the criteria that will be applied in selecting a winning contract and awards should be advertised Bolton (2006b).

The mandate of section 217 of the Constitution of the Republic of South Africa is to use public procurement to address the inequalities caused by the apartheid era and to provide the role of government procurement in advancing this policy. Section 215-219 further indicates that the Constitution requires the National Treasury to introduce uniform norms and standards within government, ensuring transparency and expenditure control measures, which should include best practices related to supply chain management (Bolton, 2006b).

#### **2.4.2. Public Finance Management Act 29 of 1999 (PFMA)**

The Public Finance Management Act (Act 1 of 1999) as amended by act 29 of 1999 is one of the pieces of legislation that promotes the objectives of good financial management in the national, provincial spheres of government. The main aims of the PFMA is to modernize the system of financial management in the public sector, in order to enable public sector management to manage and be more accountable, to ensure timely provision of quality information and elimination of waste and corruption in the use of public assets.

The PFMA does not make provision for tenders, but the design of the act as a whole is aimed at promoting effectiveness, efficient, economic and appropriate use of public money. The PFMA obliges the officials who are in supply of chain management to manage tenders in such a way that public money is spent for the benefit of everybody. If officials manage tenders in such a way that they authorize, irregular, or fruitless and wasteful expenditure, such officials would be found guilty of misconduct. According to Fourie (2009) the total amount lost due to authorized, irregular, or fruitless and wasteful expenditure and losses resulting from criminal conduct reported by the departments and provinces for the 2006/2007 financial year were R13 million.

#### **2.4.3. The Municipal Finance Management Act 56 of 2003 (MFMA)**

The MFMA is the extension of the PFMA. The main aim of the MFMA is to maximize the municipality's capacity to deliver services. The MFMA indicates the measures necessary to combat fraud, corruption, favouritism and unfair or irregular practices. It further indicates the promotion of ethical behaviour of officials and other role-players involved in supply chain management.

All 283 municipalities in South Africa must implement a supply chain management policy, which gives effect to the provision of the Supply Chain Management (SCM) provisions within the Act. As indicated in the Constitution clause 217, the SCM policy must be fair, equitable, transparent, cost effective and competitive

and comply with the prescribed regulation of the municipal SCM. The Act emphasises efficiency in the provision of services and achieving financial value for money and seeks to buttress this with a strong code of conduct for municipal officials to combat corruption.

#### **2.4.4. Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)**

The PPPFA was passed in February 2000. Regulations to the PPPFA were issued on 10 August 2001 to establish norms and standards for the application of the framework provided for in the Act. According to the Constitution of the Republic of South Africa, it requires legislation to give effect to section 217 (2). The PPPFA requires all spheres of government of state to comply with its provision.

According to Preferential Procurement Regulations pertaining to the Preferential Procurement Policy Framework Act: No 5 of 2000, there are formulas that are used, for example, the 80/20 preference point system formula must be used to calculate the points for price in respect of tenders/ procurement with a rand value equal to, or above R30 000, and up to a rand value of R500 000. The three spheres of government may, apply this formula for procurement with a value less than R30 000. In this formula a maximum of 20 points may be awarded to a tenderer for being an historical disadvantaged individual (HDI). Only the tender with the highest number of points scored may be selected.

The 90/10 preference point's system formula must be used to calculate the points for price in a rand value above R5000.000. A maximum of 10 points may be awarded to a tenderer for being Historical disadvantaged individual (HDI) or subcontracting with an HDI, or achieving any specified goals stipulated in regulation 17. The points scored by a tenderer in respect of the goals contemplated in sub-regulation, must be added to the points scored for price. Only the tender with the highest number of points scored may be selected.

#### **2.4.5. Black Broad Based Empowerment Act 53 of 2003 (BBBEEA)**

Black Broad Based Empowerment Act 53 of 2003 is a piece of legislation for the promotion of black economic empowerment. According to the Estate Agency Affairs Board (undated), Black Broad Based Empowerment means the economic empowerment of all the black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies. It provides that the Minister of Trade and Industry is mandated to develop a broad-based charter to promote Black Economic

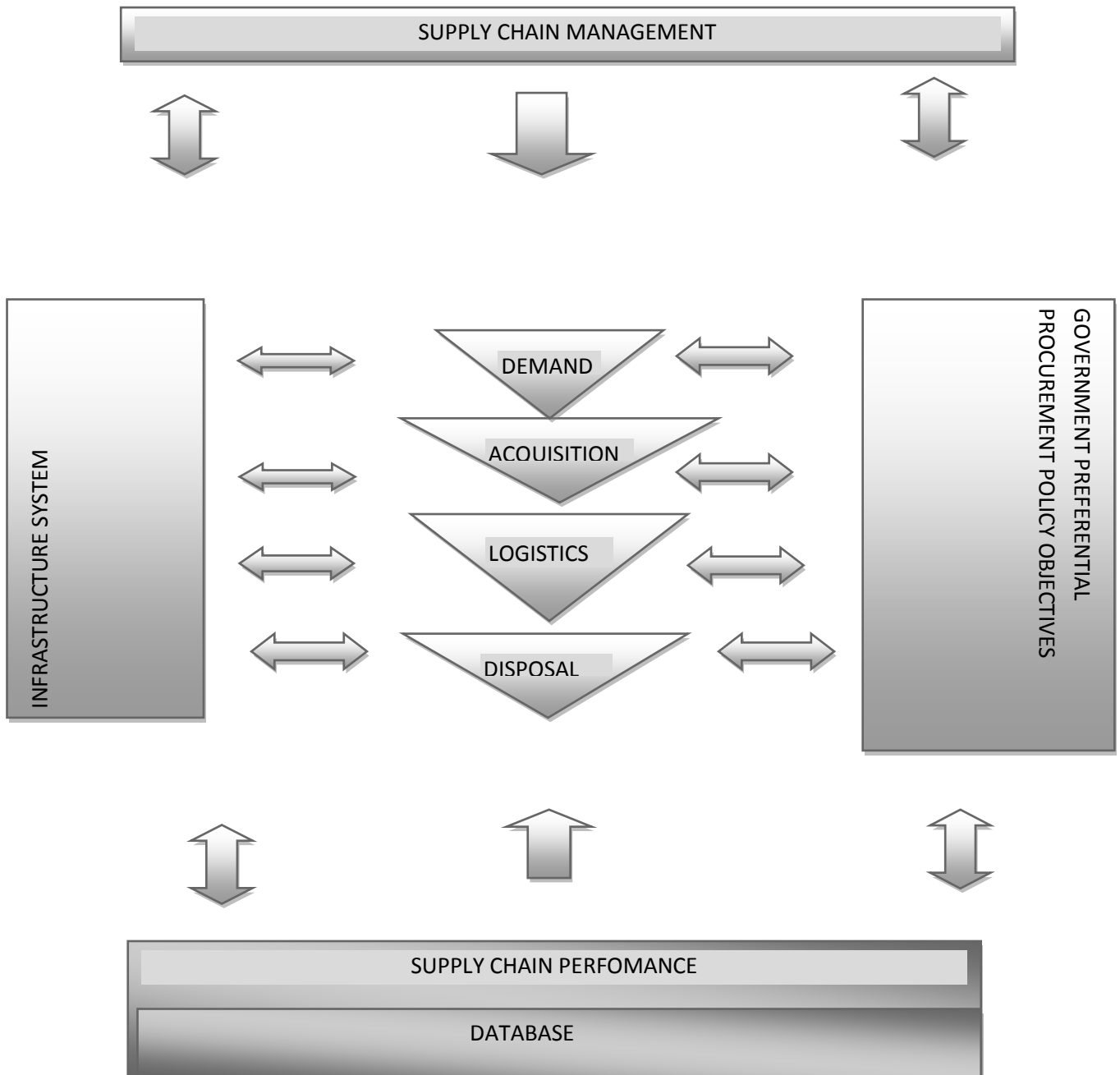
Empowerment (BEE), and issue codes of practice that could include qualification criteria for preferential procurement and other economic activities.

#### **2.4.6. Treasury regulations**

The aim of treasury regulations is to give effect to National Treasury's mandate pertaining to the establishment of a framework for an appropriate procurement and provision system. Chapter 16a, framework for SCM was developed and promulgated for this purpose. It deals with the aspects such as accounting officers or accounting authority of institutions in the development and implementation of an effective and efficient SCM system in her or his institution, establishment of SCM units, training of SCM management officials, procurement of goods and services, disposal and letting of state assets and compliance with ethical standards.

## 2.5. Supply chain models

According to National Treasury (2004) the supply chain management models illustrate government's supply chain management system as per National treasury's supply chain management guide for accounting officers/authorities as illustrated below.



(National Treasury, 2004 p10).



### **2.5.1. Demand Management**

Demand management is a cross-functional exercise that brings the supply chain practitioner closer to the user, ensuring that value for money is achieved. Demand management may be defined as ensuring an optimum inflow as for quantity, quality, locality (place) and timeliness into supply chain (Pauw 200a).

According to the RSA (2004) demand management is the first stage of supply chain management. It is where needs are assessed in order to ensure that goods and services are there to deliver services. The specification should also be determined, understanding future needs, identifying critical delivery dates, frequency of needs, linking with the requirements to the budget, doing an expenditure analysis based on the past experience, determining the specification, doing a commodity analysis and industry analysis.

### **2.5.2. Acquisition Management**

According to Malinga (2007) acquisition management is where preferential procurement policy objectives are identified that could be met through a specific contract. It is where the strategy is identified of how the market is to be approached. He further indicates that depreciation rates should also be determined and the total cost of ownership should be applied, that is the life cycle cost and the inventory carrying cost. He further states that the bid document should be compiled, evaluated, and the recommendations must be tabled. The contract document should be signed and this means the contract is done.

### **2.5.3. Logistic Management**

According to Hugo et al. (2002), logistics can also be defined as the area of support management used throughout the life of the product or system to efficiently utilize resources assuring adequate consideration of logistics elements during all phases of the life cycle, so that timely influence on the system assures an effective approach to resource expenditure.

According to Badenhorst (2005) logistic management entails, planning, implementing and controlling the effective, efficient flow and storage of raw materials in process inventory, finished goods, services and related information from the point of consumption (including, inbound, internal and external movements) for the purpose of conforming to customer requirements.

According to Malinga (2007) informs of National Treasury's public sector procurement, requirements the main functions of logistics is coding of items, for example, computers, chairs, tables, cardboards and so

forth: placing of orders, receiving and distribution of materials, stores management, expediting management, transport management and vendor performance.

#### **2.5.4. Disposal Management**

In the RSA (2003) disposal management is the process of decision making in respect of the doing away with redundant, obsolete and unserviceable goods and does not merely entail, as many people think, the sale thereof. The disposal could include donation, auction, transfer to other state institutions, burn and bury or destroy. According to the RSA (2004) the main function of disposal management is obsolescence planning, maintaining a database of redundant material, inspecting material for re-use, determining a disposal strategy and executing the physical disposal process.

In the RSA (2004) further indicates that disposal is the final stage in which the public institution needs to do away with those unserviceable, redundant or obsolete movable assets. The accounting officer (as the head of department) has the power to appoint a specific committee to deal with disposals; this means that they make recommendations with regard to the disposal of any asset, which is regarded as redundant.

According to Estate Agency Affairs Board (undated) the identification of the redundant or obsolete items is the responsibility of each department. All the assets that are no longer in use should be identified each year for replacement or to be sold in auction. The chief financial officer will always appoint the committee responsible for disposal. The department has made a disposal policy that governs the disposal of items. For example the Accounting Officer may transfer the movable assets free of charge to other departments the accounting officer must, when disposing computer equipment, firstly approach state institutions involved in education or training whether an institution would require such equipments or not.

#### **2.5. 5. Supply chain performance management**

Supply chain performance management is the monitoring process, undertaking a retrospective analysis to determine whether the proper processes have been followed and whether the desired objectives have been achieved (Lamberti, 2005).

According to the RSA (2004), supply chain management performance relates to issues such as the achievement of goal , compliance to norms and standards, chain objectives are consistent with government broader policy focus, that the material construction standards become increasingly aligned with those

standard that support international best practice and that the principles of co-operative governance as expounded in the constitution are observed and savings generated, store efficiency, cost variance per item, contract breach, cost efficiency of procurement process, whether supply that the reduction of regional economic disparities is promoted.

### **2.5.6. Risk management**

According to Fourie (2007) risk can be explained as a measure of uncertainty, and comprises those factors that can facilitate or prevent the achievement of the department's goals. Risk can be viewed as understanding the department's objectives, identifying risks associated with the hindering of those objectives, assessing risks, developing and implementing programmes/procedures to minimize identified risks and monitoring and evaluating risks programmes /procedures in places of addressing risks.

Risk management is the managing of the following elements within a public environment, damage to property and other facilities, loss of assets, (money and equipment) loss of income, liability losses and risk identification and reduction (SAMDI, 2003).

The environment in which the department operates changes and the risks also change and this means that the systems for control should adapt to the changes. Risk management process is part of the control system to ensure an accountable and transparent process comprising the following, risk assessment, risk prioritization, risk implementation and risk monitoring and evaluation.

According to National Treasury (1997) the public sector does not always manage risk well. For example, if the government is building infrastructure, construction may be completed late and budgets may be overspent. This is not in the public interest. A key characteristic of PPPs is the transfer of risk from the public sector to the private sector and, from the government to the insurance firm. If the contractor does not complete construction in time and within the budget, will not be paid by the government. This principle also applies to the provision of services. If the agreed upon services are not available or do not meet the standards agreed upon, the insurance faces financial penalties. It is important to understand that the government does not transfer all the risks to the private sector. It is those risks that the private party is best able to manage which are transferred.

## **2.6. Pillars of procurement and supply chain management**

According to RSA (undated) supply chain management consists of five pillars of procurement, value for money, open and effective competition, ethics and fair dealing, accountability, reporting and equity. They are regarded as pillars because if one of them fails the whole procurement system as a whole fails. The pillar consists of the core principles and behaviours expected of those who are entrusted with procurement responsibilities. No public procurement system should operate if it is not founded on these pillars.

### **2.6.1. Value for money**

According to RSA (2003) value for money is one of the pillars of procurement. It is a pillar which a department must justify as its procurement outcome. Price is not a reliable indicator and departments will not obtain the best value for money by accepting the lowest price or bid. The best value for money means going beyond the price to get the best available outcome when all relevant costs and benefits over the procurement cycle are taken into consideration. The procurement functions must also provide value for money and must be carried out in a cost-effective way. If public procurement is to be done in order to achieve value for money, procuring departments should at all costs avoid any unnecessary costs and delays on themselves or suppliers. Monitor the supply arrangements and revisit them if they stop to provide the expected benefits. Ensure continuous improvement in the efficiency of internal processes and system (RSA, 2003).

According to the RSA (1997) states that the government has to decide whether to procure infrastructure through a normal tender process or through a PPP, a value for money test needs to be applied. RSA (1997) further indicates that the test must show how much will it cost for the government to provide infrastructure and services in comparison with the costs of providing the same infrastructure and services through PPP. If the comparison shows that a PPP is more cost-effective, the difference in cost between the two scenarios is known as value for money. If the value for money test shows that the traditional procurement method is more cost-effective, the PPP option will not be pursued.

### **2.6.2. Open and effective competition**

According to RSA (2003) it is required that a framework of procurement laws, policies, practices and procedures that is transparent, must be readily accessible to all parties. There must be openness in the

procurement process. It encourages effective competition through procurement methods suited to market circumstances and observance of the provision of the PPPFA.

The Department needs to apply effort and research to get the best possible outcome from the market by ensuring that: potential suppliers have reasonable access to procurement opportunities and that available opportunities are notified in the government tender bulletin. Adequate and full information is provided to suppliers to enable them to bid. Bias and favouritism are limited. The costs of bidding for opportunities do not make competent suppliers. The cost again in promoting competition is important with regard to the benefit received.

### **2.6.3. Ethics and fair dealing**

According to RSA (2003), in procurement, if all parties comply with appropriate ethical standards they can work with one another on the basis of mutual trust and respect. They should conduct their business in a fair and reasonable manner and with integrity. All the government staff associated with procurement, especially those who are dealing with suppliers or potential suppliers are required to comply. They must ensure that they do not compromise the standing of the state through acceptance of gifts or hospitality. They are expected to be careful in their use of public property. They must provide all the required assistance while minimizing fraud and corruption (RSA, 2003).

### **2.6.4. Accountability and reporting**

According RSA (2003) individuals and institution are accountable for their plans, actions and outcomes. Openness and transparency in administration with external scrutiny through public reporting are important elements of accountability. The heads of the department are accountable to their ministers for the management of procurement activities in their institutions or department.

The Head of procurement and senior procurement directors are accountable to heads of department for various high level management and coordination activities. Individual procurement officers are accountable to heads of procurement, and their clients for the service provided. All people exercising procurement functions must have regard to these guidelines and are accountable to management (RSA, 2003).

## 2.6.5. Equity

According to RSA (2003) equity refers to the application and observance of government policies which are designed to advance persons or categories of persons disadvantaged by unfair discrimination. It is the fifth pillar and is of great importance to the public procurement in South Africa. It ensures that the government is committed to economic growth by implementing measures to support industry generally, and especially to advance the development of small, medium and micro enterprises (SMME) and the historically disadvantaged individuals. The government has implemented the Preferential Policy Framework Act as the foundation on which all procurement activities are to be based. Their main aim is to advance the development of SMMEs and HDIs is:

- Promoting women and physically handicapped people,
- Creating new jobs, to support local product and
- Promoting local enterprise in specific provinces, in a particular region, in a specific local authority or in rural areas.

## 2.7. Uniformity of supply chain management

According to Malinga (2007), the concept of an integrated supply chain management was proposed because supply chain management is the function that ensures that goods and services are delivered to the right place, in the right quantity with the right quality at the right cost and the right time.

He further indicates that the main functions of integrated supply chain management are

- to introduce international best practices as part of the governments drive towards improved financial management
- replacing the outdated procurement and provisioning process, and
- introducing uniformity in supply chain management policies and standards in the three spheres of the government of South Africa.

On the 10<sup>th</sup> of September 2003, the government approved the adoption of the policy to guide uniformity of procurement: *Policy to guide uniformity in procurement reform in government*. The policy strategy is there also to guide the uniform implementation of government procurement reform initiatives and the issuing of regulations in terms of section 76 (4) (c) of the PFMA in respect of the framework for supply chain

management . The accounting officers/head of departments are required to establish and implement supply chain management which promotes good financial management in the National, Provincial and Local spheres of government.

The promulgation of the regulatory framework for supply chain management was approved by the Minister of Finance on 05 December 2003 and applies to all National, Provincial departments and trading entities, constitutional institutions and public entities listed in schedules 3A and 3C of the PFMA. The framework was published in the government gazette as part of treasury regulations in terms of section 76 (4) (C) of the PFMA. The treasury regulation 16A serves as a formal requirement for accounting officer/ authorities to ensure the implementation of the supply chain management process as an integral part of their financial management.

Malinga (2007) further states that the accounting officer should develop and implement an effective and efficient supply chain management system and to establish a separate supply chain management unit in the chief financial officer's structure of the institution to deal with supply chain management. The regulations also empower the national treasury to issue practice notes that address relevant supply chain management topics with a view to ensuring uniform minimum norms and standards in government.

## **2.8. Role players in LEDET**

According to Fourie (2009) , the public managers play a pivotal important role in the procurement of goods and services as requisitioners or procurers. In the LEDET there is the National treasury, accounting officers (Head of department), chief financial officer, provincial treasury, bid committees responsible for supply chain management.

### **2.8.1. National treasury**

According to Ambe (2009), the main functions of the national treasury is to introduce and oversee the implementation of supply chain management and to develop treasury regulations, issuing guidelines, general conditions of contract and bid documents to accounting officers and setting minimum reporting standards and monitor policy outcomes.

## **2.8.2. Accounting officer (Head of Department)**

According to South Africa Management Development Institute (SAMDI, 2003) accounting officer is the civil servant in a department who is accountable for the financial management, usually the director general or Head of the Department.

Each and every department has accounting officers as heads of their department and established a supply chain management unit under the direct supervision of the chief financial officer (CFO). The accounting officer is responsible for compiling and implementing a supply chain management policy with mandate to:

- work in accordance with guidelines supporting documents for the implementation issued by the national treasury:
- develop internal procedures and processes.: and
- ensure that officials are trained and adequately skilled and to report to national treasury and to comply with ethical standards (Ambe, 2009).

## **2.8.3. Chief financial officer (CFO)**

The CFO is responsible for recruiting, selecting developing and managing skills to build and maintain an effective supply chain management unit and to train and develop managers and supervisors to operate and manage varieties of activities to supply chain management and facilities and networks (Ambe, 2009).

## **2.8.3. Provincial treasuries**

The provincial treasury is responsible for assisting the department with the implementation of supply chain management. It supports the department by providing advice and building capacity and coordinating training in the province and monitoring policy outcomes (Ambe, 2009).

## **2.8.5. Bid committees**

### **2.8.5.1. Bid specification committee (BSC)**

According to RSA (2010), Bid Specification Committee is a committee established to compile specifications/terms of reference for a bid/quotation for the procurement of goods and services. The BSC must comply with the directives and procedures issued by the provincial treasury and the Department's delegations, policies and procedures and must ensure compliance there with them.



According to RSA (2007), the main function of Bid Specification Committee is also to compile technical specifications, terms of references, requirements, conditions of contracts, evaluation criteria, determine goals and indicate method of procurement.

### **2.8.5.2 Bid evaluation committee (BEC)**

According to RSA (2010), a Bid Evaluation Committee is a committee established to evaluate and recommend proposals commercially and technically to the appropriate delegated authority. BEC are appointed on an ad hoc basis as required by the HOD. In all proceedings BEC's must comply with the directives and procedures issued by the provincial treasury and the Department's delegations, policies and procedures and must ensure compliance with them.

According to RSA (2007), the committee is responsible for verification of administrative compliance of the bids documents, evaluate bids according to the criteria of PPPFA, evaluate each bidders capacity to carry the contract, verification of National Industrial Participation Programme (NIPP) requirements if the contract is in excess of ten million rand (R10m), and submission of evaluation report and recommendation regarding the award of the bid to the adjudication committee.

### **2.8.5.3. Departmental Bid adjudication committee (DBAC)**

According to RSA (2010) the Departmental Bid Adjudication Committee is appointed for a maximum of two years, comprising of the Accounting officer, or his/her delegate who will act as chairperson, as well as senior management level representatives from various divisions of the relevant department, including the Head of SCM. In all proceedings the DBAC must comply with the directives and procedures issued by the provincial treasury and the Department's delegations, policies and procedures and must ensure compliance with them.

According to RSA (2010), the bid adjudication committee is responsible for considering reports and recommendations made by the bid evaluation committee, depending on the delegates granted by the accounting officer and could make the final award of the bid. They may adjudicate bids and award contracts on behalf of the department and the institution for the procurement of goods and services, the disposal of goods or the granting of rights and lastly they recommend to the accounting officer the extensions of contracts and deviations if reasonable and justifiable grounds exist.

## **2.9. Challenges facing Supply chain management in LEDET**

According to Bolton (2006b) the government procurement is of importance in South Africa. But due to the apartheid system which was, discriminatory and used unfair practices, a number of groups in South Africa were prevented from accessing government contracts. Before 1994, the government procurement systems were geared towards large and established contractors. It was difficult for new contractors to participate in government procurement.

### **2.9.1. Corruption**

One of the challenges facing South Africa procurement is corruption. According to Bolton (2008) corruption is harmful to the procurement process because it lessens the confidence that honest contractors and the public at large have in the government. It leads to the slackening of competition for public contractors and lessens the government's ability to obtain the best value for its money. He further states that corruption also impedes the attainment of other objectives in the procurement process including, for example, policy promotion and the fair treatment of contractors. It is therefore not odd for legislation in South Africa to make provision for the debarment of contractors on the ground of fraud and corruption.

According to RSA (1997), corruption is damaging South Africa morally and economically. It jeopardises the procurement process, it is always unfair and often criminal. It saps money from much needed development projects, and adversely affects their quality. Corruption, in the procurement process is, manifested in various forms, such as bribery, conflict of interest, fraud, nepotism, embezzlement, kickbacks, and abuse of power, favouritism, theft, collusion and extortion. It harms the poor more directly than other types of corruption because it distorts the allocation of resources. Corruption also raises procurement costs, the burden of which is borne by taxpayers. A corrupt transaction results in the supply of inferior goods or services which results in poor quality infrastructure that further impedes economic growth (Pidaparathi, 2003).

Corruption does not exist only in government or state but also in the private sector, within the non-governmental organization and between individuals in their personal dealings. According to Amundsen (2000), analysts believe that corruption is less in developed countries than in developing countries.

However, corruption was reported recently when the International Olympic Committee (IOC) suspended their officials because they accepted some bribes. One of the companies in the United States, WorldCom, a telecommunication company were charged with fraud (Amundsen, 2000).

Corruption permeates the government that is, executive and the administrative institution (that is the public service, judiciary, legislative, state owned enterprise and local authorities. Amundsen, (2000) the main cause of corruption is the overlapping and conflicting authority. Another problem is the weak separation of powers between the public service and political office bearers, a lack of accountability and transparency by public servants and lack of political control and auditing (Amundsen, 2000).

According to Mafunisa (2000) the misuse of public funds was a serious problem in the former Gazankulu government and Northern Province government (the results of secrecy in ordering government affairs and of collusion was amongst the officials). Budgeting and auditing systems were a big problem and fraudulent cheques were processed unnoticed.

## **Forms of corruption**

According to the Public Sector Anti-Corruption Strategy developed by the Public Service Commission : South Africa (2002) the following the examples of the areas where corruption frequently manifests itself: bribery, embezzlement, fraud, extortion, abuse of power, conflict of interest, favouritism, nepotism, theft and collusion.

### **2.9.1.1. Fraud**

According to Pauw et al. (2002), fraud could be regarded as any practice which involves the use of deceit to confer some form of financial benefit upon the perpetrator (either directly or indirectly) and which results in some form of material loss to the entity defrauded.

According to Amundsen (2000), members of the ruling elites in Nigeria and Kenya, were involved in the international drug trade, money laundering, through African state-owned enterprises and public agencies, they were issuing false certificates of country of origin and of brand names, enabling fake goods from Taiwan and Hong Kong to reach international markets. The role of certain African states is that there were active mediators, facilitators and partners in fraudulent and criminal activities, in internationally organized crime (Amundsen, 2000).

According to Pauw et al. (2002), both corruption and fraud take place on small and grand scales. On one hand there are clerks who process fraudulent petty cash vouchers or the officials who inflate their subsistence and travel claims. On the other hand, there are suppliers who collude with officials to process fraudulent high-value involve or who bribe officials to manipulate the tender process.

The Limpopo Provinces, like other provinces, is also facing the challenge of fraud in procurement. For example, many tenders are registered in the names of people from disadvantaged groups, such as the black women, the disabled and the poor who are neither related or friends of some public officials or politicians. It is public officials and politicians who get those tenders and not the disadvantaged groups as was originally intended because the names of the poor are only used for registration in the database of various departments.

### **2.9.1.2. Nepotism**

Nepotism can be defined as the appointment of relatives, patronage or any person, instead of employing capable candidates with suitable qualifications, incapable patrons are employed even when they lack relevant qualifications (Mafunisa, 2000).

According to Amundsen (2000), many political leaders have tried to secure their power positions by appointing their family members to political, economic, various public councils and committees and security positions in state positions. Through such mechanism, many politicians and public officials have been able to move their family members from public positions into private businesses, to transfer public power to private wealth. The challenge of nepotism is found both internationally, nationally and locally. It causes poor service delivery to the public because of the hiring of public officials who do not have the required skills.

According to Mafunisa (2000) in the former Zaire, (now the Democratic Republic of Congo) appointments were given to official's favourites. Nationally, according to Mafunisa (2000), the problem of Zaire was similar to that of South Africa, in the past posts recommended by the commission of administration were promised to favoured candidates even before they were approved by the national government. When the National government withdrew such posts, the hired officials protected their colleagues by enabling them to share already filled posts. Those candidates had to pay kickbacks to the hiring officials and hiring super ordinate officials. The sunset clauses which were used between 1994 and 1999 condoned nepotism.

The politicians in the municipalities appoints and recruit their friends or relatives without suitable qualifications. Most of the municipalities in South Africa are left with poor service delivery because they appoint personnel without skills and knowledge.

### **2.9.1.3. Bribery**

Bribery can be defined as the payment (in money or any kind) that is given or taken in a corrupt relationship. According to Amundsen (2000), bribery is a form of corruption in which a fixed sum or a percentage of a contract, or any other favour in money or kind, usually paid to public officials who make contracts on behalf of a company, individual, businessmen/women and clients.

Internationally, in the former Zaire, bribes were paid to have documents removed from official's files. People had to pay a lot of money to have them removed before they reach the office of the senior officials (Mafunisa 2000). According to Pidaparathi (2003) the World Bank estimates that annual worldwide bribery in the tune of 1 trillion. Transparency International (TI) estimates that the amount lost due to bribery in government procurement alone is at least \$400 billion per week. US firms have reportedly lost 100 contracts worth a total of \$45 billion to foreign competitors due to graft in 1994-1995. In a World Bank survey conducted of multinational companies located in OECD countries in 2000, 30 percent respondents admitted that they had paid bribes to public officials for obtaining contracts in former Soviet Union countries. These figures reveal the magnitude of the global corruption problem.

In South Africa, corruption is reported every day in the media. According to Southern African online corruption information centre (2004), the Department of Home Affairs targets organized crime syndicates and other criminals because corruption provides an ideal way for them to obtain enabling documentation. The Department has to deal with both syndicated and convenient corruption. The members of the public find it easier to pay a bribe than wade through the bureaucracy. (Mail and Guardian, June 2004, p.1).

### **2.9.1.4. Extortion**

According to the RSA (2002) extortion can be referred to coercing a person or entity to provide a benefit to a public servant, another person or an entity, in exchange for acting or failing to act in a particular manner.

Internationally, the real Mafias like in Russia and Italy, impose their influence upon state officials and the whole state agencies through threats, intimidation and targeted assassinations. In return, they obtain preferential business opportunities and privileges, freedom from taxation, regulations and legal prosecution (Amundsen, 2000).

In Tunisia in the North of Africa, there are extortions which are made by military and police units on roadblocks. When people enter or leave a town, there is a checkpoint where a small fee is paid for making the passage smooth, these checkpoints are used to restrict the movement of dissenters but the governments accepts them as income for underpaid divisions (Amundsen, 2000).

In the municipalities if there is a tender worth millions of rand the political leaders usually coerce the public officials working in procurement to give them the tenders (contract) in return for securing their jobs. If they fail to award them the contract, they face being fired or being moved to another municipality.

#### **2.9.1.5. Conflict of interest**

According to Amundsen and Andrade (2009) conflict of interest is a situation in which someone in a position of trust and responsibility, such as a politician, civil servant, executive or director of a corporation or a medical research scientist, a lawyer or a physician, has competing professional and personal interests.

Conflict of interest arises when the public official is influenced by personal consideration when carrying his or her duties. This means that it will be difficult to fulfill his or her duties impartially. It consists of the following forms, using inside knowledge and influence, self dealing, outside employment, post employment and influence peddling.

According to Kuye and Mafunisa (2003) conflict of interest can be damaging as an actual conflict. President F. Kennedy in his code of conduct indicates that even through a technical conflict of interest may not exist, it is important to avoid the appearance of such a conflict from a public confidence point of view. This view was supported by Williams who states that even if no financial gain accrues to the employees involved, other aspects of the conflicts of interest will show up.

According to Pauw et al. (2002), in South Africa, an example of conflict of interest is found in the Department of Health-Sarafina. In 1996, a tender was awarded to a play called Sarafina, in which the Department wanted to promote awareness of Aids. The taxpayers money was lost as more than R10 million was expended on this project. The tender was awarded to one company even though the

department's tender committee had reservations about the bid considered only one offer. The chief director instructed the officials to issue a cheque of R3 million to the successful company. Although disciplinary measures were taken against the officials, millions of rand were never recovered.

According to Kuye and Mafunisa (2003), at the local government level the director of city planning could profit from knowing for example where new sewer facilities are to be constructed or what land is going to be rezoned. Such knowledge as financial benefit for land purchasers. The director could provide friends or relatives with the confidential information before it is made public. The public officials become silent parties and profit from this transaction, either in exchange for the information they provide or as a gratuity (Kuye and Mafunisa, 2003).

#### **2.9.1.6. Embezzlement**

According to Amundsen (2000), embezzlement involves theft of public resources by public officials. It is another form of misappropriation of public funds. It is when public officials steal from a public institutions in which he/she is employed, and in which he/she has the authority to administer those resources. This also happens both in the private and in non-governmental organization. Embezzlement is not considered corruption from a legal point of view. In legal terms, corruption involves two individuals. But in embezzlement involves one individual who gain resources himself or herself for personal benefit in the form of bribe (Amundsen, 2000).

In South Africa, corruption is found mainly in the hospitals where the public officials have been given authority to look after those resources, which they end up misusing. For example, in hospitals, the public officials in dispensaries have been given authority to dispense medicine to patients and other clinics but they end up stealing those medicines and selling them to private pharmacies which is unethical (RSA, 2002). According to Mafunisa, (2000) politicians are now seen to be gaining positions and practising corruption by providing jobs and awarding tenders to their relatives and friends.

#### **2.9.1.7. Colluding in public purchasing**

According to Fourie (2009) colluding or fronting in public purchasing can take many forms such as fronts on paper, company fronts, fictitious fronts and fronts in joint ventures. Fourie (2009) further indicates that conspiracy between two or more suppliers to forward identical tenders due to oligopolistic situation often occurs. It is not always easy to detect. It is therefore a challenge to procurement personnel to be aware of

the conditions and situations that might occur. In such cases, skilled and well formed procurement staff is of utmost importance in assessing procurement documents.

### **2.9.2. Tax morality**

According to Bolton (2008), access to public procurement is strictly regulated. Contractors are not qualified to participate in public procurement procedures if they fail to pay their taxes and municipal service charges. They should also be excluded from consideration if they performed unsatisfactorily under a previous contract, failed to comply with labour laws or failed to comply with conditions of contract relating to subcontract or joint ventures. Contractors may also be excluded from consideration if they committed fraud and corruption in the procurement process. All suppliers, service providers and contractors should develop a culture of tax payment. Those supplier, service providers and contractors who fail to meet this, have unfair uncompetitive advantages over their competitors. This situation is a measure to be taken to ensure that those who are participating in public sector procurement have good standing as far as tax and service charge are concerned (Bolton, 2008).

According to RSA (1997) the reformed procurement system should ensure that all suppliers, service providers and contractors declare in their tender submissions that they have fulfilled all their tax, service charge and levy obligations, or that arrangements have been made with the South Africa Revenue Service or relevant authorities to fulfill these obligations. Should it be found that the declaration is false, organs of state should, cancel the contract and claim any damages which they may suffer by having to make less favourable arrangements after such cancellation; or impose severe penalties. Information supplied in tender documents should be disclosed to the South Africa Revenue Service or any other statutory body collecting taxes. Arrangements must be made with the South Africa Revenue Service to implement the necessary control measures (RSA, 1997).

### **2.9.3. Challenges in political milieu**

According to Fourie (2009) public managers who are responsible for the procurement of goods and services are confronted with many challenges, especially from the political milieu. There is no clear distinction between the functions of the administrative and political environments, because the political environment is interfering more with administrative duties than with political issues.



#### **2.9.4. Communication**

According to Fourie (2009), interpersonal communication is one of the greatest problems to maintain ethical standards, especially where business originates in the underdeveloped population. Poor communication goes hand in hand with mistrust. In South Africa, the problem of communication in the affirmative procurement is much greater because white men were previously favoured strongly. Suppliers to people of the same race and gender have limited exposure to and little understanding of the underdeveloped entrepreneur. Purchasers accuse small suppliers of insisting on being awarded a contract simply because they are small and belong to a advantaged group (Fourie, 2009).

#### **2.9.5. Infrastructural issues**

According to Fourie (2009), the present infrastructure with reference to the implementation of preferential procurement framework is not conducive to matters such as the education of Small, Medium and Micro Enterprise (SMMEs) on the bidding process. Most owners and managers of SMME's have no strong educational backgrounds and they are not used to bid documents. Documents should be written in clear terms. There should be a clear specification and selection criteria to assist the service providers to formulate bids appropriately. Bidders should be informed and educated properly through workshops and seminars regarding on the basis of the predetermined selection criteria (Fourie, 2009).

#### **2.9.6. Non- compliance to policies, rules and regulations.**

Non- compliance to policies, rules and regulations could result in a financial burden government. It can also negatively affect procurement procedures, rules and regulations. Procurement has been criticized by the general public and bidders, and some criticism is that procurement procedures and processes are tedious and bureaucratic with unclear responsibilities and levels of accountability. Value for money is in most cases undermined or not evaluated and corruption is prevalent or reported in most cases (Fourie, 2009).

#### **2.9.7. Lack of links on interdepartmental database**

A company may be registered in every department and gets various tenders. There is no link between departments. This is the main problem because even if the company has received a tender from one

department, the other department will not know it. The databases do not communicate with each other. One service provider can get various tenders from various departments.

### **2.9.8. Time of delivery**

Companies expect their procurement and supply chain organizations to provide purchased materials and assemblies in time, all the time, to meet their customer's demands. Purchasing organizations cannot afford long material lead-times. And if suppliers cannot deliver consistently on time, they will be replaced (Oracle, 2006).

### **2.9.9. Unauthorized disclosure of confidential information**

Leaking of confidential information or using such information for personal gain is a manifestation of unethical action which may indicate a need for training. According to Hugo et al. (2006), the publication of prices and other confidential information to harm a supplier is unethical and can do irreparable harm to the credibility and reputation of the purchasing enterprise. Disclosure of confidential information to the purchasers of the organizations can damage the organization financial and competitive position. Information about inventions, new technology, research development, manufacturing processes, strategic plans and quality data should be handled with care.

### **2.9.10. Lack of transparency in procurement**

According to Organization for Economic Co-operation and Development (2007) lack of transparency is one of the challenges facing procurement in the public sector. It takes various forms namely, the provision of inconsistent or incomplete information to bidders, insufficient transparency, in the use of non competitive procedures, or procurement regulations and procedures that are unclear for bidders.

### **2.9.11. Lack of professionalism of officials**

According to Organization for Economic Co-operation and Development (OECD, 2007) insufficient professional of officials, may leads to poor planning, budgeting and risks management for procurement, unnecessary delays and costs overruns for the projects. This means that, public officials are not well prepared to keep up with professional standards.

## **2.9.12. Inadequate accountability and control mechanisms**

According to the OECD (2007), unclear accountability chains for officials, lack of between different control mechanisms or insufficient supervision over contractor`s, performance might lead to mismanagement and even corruption especially in grey areas where there are fewer requirements for transparency.

## **2.10. Impact of service delivery by service providers on supply chain management**

### **2.10.1 Introduction**

According to South African Management Development Institute (SAMDI, 2003) service delivery forms the basis of all governmental activities. The citizens of the country require various services from the government and in return pay for such services. Government services are supplied either directly by the government or under the auspices of government, the free market does not apply.

According to the White Paper on the Transforming of Public Service delivery in South Africa (1997) improving the delivery of public service means redressing the imbalances of the past while maintaining continuity of service to all levels of the society focusing on meeting the needs of 40% of South Africans who are live below the poverty line the disabled, and black women living in rural areas who have been disadvantaged in terms of service delivery. Improving service delivery also calls for a shift away from inward looking, bureaucratic systems, processes and attitudes and a search for new ways of working which put the needs of the public first, is better, faster and more responsive to the needs of citizen. It also means a complete change in the way that services are delivered. The objectives of service delivery include welfare, equity and efficiency (RSA, 1997).

According to Hugo (2006) service providers have developed special expertise and skills that focus on a particular activity needed in the supply chain. This means that they are able to perform these services more effectively and at a better price than producers, distributors, retailers, or consumers could do on their own. There are various service providers such as providers of transportation services and warehousing services. These are trucking companies and public warehouse companies and they are known as logistics providers. Financial service providers deliver services such as making loans, doing credit analysis and collecting agencies. These are banks, credit rating companies and collection agencies.

Hugo (2006) further indicates that some service providers deliver market research and advertising, while others provide product design, engineering services, legal services and management advice. The other service providers give information technology and data collection services. All these service providers are integrated to a greater or lesser degree into the ongoing operations of the producers, distributors, retailers and consumers in the supply chain. In some departments, they hire few service providers because their employees perform the services on their own. In other departments very efficient providers of specialised services have evolved and the other participants outsource work to these service providers instead of doing it themselves (Hugo, 2006).

Hugo et al. (2002), indicates that constant control over the level of service is a major advantage. Most important are the availability, reliability and speed of services to user departments. Services in material management demand the highest measure of coordination in the supply chain and, therefore of the individual objectives of each of the activities (Hugo et al. 2002).

### **Profiling service providers:**

#### **2.10.2.1. Poor performance**

According to the Working report (Rand Europe) (undated) an excessive and rigid focus on public procurement contract cost minimisation and risk transfer undermines the single market. Some of the cases of poor performance in current public procurement practices, which Rand notes in its reports, include, lack of contracting authority, accountability, management experience and continuity. Failure to specify requirements in appropriate terms and sufficient details, poor understanding of the complexity of requirements and procurement procedures, and implications, lack of involvement of the end users of the services concerned, lack of oversight by the authorities of project costs and progress and inability to identify the strategic value of contracts.

#### **2.10.2.2. Lack of finance**

According to Makgoe (undated) states that, the failure of the service providers in South Africa is also caused by a number of factors such as lack of finance and access to markets. This is in spite of the interventions targeting them in terms of financing and accessing government markets. Most service providers operate to provide for monthly household requirements. Those doing business with government are solely reliant on government contracts. Nieman (2008) indicates that price and financial stability are important. The quoted price influences the buying organization's

costs and the organization is profitability and competitiveness in the market. It is better to avoid a supplier with a poor financial record, as he might not be able to guarantee an uninterrupted supply of products or services to the organization.

### **2.10.2.3. Lack of monitoring and evaluation**

Although there are many services rendered by service providers on behalf of the departments, there is lack of monitoring and evaluation by the departments concerned. This means that their monitoring and evaluation is not effective. The departments concerned must have the employees to monitor and evaluate various projects undertaken on behalf of the department by the service providers. Dobler and Burt (1996) state that, suppliers are responsible for timely and satisfactory performance of their contracts. Unfortunately, a buyer cannot rely on the supplier to ensure that work is progressing as scheduled and that delivery will be specified. Poor performance or late deliveries disrupt production operations and result in lost sales. Purchasing must monitor supplier progress closely to ensure that the desired material is delivered on time.

### **2.10.2.4. Service delivery backlog**

The backlog of service delivery on supply chain management is one of the challenges facing South Africa. There is an increasingly a number projects undertaken by various contractors and service providers hired by governments departments which are incomplete. For example, the projects such of RDP (Reconstruction and Development Programme) houses in South Africa in the Department of Local Government and Housing. Most of the service providers, who were responsible for building them, have left the houses incomplete. According to Zoutnet, Mirror Limpopo newspaper dated (09 April 2004) Ntsieni Peter Ragwala states that the Provincial Department of Local Government and Housing gave the Makhado municipality R4,2 million to complete Tshikota RDP houses which were left incomplete in 1998 by the contractor, known as Project group.

Although there are rules, regulations and policies to be followed by those service providers, there are still service backlogs. Even though they left the projects incomplete there are no austerity measures that are taken on those service providers.

### **2.10.2.5. Risks**

One of the challenges facing suppliers is risks. The suppliers must always identify all the risks before they start their work. According to Nieman (2008) the service providers must identify the risks before considering whether a long term contract is necessary or even desirable. The following risks are generally associated with long term contract, namely, supplier opportunism, selecting the wrong supplier, suppliers who forego other businesses and buyers who are unreasonable.

### **2.10.2.6. Lack of reliability**

According to Doubler and Burt (1996) reliability is the degree of confidence or probability that an item will perform a specified number of times what is supposed to do under prescribed conditions. Nieman (2008) indicates that reliability refers to delivery and performance history. Buyers always require consistent and on time deliveries to ensure a continuous flow of production and operations. When the department hires a supplier on contract, it is therefore important to find references before contracting them, or such suppliers first must be used on a trial basis involving small quantities. It is also of importance for the department to check with current and past customers to find valuable information whether such suppliers have a good reputation of delivering quality products and on time.

### **2.10.2.7. Lack of accountability**

Cloete (1995) claims accountability is the duty to answer and report to a higher authority, functionary or institution (in a democracy the highest authority is the people) about the results obtained from the performance of one or more specific functions. Accountability should be seen as a process whereby the subordinates report to their superiors on what they did or failed to do to give effect to responsibilities or orders given to them.

According to Joshi (2008) accountability relationships between stakeholder, citizen, policy makers and service providers are not transparent, formalised or effective. Even though the service providers are rendering services to poor communities, they are not effective in holding providers accountable. One of the problems facing service providers is accountability to both the institutions that hired them and the citizens. Joshi (2008), further indicates that, departments should have a horizontal channels of accountability (legislatives and institutional checks and balances). They have largely failed to oversee the work of service providers. Greater emphasis is being placed on direct accountability between the citizens and the service providers.

### **2.10.2.8. Lack of skills and capability**

One of the problems facing service provider is the lack of skills and capabilities. Most of the contractors registered their business on the database not because they are experts in that service but because they need money. Some of them register because they are not employed and some regard contracts as money generating activities. Various departments have various services which need service providers to render them, namely, security, catering, cleaning services, maintenance services, print and photocopying services and so forth. These services need service providers with various skills and capabilities, but in South Africa some of the service providers are providing poor services because of lack of skills and capabilities in various fields. Weele (1994) suggests one of the key problems is how to combine the different types of knowledge, skills and expertise in such a way that the objectives—internal customer satisfaction can be realised.

Nieman (2008), argues that capability is the potential supplier's production facilities and capacity, technical capabilities and operating controls. The heart searching questions to be asked are: Do the suppliers have sufficient qualified personnel and can the infrastructure (equipment and premises) produce the quantities and qualities desired? Active trade unions and labour relation problems also influence the suppliers ability to deliver in time and may also influence the quality of products and services. It is of significance to look at the labour relations records of the service provider and to request a copy of the suppliers labour turnover record. The department that hires the service provider must also inspect the suppliers warehouse, inventory policy, transportation facilities and infrastructure that will provide them with valuable information whether the supplier has the ability to deliver on time.

### **2.10.2.9. Delivering low quality materials**

According to Cameroon and Stone (1995), some service providers deliver low quality materials, lower than specified in the relevant contract. This is another way of stealing from the government. The higher contract prices for higher quality materials are paid for lower quality materials. The contract then provides the lower quality services that draws quality profits at the public expense.

### **2.10.2.10. Lack of communication**

According to Hugo et al. (2002), communication is one of the obstacles to the success of small business purchasing programmes, where the small business originates in an underdeveloped part of the population. Together with poor communication go prejudices, mistrust and expectations that cannot be met.

Expectations go together with communication. They further indicate that, small suppliers accuse the purchasers of false promises relating to contracts, loans and technical assistance. Purchasers' accuse small suppliers of insisting on being given a contract simply because they are small and belong to disadvantaged groups (Hugo et al. 2002).

## **Conclusion**

This chapter looked at the literature review, the introduction, the objectives of supply chain management, the characteristics of supply chain management. Regulatory framework governing supply chain management, models of supply chain management, pillars of procurement and supply chain management, uniformity of supply chain management, role players in LEDET, challenges facing supply chain management and. profiling service providers.



## Chapter 3: Research methodology

### 3.1. Introduction

This chapter will focus on research design, the study sample, the methodologies and the procedures used to collect and analyze the data in order to assess the impact of service delivery on supply chain management.

### 3.2. Research methodology

Research methodology is the way in which the research is done or conducted. The researcher used qualitative methodology or approach as a relevant approach because it does not involve the manipulation of numbers. According to Kumar (2008) research methodology is a way to systematically solve the research problems. It may be understood as a science of studying how research is done scientifically. In it people study the various steps that are generally adopted by a researcher in studying his research problem as he deals with the logic behind them. It is necessary for the researcher to know not only the research techniques but also the methodology.

According to Brynard and Hanekom (1997), qualitative methodology refers to the research whose procedures describe data – generally people's own written or spoken words. Usually no numbers or counts are assigned to observations. They further indicate that qualitative research entails discovering novel or unanticipated findings and the possibility of altering research plans in response to accidental discoveries. The main theme of qualitative research is a phenomenological one where the actor's perspective is the empirical point of departure. It focuses upon the real life experience of the people.

Brynard and Hanekom (1997), further maintain that qualitative methodologies allow the researcher to know people personally and to see them as they experience their daily struggles when confronted with real life. This study involves qualitative data, obtained through methods such as interviews, on site observations and focus groups that are narrative rather than numerical in form. Such data are analyzed by looking for themes and patterns. It involves re-reading and exploration of data.

The main intention of research methodology is to present, explain and outline the methods used to collect data for the study. A pilot survey and field study was conducted at the Limpopo Department of Economic,

Development, Environment and Tourism in Polokwane to solicit the views and attitudes of suppliers and the public official towards supply chain management.

### **3.3. Research design**

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims at combined relevance to the research purpose with economy in procedure. Research design is the conceptual structures within which research is conducted. It constitutes the blue print for the collection, measurement and analysis of data (Kumar, 2008). According to Babbie and Mouton (2001) research design is a plan or structured framework or how one intends to conduct the research process in order to solve the research problem.

The qualitative research design is relevant to this kind of investigation because instruments that are mainly based on the qualitative approach have been prepared and administered by a researcher in order to obtain important information about the suppliers and public officials' views on the impact of service delivery on supply chain management. When collecting data, the researcher focussed on the views of the suppliers, the community and the public officials in supply chain management.

#### **3.3.2. Semi-structured interview**

According to De Vos et al. (2005), semi structured interviews are defined as those interviews organized around areas of particular interest, while still allowing considerable flexibility in scope and depth.

The researcher will use the semi-structured rather than the structured interview because the semi-structured interview offers sufficient flexibility to approach different respondents differently while still covering the same areas of data collections (Noor, 2008).

In this study, the interview schedule constituted of open and closed-ended questions to enable the researcher to get more information regarding the impact of of supply chain management on service delivery. The instrument was also used as a way to create the flexibility and conducive environment for the researcher and participants.

### **3.3.3. Area of the study**

The study was conducted at the Provincial Department (Economic, Development, Environment and Tourism) in the Limpopo Province. The Limpopo Province is one of the nine South African Provinces; it is situated in the North of the Republic of South Africa in the Capricorn District Municipality which is one of the 6 districts of the Limpopo Province in South Africa. The district was named after the Tropic of Capricorn which runs through it. The Limpopo Province is inhabited by three ethnic groups, the Bapedi, the Shangaans and the Vhavenda.

### **3.3.4. Population**

Population refers to the instrumental tools which the researcher uses in collecting the such as individuals, groups, organizations and institutions, social interacts/cultural objects, social actions or interventions. According to Babbie and Mouton (2001) population refers to a collection of objects, events or individuals having some common characteristics that the researcher is interested in studying. Babbie & Mouton (2001), also consider population as a unit of analysis. Bless & Higson- Smith (2006) aver that, the unit of analysis is the person or object from whom the social researcher may collect data.

Population in this study comprised of managers and their subordinates namely Senior manager, Managers, Deputy managers, and administrative officers in the supply chain management Directorate. The population size in this research is 50.

### **3.4. Sampling methods**

Sampling consists of probability sampling that includes (simple random, systematic, stratified and cluster sampling) and non-probability which includes (convenience sampling, purposive sampling and quota sampling (O` Sullivan, 1989).

According to Trochim (2006) sampling is the process of selecting units (for example, people, organizations) from a population of interest so that by studying the sample it will be possible to fairly generalize results back to the population from which they were chosen.

Sample size refers to the number of the respondents from which the researcher collects his or her data. If a sample size is too small, one could miss an important research finding. If it is too large, one could waste valuable time and resources. The sample size is drawn from a small number of respondents or population is regarded as more reliable

and accurate in drawing conclusions than that of larger populations. If the population itself is relatively small, the sample should comprise a reasonably large percentage of the population (De Vos et al. 2005). The researcher interviewed all 50 people in the directorate of supply chain management because the number is small.

### **3.4.1. Purposive or Judgmental sampling**

Babbie and Mouton (2001), argue that judgemental sample is the type of non-probability sample in which one selects the units to be observed on the basis of ones own judgement about which ones will be the most useful or representative. The researcher used purposive or judgmental sampling to select public officials who have the knowledge of how on supply chain management impacts on service delivery in the LEDET department.

### **3.4.2. Choice of instrument**

The researcher used one type of instrument when collecting data - one on – one semi-structured interviews. The researcher assisted the respondents in answering the questions from the interview schedule by giving verbal clarity on some concepts.

### **3.4.3. Pilot survey**

The pilot survey was conducted in order to identify the problems that the researcher could experience during data collection. Before conducting the pilot study, the researcher had first requested permission from the HOD of the LEDET. The researcher then constructed questionnaires for the pilot study after which minor adjustment were made to the questionnaires.

## **3.5. Data collection methods and procedure.**

According to Voce (2002), data collection method is distinguished from data collection technique. Data collection method refers to the systematic approach to data collection. Technique refers to the art of asking, listening and interpreting. Data collection is the way in which the researcher gets information from his/her respondents.

The researcher collected data using semi-structured interviews which enabled her to make follow ups in interesting avenues that emerge from the interview, and participants were able to give a fuller picture through probing respondents for more information.

### **3.6. Field observation**

Field observation was conducted in order to have firstly hand information about the impact of SCM on service delivery. Field observatiowas important when looking at the strategies that can be devised in order to improve service delivery on supply chain management. During field observation the researcher discovered that, SCM had an important role to play on service delivery within the department. To facilitate both coding and content analysis the questionnaire was divided into six: personal information, training and experience, service delivery, uniformity of supply chain management in the three spheres of government, recommendations aimed at improving service delivery and corruption.

### **Conclusion**

This chapter looked at the data collection methods and that ensured the research questions would be answered properly. Participant responds to all the questions that were asked. The qustudy design was qualitative and appropriate methods were used to analyse the data whose findings constitute Chapter 4.

## Chapter 4: Data analysis and interpretation

### 4.1. Introduction

This chapter deals with the analysis and interpretation of data obtained through interviews and field observation. The purpose of this chapter is also to present the information about the impact of supply chain management on service delivery. The data will be analysed and interpreted through using graphs and pie charts.

### 4.2. Personal information

#### 4.2.1. Respondents from supply chain management directorate

Data was collected from the Senior Manager, Managers, Deputy Managers, Administrative Officers in the supply chain management directorate. Most of the public officials responded that they were married and there are between the ages of 31-40 and from 41 to 50 years.

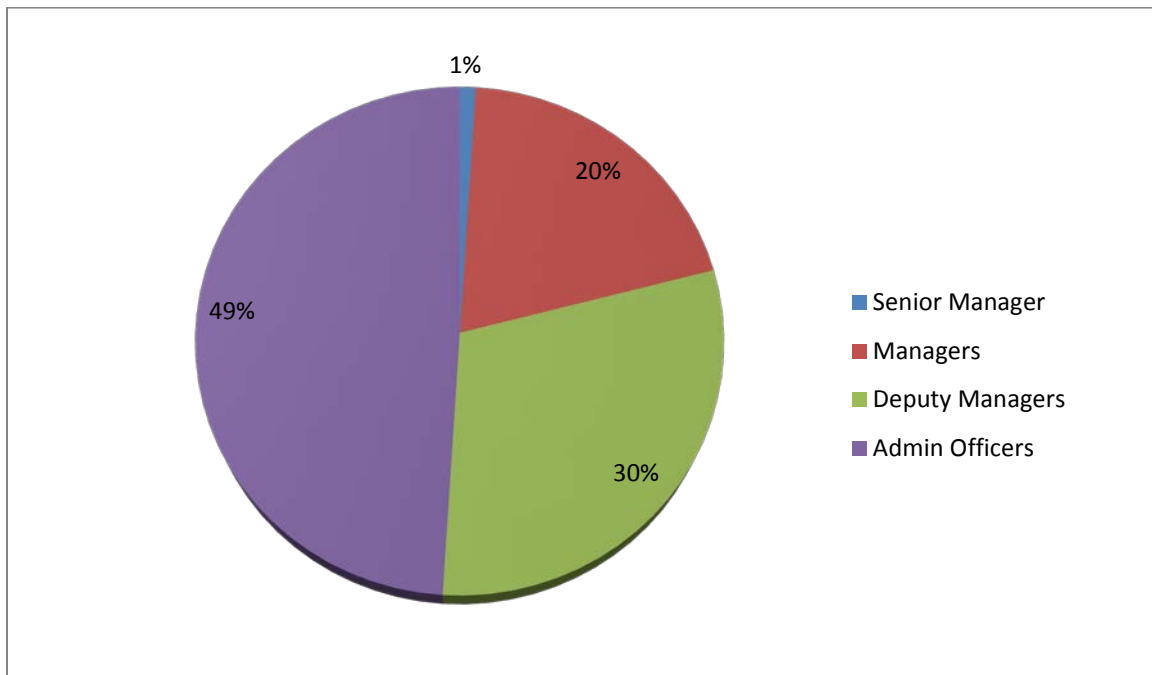


Figure 1: Distribution of public officials in the supply chain management directorate

Figure 1 shows that senior managers recorded the smallest percentage of 1% in terms of responses. About 20% of managers came from various sections. These included the Demand Manager, Acquisition

Manager, Logistic Manager, and Disposal Manager. Among the respondents 30% are Deputy Managers and a larger proportion are administrative officers with 49%. The administrative officers responded proportionately in high percentages because of their possession of in-depth knowledge of supply chain management and precisely because they are the ones who are responsible for operations, that is, the day to day activities of supply chain management.

### 4.3. Training, experience and qualifications

The respondents state that training, experience and qualification play an important role in the supply chain management directorate. The respondents further indicate that without training, experience and qualification, the supply chain management directorate cannot run effectively and efficiently. They further indicate that the department must appoint public officials who have the relevant qualifications and experience in supply chain management.

Figure 2 belows shows that most of the respondents indicated that the supply chain management section is experiencing challenges of poor service delivery as a result of insufficient training, lack of experience and inadequate qualifications.

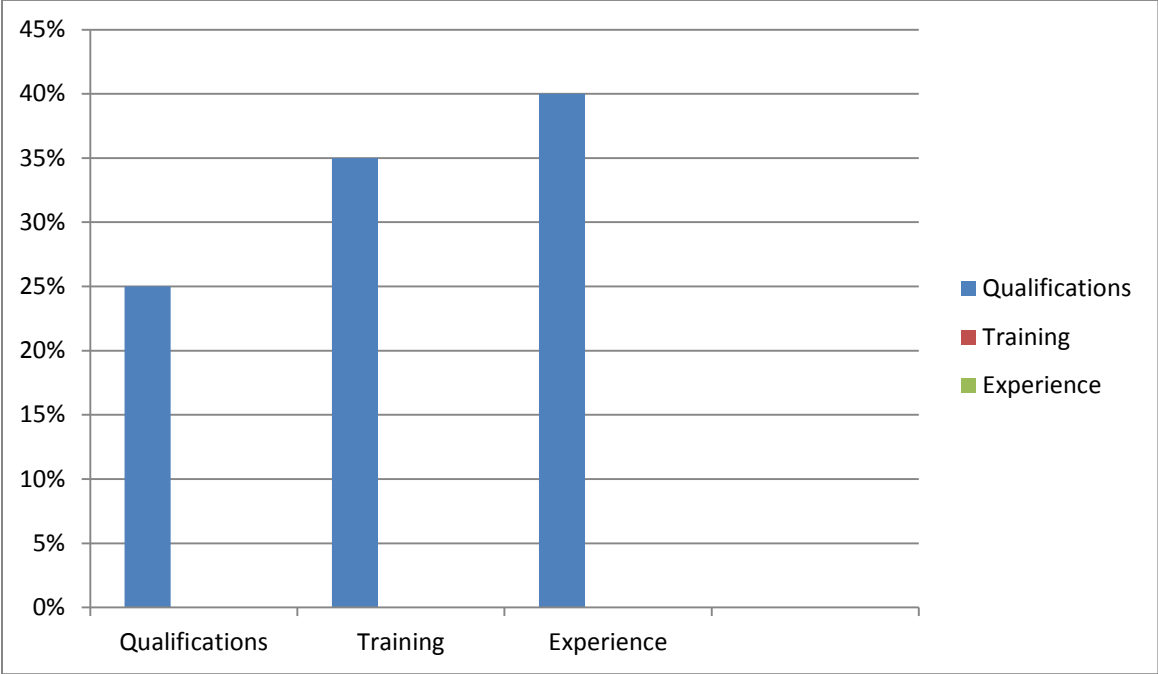


Figure 2. Percentage of training, experience and qualifications.

The study reveals that a huge number of staff members have not been properly trained for the service they are rendering in the department. Those who have been trained indicated that they were not sufficiently trained in such a way as to perform with excellence. About (35%) of the respondents indicated that they received training whereas others indicated that the training was insufficient. They further stated that they must be trained on how to apply rules, regulations, acts and policies governing supply chain management. This will help them to offer excellent services and to avoid corruption in supply chain management.

Experience was also indicated as a key factor that hinders service delivery in the supply chain management section. The study found out that most of the managers had limited experience and to a certain extent they did not know anything about supply chain management as some of them are people who have been deployed to those positions by the Head of Department.

Those who seemed to have experience had shown that they have limited skills and knowledge because they indicated that they had accumulated those skills and knowledge in the former Bantu-stan homelands which had no such a section. As a result of this problem, the supply chain management directorate's resources are seen to be greatly wasted by public officials. Forty percent (40%) of the respondents claimed to have experience. These are mainly senior managers and managers who indicated that they have experience and knowledge of supply chain management. The dilemma is that they are not at the operational level of doing day to day activities of supply chain management hence their skills and knowledge are not utilized to the maximum level of their potential.

The public officials in the supply chain management directorate also indicated their concern with qualifications as one of the factors that contributes towards the rendering of poor service delivery. They indicated that due to lack of qualifications, those who hold higher positions failed to interpret policies, acts, rules and regulations that govern supply chain management. As a result they tend to give contracts to unqualified service providers who bribed public officials by giving them money.

Twenty-five per cent (25%) of the respondents indicated that most of the public officials appointed in supply chain management did not have qualifications relevant to supply chain management but few respondents indicated that they hold the following credentials, Grade 12, B Com degree, B Tech Logistics, Bachelor of Administration, Bachelor of Administration (Honours) and Bachelor of Commerce (Honours), Programmes, Certificate of supply chain management and Short courses in supply chain management.



The respondents further indicated that they received training such as the Emerging Management Development Programme (EMDP) training, Advanced Management Development Programme (AMDP) training, Bid Committees training and Asset training. They further asserted that the training is insufficient, because most of it is not relevant to supply chain management. The respondents further indicated that the top management in supply chain management must see to it that public officials must receive education and training relevant to their work.

The respondents further indicated that about thirty percent (30%) has 2 to 3 years experience. Forty percent (40%) has 5-6 years experience and twenty percent (20%) has 8-10 years experience. The respondents further stated that, although they have experience, supply chain management is always changing every day as an evolving discipline. This implies that, there is a need for public officials who are up to date on training and education which is relevant to their work.

This indicates that without relevant training, experience and qualifications in the supply chain management directorate, there will always be poor service delivery and all forms of corruption. Training, experience and qualifications play an important role in supply chain management because if all public officials are trained and have experience and qualifications in supply chain management, this will minimize poor service delivery and all forms of corruption for the benefit of all.

#### **4.4. Service delivery**

The respondents indicated that one of the problems facing service delivery in LEDET supply chain management is service delivery backlogs. The respondents asserted that the department has many service delivery backlogs which leads to poor service delivery. Most of the service providers who are appointed to render services end up delivering poor quality services, because they leave their projects incomplete. Evidence from this study also shows that poor service delivery is mainly caused by the service providers who are hired to do the services but have no capacity, skills and knowledge to do that particular job. There is increasingly growing numbers of incomplete projects undertaken by various contractors and service providers hired by government departments, for example, the projects such as Reconstruction and Development Programme (RDP) houses in South Africa in the Department of Local Government and Housing. Most of the service providers, who were responsible for building, have left the houses incomplete.

The study also shows that the supply chain management directorate in LEDET also affects service delivery in a negative way. For instances, if the department has requested the supply chain management

directorate to procure goods and services which they end up not procuring, it causes poor service delivery. This means that as soon as the supply chain management is given the task by the department, it must do it as soon as possible to avoid poor service delivery and audit queries.

The respondents further stated that the service providers also contribute to poor service delivery because as soon as tenders are awarded to them they only deliver poor services in order to maximize profit. Most of the service providers quote less in tenders knowing that at the end their work will be unsatisfactorily.

#### **4.4.1. Appointment of incompetent service providers**

The respondents indicated that one of the factors contributing to poor service delivery is the appointment of service providers who lack of knowledge, skills and capabilities to carry out a particular project or contract. They further stated that poor service delivery is mainly caused by the service providers who claim that they can render certain services whereas they cannot, but are registered on the database of the departments. According to the respondents, as soon as the department appoints them to do a contract, they hire somebody to do the work on their behalf which is sub-contracting.

Overall, respondents indicated that lack of training on supply chain management (SCM) is another problem causing poor service delivery. As soon as the officials are appointed in the SCM unit, they must undertake training, and it will help in improving service delivery.

#### **4.4.2. Nepotism and fauvouritism**

The respondents further indicated that appointment of politician's friends and relatives of public officials in tendering is another factor causing poor service delivery. They further stated that supply chain management is the sector in which corruption is dominating in South Africa. The further asserted that, even though the contract is left incomplete, there are no strict sanctions or penalties that are taken against perpetrators/offenders. This issue are in line with what Fourie (2009) found that, public managers who are responsible for the procurement of goods and services are confronted with many challenges, especially from the political milieu. There is no clear distinction between the functions of administrative and political environment, because the political environment is interfering more with administrative duties than with political issues.

This without doubt indicates that as a result of politician`s interference they tend to influence public officials by giving them bribes so that tenders are awarded in their favour. The respondents further indicated that the public officials must have skills and knowledge of how to undertake the process of supply chain management in a fair and transparent manner, because if they are not skilled they end up awarding tenders to wrong service providers which in turn leads to poor service delivery.

#### **4.4.3. Absence of links between databases**

The respondents further indicated that in order to improve service delivery the departmental database must be reviewed annually and the appointment of service providers must be done electronically. They also indicated that there should be a link to the departmental database between National, Provincial and Local government to curb against poor service delivery. They further stated that if there is a link of databases, the service provider who has not completed his/her contract in one department whether (National, Provincial and Local government) will be removed from all databases of that department. The public officials further indicated that there should have a prior inspection (investigation) before the companies are registered onto the database. They further asserted that the supply chain management must have access to Companies and Intellectual Property to check the status of companies before registration onto the database. Some of the service providers are registered without relevant documents required in the process of tendering.

#### **4.4.4. Use of poor quality material**

The public officials indicated that poor service delivery is also caused by the service providers who render their services with poor quality services such as using poor quality materials to maximize profit. The respondents further indicated that the service provider quote a small amount of money in order to be appointed as service provider. They further assert that, because they quote small amounts of money they are then forced to use poor quality materials to maximize profit they then provide poor quality services, because they do not have enough money to buy quality materials. Thus, according to Cameroon and Stone (1995), service providers deliver low quality materials most of the time.

#### **4.4.5. Tight timesframes**

The study found out that one of the problems that affects service delivery is time frame. The department will always sign an agreement with the appointed service provider`s indicating the date to start and the date to finish the contract, but most of the contracts are left incomplete, because the time has lapsed. According to

the respondents, in some of the projects, the department finds that there is no money to finish the project because the service provider who quoted a lower amount has used all the money not for project but for this/her own personal benefit.

#### **4.4.6. Lack of monitoring and evaluation**

According to respondents lack of monitoring and evaluation is another factor causing poor service delivery. They further indicated that the public officials should always have on going monitoring and evaluation when the contract is starting until the end of the project. This will help them to identify whether the materials used are of quality or not, or whether the service providers are complying with all the requirements written down in the contract as signed in the agreement. This is in line with what Dobler and Burt (1996), who found out their study that suppliers are responsible for timely and satisfactorily performance of their contracts. They further assert that, unfortunately, a buyer cannot rely on the supplier to ensure that work is progressing as scheduled and that delivery will be specified. Poor performance or late deliveries disrupt production operations and result in lost sales. Purchasing must monitor supplier progress closely to ensure that the desired material is delivered on time (Dobler and Burt, 1996).

#### **4.4.7. Lack of accountability**

The respondents further stated that lack of accountability is another factor, affecting service delivery in LEDET. The public officials who award tenders to service providers must be accountable for all the work done by the service providers under their auspices. As soon as they award the tender, they must always be accountable to people to whom the service is rendered. The public officials must always check whether the service provider is following and complying with all the requirements written down in the agreement signed between the service provider and the department.

What Joshi (2008) found in his study is that accountability is not only the duty of the public officials, but also the duty of the service provider. The service providers must also be accountable for both the institutions that hired them and the citizens to whom they are providing services. He further indicated that, they should have a horizontal channel of accountability (through legislation, institutional checks and balances) which have hitherto largely failed to oversee the work of service providers.

This study found out that the other factor causing poor service provider is the lack of record keeping by the public officials. For instance, even though the service provider did not complete their contract, they are

hired again by the same department. If there is proper record keeping, it will be simple for the public officials to know that the supplier did not complete the contract awarded to them in the past and they cannot be appointed again to render another service. They further stated that the SCM at LEDET must keep robust records of documents for future references to alleviate this problem but that did not materialise.

Overall, respondents indicated that poor service delivery is caused by both government officials and the service providers. The respondents further stated that the government officials appoint the service providers who do not have capabilities, skills and knowledge about the services to be rendered. The public officials take bribes from the service provider who provides poor quality services. The service providers end up delivering incomplete contracts because they know that no action will be taken against them because they would have paid a bribe to government officials. This is in line with what Pauw et al (2002) found in a study that there are service providers who collude with public officials to process fraudulent high value invoices or who bribe officials to manipulate tender processes.

The respondents further stated that the service providers must be checked before they are registered their company on the database, with respect to whether they comply with all rules and regulations of supply chain management or not. They further stated that in order to improve service delivery, the supply chain management must have a procurement plan that shows the description of the project, targeted individuals and the time frames of the project. The respondents further stated that the procurement plan should always be linked both with the strategic plan and the annual plan of the department.

In order to avoid poor service delivery, the public officials in the supply chain management directorate must receive training and education all the time relevant to their work. The public officials must be able to interpret all policies, acts, rules and regulations pertaining to supply chain management. This means that they will be able to interpret and them when awarding of tenders to service providers having clear knowledge of the process of tendering. It

Overall respondents indicated that service delivery can be improved by redressing the imbalance of the past which were created by the apartheid regime, and meeting the needs of the historically disadvantaged individuals such as women, black people and people with disabilities. This means that public officials must satisfy the needs of communities and not their personal needs.

#### 4.5. Uniformity of supply chain management in three spheres of government

According to respondents there is no uniformity of supply chain management in the three spheres of government in South Africa. They further indicated that most of the departments in the National, Provincial and Local government spheres have their own written policies which they follow when tendering. According to Malinga (2007) it was proposed that there should be integrated supply chain management in the three spheres of government in South Africa. On the 10<sup>th</sup> of September 2003, the government approved the adoption of the policy to guide uniformity of procurement: *Policy to guide uniformity in procurement reform in government*. The policy strategy is there also to guide the uniform implementation of government procurement reform initiatives and the issuing of regulations in terms of section 76 (4) (c) of the PFMA in respect of the framework for supply chain management.

The Public Finance Management Act 29 of 1999 (PFMA) as amended by act 29 of 1999 is one of the pieces of legislation that promotes the objectives of good financial management in the national, provincial spheres of government.

The Municipal Finance Management Act 58 of 2003 (MFMA) provides that all 283 municipalities in South Africa must implement a supply chain management policy, which gives effect to the provision of the Supply Chain Management (SCM) provisions within the Act. The Act emphasises efficiency in the provision of services and achieving financial value for money and seeks to buttress this with a strong code of conduct for municipal officials to combat corruption.

The Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) the PPPFA was passed in February 2000. Regulations to the PPPFA were issued on 10 August 2001 to establish norms and standards for the application of the framework provided for in the Act. According to the Constitution of the Republic of South Africa, it requires legislation to give effect to section 217 (2). The PPPFA requires all spheres of government of state to comply with its provision. Section 3 of the Act permits the Minister of Finance to grant exemptions in the interests of national security.

The study found that until SCM in South Africa have the same policies, acts, rules and regulations from the National, Provincial and local government , the country cannot have uniformity of supply chain management in the three spheres of government. The respondents further assert that apart from the Acts, policies, rules and regulations most of the departments in the national, provincial and local government have their own policies laid down to govern supply chain management. Overall the respondents indicated

that lack of uniformity of supply chain management is the main cause of corruption in South Africa. They further stated in order to have uniformity in the three spheres of government, the database of service providers must be centralised. The national, provincial and local government must use the same Acts, policies, rules and regulations in supply chain management.

#### **4.6. Supply chain management Acts, policies, rules and regulations and LEDET**

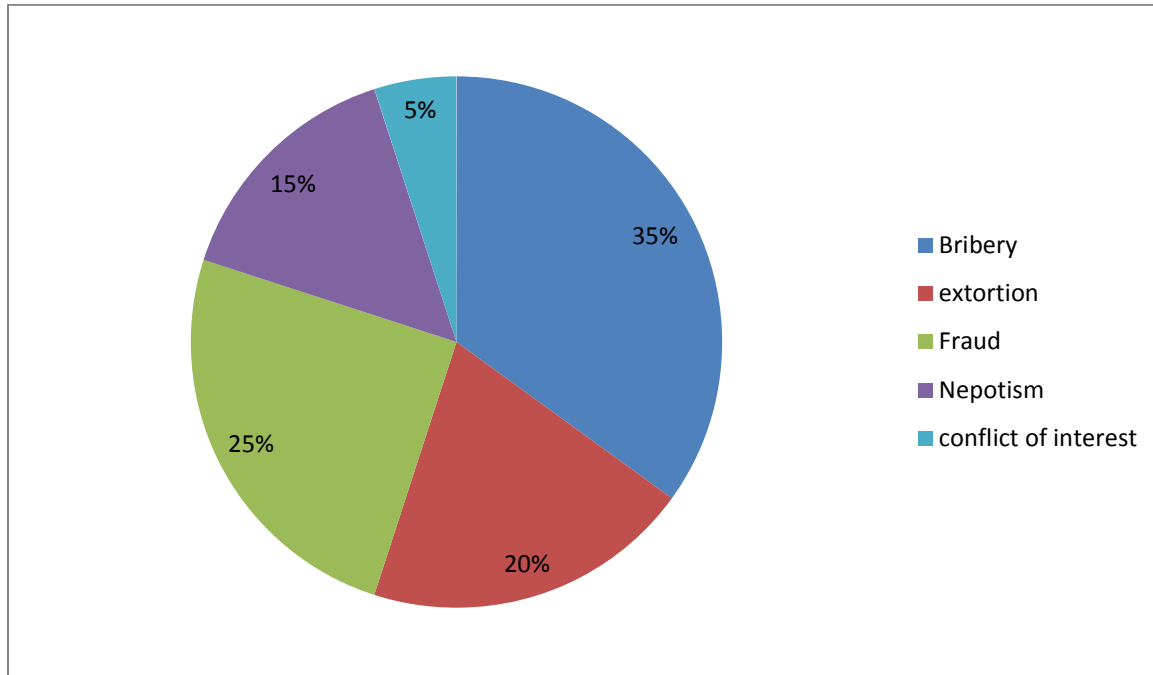
The study indicated that procurement is used as a tool to empower the historical disadvantaged individuals such as women, black people and people with disability as indicated in the PPPFA. The HDI are also given certain points when tendering according to PPPFA. The public officials further asserted that the BBEEA also plays an important role in empowering the women, black people and people with disabilities. They further indicated that the act is maintaining proper control because the HDI are allocated certain points when tendering.

The public officials indicated that tendering and contracting nowadays is still considered as the only way of procuring goods and services in the government. The respondents, further stated that the government only deals with the services that it can render, and all those that they cannot render are given to service providers who tender to do so. The respondents indicated that the legislation, policies laid down by the government such as Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA), the Public Finance Management Act 29 of 1999, Constitution of the Republic of South Africa 108 of 1996 (section 217), Black Broad Based Empowerment Act 53 of 2003 (BBEEA), Treasury regulation, are maintaining proper control over service providers when tendering. Overall the respondents indicated that the supply chain management section is meeting its performance standards. The respondents further stated that all the targets in the key results are being satisfactorily met.

The public officials asserted that they show accountability to their section. If the end user fails to write proper specifications it makes the whole process to fail and one would be accountable for that.

## 4.7. Corruption

The respondents indicated that corruption in supply chain management is regarded as the most important factors that affects service delivery as shown by figure 3 below. The forms it takes include bribery, extortion, fraud, nepotism and conflict of interest.



**Figure: 3. Factors contributing towards corruption in supply chain management**

Data in Figure 3 Shows that about 35% of the respondents indicated that bribery is the one forms of corruption that is dominating in the supply chain management section.They further indicated that most of the public official's receive bribes from service providers who in turn receive tenders. Twenty five per cent (25%) of the respondents indicated that fraud is the second vice that is found in supply chain management.

About twenty per cent ( 20%) of the respondents stated that extortion is another form of corruption that is found in supply chain management. About 15% of public officials practise nepotism when they award tenders. The study shows that they claim to be forced to award tenders to politicians in order to secure their jobs. If they fail to award tenders they can be fired or be removed to other sections because they are regarded as threats.The respondents stated that they award tenders also to their friends and relatives for personal gain.



About 5% of the respondents stated that public officials also show conflict of interest when awarding tenders. Respondents in this study further stated that all public officials who are appointed to evaluate tenders must declare their interest. If the officials know that they have an interest, they must withdraw from the evaluation of that tender.

The respondents also indicated that all public officials who are appointed to supply chain management must sign codes of conduct and be vetted before they are employed. The respondents further asserted that if the officials sign codes of conduct, this will help the department to take strict measures if the public officials are found guilty of corruption in the workplace. Vetting will also play an important role in LEDET because it will help them to know the status of their officials whether they have already committed any crime or not.

They further stated that in order to avoid corruption the service provider database must be electronic, so that the service providers are appointed electronically. It will also help avoid corruption because tenders will no longer be allocated by officials, but electronically. This also means that tenders will no longer be allocated to the same service providers all the time as they will be distributed equally. Public officials will no longer have an influence over the awarding of tenders to the same service provider because this will be done electronically.

The study also found that low salaries paid to public officials is also the main cause of corruption in supply chain management. The respondents further indicated that if their salaries are increased, it will minimize corruption. The respondents further asserted that they work with tenders and they work with a lot of money, but they receive peanuts. This encourages them to take bribes.

The respondents further asserted that lack of separation of duties is another problem facing public officials in the supply chain management directorate. There are no clear distinctions between the role of the politicians and the public officials. The politicians interfere with the duties of the public officials. The public officials end up not having powers in their work situations. The respondents further indicated that although there are various rules, acts, regulations, policies to control corruption, the current rules and regulations are not meeting the standard to fight corruptions especially in the supply chain management directorate. Tenders are still awarded to politicians, officials and relatives of the officials. The main aim of the procurement is to empower the historically disadvantaged individuals, women and disabled, but the tenders are not achieving that.

The respondents asserted that some of the service providers are not registered with the South African Revenue Service (SARS). They get a the tender without tax certificates, which is one of the requirements to get a tender. They further stated that some service providers get full contract amounts of the tender even though they do not complete the contract. The respondents further show that there is no action taken against those service providers who does not complete their contracts. The study also found out that LEDET has a written policy to fight against corruption, but public officials still engage in corruption. The respondents asserted that the written policy is used as a guideline when public officials award tenders to service providers.

The public officials further indicated that there must also be strict measures to be taken if a tender (contract) is incomplete to avoid poor service delivery. All public officials who are found guilty of corruption should be dismissed from the public service. This must also apply to service providers who are found guilty of corruption who must also be withdrawn from database. There should always be clear signed agreements between the department and service providers in order to monitor contracts from the start to the end. The respondents stated that even though there are policies, laws , acts rules and regulations, laid down to control the whole procurement of goods and services, they are not followed. If they are followed in the department there will not be corruption.

The respondents indicated that the top-management should introduce stem measures within the department to deal with the officials who commit corruption. They further indicated that all supply chain practitioners working in the LEDET must sign a code of conduct and be vetted as soon as they are appointed or transferred to supply chain management directorate. The public officials must also declare their interest before the evaluation of each tender. The respondents further indicated that LEDET must use electronic database, where suppliers will rotate electronically.

The study indicated that the department has acts, legislation, rules and regulations to discipline those who are corrupt. The respondents further indicated that if a person is found guilty of corruption the security and investigation section must investigate the matter. After investigation the matter is referred to the relevant stakeholders to decide. The Head of Department will then make a decision based on the findings of the case. The study shows that as soon as the public officials is found guilty of corruption, he/she is suspended with full pay and given the chance to appeal. If he/she loses the appeal, he/she is dismissed. The respondents further asserted that in some instances if the public officials are found guilty of corruption, she/he is given the chance to pay back all the money that was squandered.

## Conclusion

This chapter looked at the responds from various participants. Participants answered all questions pertaining to the impact of service delivery on supply chain management. Participants highghed that poor service delivery can be minimized by following proper policies, rules, regulations and Acts on supply chain management, training and educating public officials to have relevant skills,knowledge and capabilities towards supply chain management and all the public officials working in supply chain management must sign codes of conduct.

## Chapter 5 Summary, Recommendation and conclusions

### 5.1 Introduction

Although the main aim of supply chain management is to empower the historical disadvantaged individuals, women and the disabled, but, nowadays the supply chain management is used as benefiting the few politicians, the relatives and friends of the public officials and public officials.

The LEDET officials (senior Manager, Managers, deputy Managers and administrative officer) in supply chain management play an important role on the day to day running of the supply chain management directorate, although there are many challenges they encountered everyday in their workplace.

The data collection for this study was conducted among the senior manager, managers, deputy managers and the administrative officers working in the directorate of supply chain management. The information they gave with regard to the supply chain management was based on their experience.

In summary, supply chain management is an important section in all departments that control the resources of the department for all communities living in South Africa. Supply chain management should render its services in a desirable manner in order to make the department to function well. If supply chain management is not functioning properly it affects the whole department.

### 5.2. Specific recommendations

In conclusion, the study shows that lack of the skills, knowledge and capabilities by public officials to interpret policies, rules, regulations and Acts is the main factor causing poor service delivery in supply chain management.

It is recommended that all public officials working in the supply chain management should work following the rules, regulations, policies and acts governing supply chain management to minimize corruption.

It is recommended that public officials should always comply with the acts, policies, rules and regulations in their day to day operations in supply chain management. The public officials must be able to interpret the Acts, policies, rules and regulations governing supply chain management. Failure of public officials to interpret Acts, policies, rules and regulations will always lead department to poor service delivery. Although there is a written policy in the department, the policies must always be used in conjunction with the PPPFA,

PFMA, BBBEA, Treasury regulation, and Constitution of the Republic of South Africa 108 of 1996 (Section 217) .

Lack of monitoring and evaluation in all tender contracts by the public officials is another problem that impact service delivery. The service providers end up not finishing their contracts knowing that no one will come and monitor their work. To improve service delivery in the LEDET, monitoring and evaluation should always be emphasized from the start of the contract to the end. All services rendered by service providers should always be monitored and evaluated during the process and completion to contract. Most of the contract are left incomplete because of the lack of monitoring and evaluation by the public officials. It is the duty of the public officials who appoint the service provider to check whether the service providers is rendering the service as stipulated in the contract agreement. It has been found that the failure of supply chain management to perform its main functions leads to the department being unable to render the services expected by the communities.

In conclusion, the study shows that lack of identification of risks throughout the projects impacts service delivery. It is further recommended that to improve service delivery the service providers must always identify and address the risks which they encounter throughout the duration of contracts. It is also the duty of the service provider to identify the risks before the contract starts, because it can hinder the fulfilment of the contract conditions which leads the contract not being completed.

To improve service delivery in the supply chain management, the materials for contracts must always be delivered on time. The LEDET must monitor this. In all the contracts that are signed between the service providers and the department there should always be a time frame to indicate when the contract will start and when the contract will end.

It is recommended that all LEDET officials appointed in the supply chain management must sign codes of conduct. The code of conduct will stipulate the expected behaviour and conduct. According to guide for Accounting Officers in terms of supply chain management and the National Treasury's Code of Conduct all the role players and the public officials responsible for supply chain management must comply with the highest ethical standards.

Public officials working in the supply chain management must be paid competitive salaries. It is further recommended that the working in the supply chain management, earning low salaries must also be evaluated to a higher notch, depending on their qualification, experience and training. Corruption is

common among public officials who earn low salaries in the supply chain management directorate because they want to supplement their salaries. The department must see to it that all the public officials working under the directorate of supply chain management earn reasonable salaries to prevent corruption.

The supply chain officials must be trained and educated in how to appoint service providers, about the rules, regulations, policies and acts governing supply chain management. The public officials must also be trained in how to interpret those Act, policies, rules and regulations governing supply chain management. Training and education of supply chain management public officials must always be relevant to their job.

### **5.3. General recommendation**

Whistle blowing should be encouraged within the public service, service providers and the communities must report all forms of corruption in supply chain management. It is further recommended that the little resources that the government department has should be used effectively and efficiently by both the public officials and the service providers.

It is recommended that as soon as the service providers apply for tenders, they must be checked whether they can provide such services, whether they have skills, knowledge and capabilities to do the job or whether they have registered their business with South African Revenue Services as a requirements for every service provider to be appointed in tendering. Lack of skills, knowledge and capabilities are the main causes of incomplete contracts.

### **5.4. Realisation of the objectives**

#### **5.4.1. To appraise how supply chain management impacts on service delivery.**

Supply chain management has a great impact on service delivery. Misuse of the resources by the public officials is one of the cause of poor service delivery. Another factor is the lack of knowledge , skills and capabilities by public officials to interpret policies, rules and regulations also impact s service delivery. It is recommended that as soon as the needs are identified public officials must see to it that all the process of supply chain management are followed from the start and to the end of a tender contracts. The public officials must be trained on how to interpret policies, rules and regulations pertaining to supply chain management. Monitoring and evaluation should always be the order of the day to improve service

delivery. The top management in the department must always know what is going through all process of tender contracts because it will help them to account if there is any problem.

#### **5.4.2. To assess whether there is uniformity of supply chain management in the three spheres of government namely, national, provincial and local government.**

The three spheres of government in South Africa have no uniformity in supply chain management, because of the lack of link in databases. It is recommended that the three spheres of government (National, Provincial and local government) should have centralised database in order to have uniformity of supply chain management in South Africa. The centralised database will help the government to have link of database in the three spheres of government to avoid appointment of the same service providers for more than ones where there are many service providers registered on the database. There should have the same rules, regulations, policies and acts governing supply chain management in the three spheres of government..

#### **5.4.3. To make recommendation aimed at improving supply chain management in the Provincial Department of the Limpopo Province.**

The public officials (senior manager, manager, deputy managers and administrative officers) should follow rules, regulations, policies and acts governing SCM. They should further comply with the acts, policies, rules and regulations in their day to day operation of their duties in supply chain management.

To improve service delivery in the LEDET, public officials should monitor and evaluate all tender contracts from the start to the end. As soon as public officials are appointed in the supply chain management they must sign code of conduct, which indicates how they should behave and guide them in their work place. The public officials should be paid competitive salary to minimize corruption. The public officials in supply chain management directorates must be trained on how to appoint service providers.

Supply chain management should have uniformity in the three spheres of government especially regarding the linking of database to avoid appointing the same service providers and an electronic database must be used to appoint the service providers electronically to minimize corruption.

## 5.6. Conclusions

In conclusion, it is recommended that all public officials working in the supply chain management should work following the rules, regulations, policies and acts governing supply chain management to minimize corruption. Training and education should always be implemented in the supply chain management unit to fight against all forms of corruptions such as bribery, kickbacks, fraud, conflict of interest, embezzlement and so fourth. They further stated that the public officials must be trained to know all acts, policies rules and regulations pertaining supply chain management, as it will help them when performing their duties.

Whistle blowing should be encouraged within the public service, service providers and the communities must report all forms of corruption in supply chain management. It is further recommended that the little resources that the government department has should be used effectively and efficiently by both the public officials and the service providers.

The LEDET public officials in supply chain management must always sign a code of conduct agreeing to that they would not disclose any confidential information from supply chain management concerning tenders, and that they would not engage in any forms of corruption.

In conclusion, the study shows that lack of identification of risks throughout the projects impacts service delivery. To improve service delivery the service providers must always identify and address the risks which they encounter throughout the duration of contracts. It is also the duty of the service provider to identify the risks before the contract starts, because it can hinder the fulfilment of the contract conditions which leads the contract not being completed.



## References

- Ambe, I.M. (2009). An exploration of supply chain management practices in the Central District Municipality, Department of Business management, University of South Africa, Educational Research and Review Vol 4 (9) , pp. 427-435.
- Amundsen, I. (2000). Corruption: Definitions and Concepts, Chr. Michelson institute: Development studies and human rights: Draft 17 January 2000 , Chr. Michelson Institute: Bergen Norway.
- Amundsen, I and Andrade, V.P. (2009). Public sector ethics: Development studies and human rights: Chr. Michelson Institute: Bergen Norway.
- Babbie, E.C. & Mouton J. (2001). The practices of social research. New York: Oxford University Press.
- Bardenhorst-Weiss J.A. (2005) Public Procurement and Supply Chain Management, UNISA: Centre Fo Business Management,:
- Bless, C & Higson-Smith C. (2005). Fundamentals of Social Research Methods: An African Perspective, 2<sup>nd</sup> Edition: Cape Town: Juta & Co Ltd.
- Bolton, P. (2006a). Government procurement as a policy tool in South Africa, Journal of Public Procurement, Vol 6 (3), pp.193-217.
- Bolton, P. (2006b). Scope for negotiating and/or varying terms of government contracts awarded by way of a tender process, 17 Stellebosch law review pp.266-288.
- Bolton P. (2008). The public procurement system in South Africa: Main characteristics Public Contract Law Journal vol 37 (4) pp.719-740.
- Brink, H.I. (1996). Fundamentals of research methodology for health care professionals., Cape Town : Juta & Co Ltd.
- Brynard, P.A. and Hanekom S.X. (1997). Introduction to research in public administration and related academic disciplines, Pretoria: Van Schaik.
- Cameron, R.G. Stone A.B. (1995). Serving the public: A guide for practitioners and students. Pretoria: Van Schaik.

Cloete, J.J.N. (1995). Public Administration Glossary, Pretoria: Van Schaik

Christopher, M. (1998). Logistics and supply chain management: strategies for reducing cost and improving service. London, Prentice–Hall.

Cooper, H.M. (1988). The structure of knowledge synthesis knowledge synthesis, knowledge in society, Vol 1 : pp.104-126.

De Vos, A.S. Strydom, H. Fouche, C.B. & Delport, C.S.L. (2002) Research at grassroots, Pretoria: Van Schaik.

Dobler , D.W, and Burt, D.N. (1996) Purchasing and supply chain management: text and cases, New York, The Mcgraw-Hill Companies.

Dike, V. E. (2001) Corruption in Nigeria: A new paradigm for effective control., [www.Africa Economic analysis.org](http://www.AfricaEconomicanalysis.org).

Estate Agency Affairs Board (undated) supply chain management (SCM) policy manual.

Fourie, D. (2007), financial control measures enhancing good governance, Journal of Public Administration, Volume 42, pp.733-743.

Fourie, D. (2009) Ethical conduct as the cornerstone of public sector procurement, Journal of Public Administration, Volume 44( 3).pp.629-637.

Handfield, R.B. and Nichols, E.I. (1999), Introduction to Supply Chain Management, Upper Saddle River N.J: Prentice – Hall.

Hart, C. (1998). Doing literature review: releasing the social science research. London: Usage.

Hugo, M. (2006) Essentials of supply chain management, New Jersey: John Wiley & Sons Inc.

Hugo, W.M.J, Badernhorst-Weiss, J.A.& Van Rooyen D.C. (2002) Purchasing and supply management. Pretoria: Van Schaik.

Hugo, W.M.J, Badernhorst-Weiss, J.A and Van Biljon, EHB. (2004), Supply chain management, Pretoria: Van Schaik.

Hugo, W.M.J, Badernhorst-Weiss J.A. and Van Biljon, EHB (2006). Purchasing and Supply chain management. Pretoria: Van Schaik.

Joshi, A. (2008) Producing Social Accountability? The impact of service delivery Reforms, IDSC Bulletin, Vol (38), pp.10-17 Department of International Development, University of Birmingham.

Kumar , C.R. (2008) Research methodology, Nangia S.B: New Delhi.

Kuye J.O. and Mafunisa, M.J (2003) Responsibility, accountability and ethics: The case for public service leadership: Journal of Public Administration, Vol (38), pp. 421-437.

Lamberti, M.J. (2005), Code of ethical conduct, Members of ethics Institute of South Africa: Massmart.

Malinga, H. (2007), National Treasury, Supply chain management "Zero tolerance against fraud and corruption conference" 25-26 September 2007: South africa.

Mafunisa, M.J. (2000), Public Service Ethics. Kenwyn: Juta Co Ltd.

Mail and guardian: June 2004.

Makgoe, P. (undated) Government procurement policy and SMME development- successes and challenges, University of Free State : MBA programme.

Nicholson, L.M. (1999)The Budget process: A guide for South African legislators, Durban: The Health System Trust.

Nieman, G. (2008) Contract management: An introduction. Pretoria: Van Schaik.

Noor, K.B.M. (2008) American journal of applied sciences VOL 5 (11) :pp.1602-1604, A strategic research methodology. Univeersiti industry elangor, 40 000, Malaysia: Shah Alam.

OECD (2007), Integrity in the public procurement: good practice from Ato Z Organization for Economic Co-operation and Development Paris: OECD

Oracle. (2006). Lean procurement: The future of supply chain management in a demand – driven world: An oracle white paper written in collaboration with CSS international, INC: JD Edwards's Enterpriseone.

O`Sullivan, E and Rassel G.R. (1989). Research methods for public administrators. New York: Longman.

Pauw, J.C. Woods, G. Van der Linde, G.J.A. Fourie, D and Visser, C.B, (2002), Managing public money: A system from the South. Sandown: Heineman Publisher (pty) Ltd.

Pauw, J.C. (2005a). Public financial management and supply chain perspective. University of Pretoria: Muclieneuk.

Pauw, J.C. (2005b). University of South Africa study guide, programme in public procurement and supply chain. Tswane: Muclieneuk.

Pidaparathi, V.R.S. (2003). Indian police service, Journal of development and social transformation (supply side issues in procurement corruption: Is the developed world responding adequately to the needs of the developing world?).

Plummer, J. (2002). Focusing partnership: A sourcebook for municipal capacity building in public-private partnerships. London: Janelle.

RSA (2003). Policy strategy to guide uniformity in procurement reform process in government, Pretoria: Government Printers.

RSA (2003). Black broad based empowerment act (Act 53 of 2003) Pretoria: Government printers.

RSA (1996). Constitution of the republic of South Africa act (Act 108 of 1996) Pretoria: Government Printers.

RSA (2007). Introducing public private partnerships in South Africa, National Treasury.Pretoria: Government Printers

RSA (2002). Public service anti corruption strategy, Department of Public Service and Administration, Pretoria: Government Printers.

South Africa (Republic), (2010) Limpopo provincial government: Department of Economic, Development, Environment and Tourism, Delegations: powers and duties of the accounting officer in terms of the treasury regulations and public finance management act: Supply chain management. Pretoria: government Printers

South Africa (Republic) (2007), Provincial treasury: Limpopo provincial government: Policy on Bid committees. Pretoria: government Printers

South Africa, (Republic) (1999) Public finance management act (Act 01 of 1999) Pretoria: Government Printers

South Africa, (Republic), (2004), National treasury, a supply chain management. a guide for accounting officer/ authorities, Pretoria: Government Printers.

South Africa, (Republic), (2005), National Treasury, a supply chain management. a guide for accounting officer/ authorities, Pretoria: Government Printers.

South Africa, (Republic), (2000) Preferential Procurement Policy Framework Act (Act 5 of 2000) Pretoria: Government Printers.

South Africa, (Republic), (2003) The Municipal Finance Management Act (Act 56 of 2003) Pretoria: Government Printers.

South Africa, (Republic), (2002) Treasury regulation, "TR" latest general regulations promulgated in terms of the PFMA (2002) .

South Africa management Development institute (SAMDI) (2003), Emerging Development Management Course, Republic of South Africa: University of Pretoria.

South Africa, (Republic) (undated): General procurement guidelines, Pretoria: Government Printers.

South Africa, (Republic), (1997) White paper on transforming of public service delivery South Africa, Pretoria: Government Printers.

South Africa (Republic), (2004) Southern Africa online corruption information centre. Pretoria: Government Printers.

Storey J and Emberson C (2006) Supply chain management: theory, practice and future challenges, International journal of Operations & Production management, vol 26 no 7 2006, Emerald Group Publishing Limited: UK

Unclassified organization for economic cooperation and development, 2010.

United Nations, (2004) Handbook on practical's anti corruption measures for prosecutors and investigators, Vienna:UN..

Voce, A. (2002). Hand out for the Qualitative Research Module, USA: Sage publications.

Weele, A.J. (1994). Purchasing management: Analysis, planning and practice, London: Chapman & Hall.

Working report (Rand Europe) (undated) An excessive and rigid focus on public procurement contract cost minimisation and risk transfer undermines the single market.

*www.http// intranet of the provincial government of Limpopo Economic, Development, Environment and Tourism*

Zoutnet, mirror Limpopo, 09 April 2004.

## **Annexure 1**

### **Questionnaires**

Topic: Impact of the supply chain management on service delivery: The case study of Provincial Department of Economic, Development, Environment and Tourism in the Limpopo Province.

Sir /Madam

This is a request for your participation in a research project: Please be informed that this research questionnaire or information that you are going to supply is going to be used to incriminate you in any way. You are liberty to withdraw in the exercise at any time. The purpose of the research is only for the fulfilment of my Masters Degree in Public Administration at Turfloop Graduate school of Leadership Edupark

Thanks

### **Objectives of the study**

The objectives of this study are:

To appraise how supply chain management impacts on service delivery to all people who deserve genuine provincial service.

To assess whether there is uniformity of supply chain management in the three spheres of government namely, national, provincial and local government.

To make recommendation aimed at improving supply chain management in the Provincial Department in the Limpopo Province.

### **Research Questions**

The research questions of this study are:

1. What has been the impact of supply chain management on service delivery?

2. How can uniformity of supply chain management in the three sphere of government be effected?

3. What recommendations can be made to improve supply chain management in the

Provincial Department in the Limpopo Province ?

**A. Personal information**

1. Occupation: Admin officer, Deputy Manager, Manager and Senior Manager.

Rank	Position

2. Marital status

Married	
Single	
Divorced	
Widowed	

3. Which age do you fall under?

20	25	
26	30	
31	40	
41	50	
51	60	
61	65	



## Training and experiences

4. Have you ever been trained for this work?

Yes	
No	

5. Was the training sufficient?

Yes	
No	

6. If no, what types of training are needed?

---

7. Which credentials do you hold?

---

8. How long have you been working in this section?

---

## Service delivery

9. Is poor service delivery affecting the supply chain management in LEDET?

Yes	
No	

If yes, state the reason

---



---

If no state the reason

---



---

9.1. Or is it Supply Chain Management that affects service delivery?

Yes	
No	

If yes, state the reason

---



---

If no state the reason

---



---

10. Do you think lack of skills and knowledge are contributing factors towards rendering poor service delivery in the Supply Chain Management?

Yes	Explain
No	Explain

11. What do you think are the most important things that cause poor service delivery?

---

---

---

---

12. What can be done to improve service delivery in Limpopo Economic Development Environment and Tourism?

---

---

---

---

13. Is the poor service delivery caused by the government officials or the service providers awarded tenders?

---

---

---

13.1. Can you please list the causes of poor service delivery?



**Uniformity of supply chain management in the three sphere of government**

14. Do we have uniformity of supply chain management in the three spheres of government in South Africa?

Yes	
No	

If yes, substantiate your reason

\_\_\_\_\_

Or if it no, also substantiate your reason

\_\_\_\_\_

14.1. What strategies should be put in place in the three spheres of government to bring about uniformity in Supply Chain Management?

---

---

---

---

14.2. Do the three spheres of government use the same policies, rules and regulations when tendering contracts to service providers?

Yes	
No	

### **Recommendations aimed at improving supply chain management**

15. What strategies should be implemented in order to improve supply chain management in the provincial department in the Limpopo Province?

---

---

---

---

16. What are the challenge facing the improvement of Supply chain management in the provincial department in the Limpopo Province?

---

---

---

---

17. Are legislation and policies laid down by the government maintaining proper control over suppliers, service providers and contractors when tendering to improve service delivery in supply chain management?

If yes how?

---

If no how?

---

18. Does your department have good monitoring and evaluation through the process of tendering to improve service delivery in supply chain management?

Yes	
No	

**Corruption**

19. What strategies should the top- management apply in order to control the Supply Chain Management activities to minimize corruption?

---

---

---

---

20. Is there any code of conduct that are followed when the service provider do not complete their contracts?

21. If yes how?

---

If no how?

---

22. What are the causes of corruption on Supply Chain Management?

---

---

---

---

23. Does your Department have a written policy that focuses on corruption?

---

---

---

---

24. Does Limpopo Economic Development Environment and Tourism provide training to employees on issues of corruption?

---

---

---

---

25. Do Limpopo Economic Development Environment and Tourism have mechanisms in place to monitor possible corruption and to discipline employees who engage in corruption?

---

---

---

---

26. Do Limpopo Economic Development Environment and Tourism have mechanisms in place to discipline employees who engage in corruption?

---

---

---

---



## Annexure 2

### Letter granting me to study



**LIMPOPO**  
PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF  
ECONOMIC DEVELOPMENT, ENVIRONMENT & TOURISM

Enquiries: Tshamaano V.L.  
Email address: Tshamaanovi@ledet.gov.za  
Tel/cell: 015 295 6824/0722196454  
To: HOD:ledet

P.O. BOX 2442  
Tlohoeyandou  
0950

Head of Department  
Limpopo Economic, Development, Environment and Tourism  
Private bag x 9484  
Polokwane  
0700

Dear Madam

**Request for permission to do research**

Kindly I Tshamaano Vusani Livhuwani of ID: 7009240955082 and Persal no: 20655924 hereby applying for a permission to conduct research interviews in Supply Chain Management directorate.

The research interviews are part of my study topic which I am doing at my Master degree (MPA) at the University of Limpopo.

**HEAD OFFICE**

20 Hans van Rensburg Street/ 19 Bickard Street, POLOKWANE, 0690, Private Bag X 9484, POLOKWANE, 0700  
(Switchboard) Tel: +27 15 295 6300 Website: www.ledet.gov.za

**The heartland of southern Africa: development is about people!**

As an HOD you have to advise the public officials to study and to do research relevant to the department. Through research we can identify the lack of skills and filling the gaps of service delivery. The research will also be important to other department within the South Africa government which has related problems that has been addresses by the topic of the study.

MY Topic is: IMPACT OF THE SUPPLY CHAIN MANAGEMENT ON SERVICE DELIVERY: THE CASE STUDY OF THE LIMPOPO DEPARTMENT OF ECONOMIC, DEVELOPMENT, ENVIRONMENT AND TOURISM, AND LIMPOPO PROVINCE.

Your cooperation in this regard will be highly appreciated.

Yours in service

Tshamano V.L

*Tshamano*  
24/03/2011

HOD: Limpopo Economic, Development, Environment and Tourism

*[Signature]*

22/03/2011

Permission granted

---

