

**THE IMPACT OF IMPLEMENTATION OF A SUPPLY CHAIN MANAGEMENT
ON ASSETS MANAGEMENT AND FINANCIAL MANAGEMENT WITHIN THE
LIMPOPO PROVINCIAL TREASURY**

A mini dissertation

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Submitted in partial fulfilment of the requirements for the degree

MASTERS OF BUSINESS ADMINISTRATION (MBA)

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03 November 2009

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CHAPTER 1

SCOPE OF THE RESEARCH

1.1 INTRODUCTION

In September 2003, the South African cabinet adopted a Supply Chain Management (SCM) policy in order to move away from rule-based procurement system to an integrated SCM system that would promote the public management model by means of improved financial management, efficiency, efficacy, and economy in the public sector.

Supply Chain Management was introduced to National and Provincial departments with the aim of creating a common understanding and interpretation of the policy and to promote the consistence application of the best practices throughout the Government's supply chain. The aim was to implement a supply chain management function across all the spheres of government which will be an integral part of financial and assets management.

The SCM framework was established in order to have a link between budgetary and procurement planning processes, to enhance the quality of financial management , but more importantly to provide value added goods and services to the public and also to introduce needs analysis, disposal evaluations, cost analysis, and life cycle costing.

The Public Finance Management (PFMA) was also introduced to improve accountability for decision making in the hands of each accounting officer to enable them to manage their financial affairs within the parameters of the act.

1.2 RESEARCH AIM

The aim of this study is to establish the challenges and barriers that cause inefficient and effective implementation of the supply chain framework within the Limpopo Provincial Treasury.

The study will also establish the necessary resources that are required in order to enable smooth implementation of a supply chain management framework and the flow of information within the value chain.

1.3 RESEARCH OBJECTIVES

- To identify the key issues faced by employees in implementing the SCM framework;
- To examine the importance of information technology in supply chain management;
- To highlight the importance of value chain in the SCM process;
- To recommend possible strategies and mechanisms to improve the SCM activities within the organisation;
- To recommend possible strategies to improve assets and financial management in the organisation; and
- To highlight the importance of communication in the SCM process.

1.4 PROBLEM STATEMENT

There is a lack of capacity to deal with procurement and supply chain challenges. These includes continuous buying of capital assets in the last month of the financial year and continuous failure to procure assets in terms of management plans which eventually impact negatively on assets and financial management in the department. The research problem for this research reads as follows: “the impact of implementation of a supply chain management on assets and financial management”. Specific focus will be on the demand and acquisition of capital assets within the Limpopo Provincial Treasury.

1.5 ASSUMPTIONS

The researcher assumes that SCM is not properly and effectively implemented and managed within the department. There is a lack of suitably qualified supply chain personnel who have a sound understanding of supply chain management in order meet supply chain management challenges and the importance of value chain within SCM activities.

1.7 CHAPTER AND CONTENT ANALYSIS

Chapter 1: Introduction

Chapter one outlines the background, significance of the study, the problem statement, the aims and objectives of the study, assumptions and an indication of the research question will be outlined.

Chapter 2: Literature review

This chapter shows a brief, review of the existing literature from various authors, journals and government publications relevant to the proposed study.

Chapter 3: Research Methodology

This chapter outlines the research design and methodology that would be followed in the research process in order to investigate the problem identified in chapter one. The chapter will also identify the target group, sampling method, and size of the population the research will be conducted on.

Chapter 4: Data analysis and interpretation

This chapter discuss how the collected data will be analysed. It also provides interpretation of results.

Chapter 5: Conclusion and Recommendations

Supply chain management can be viewed as a pipeline or conduit for the efficient and effective flow of products, services, information, and financials from the suppliers through the various intermediate companies out to consumers.

The study will summarize all the discussions above linking the aims and the objectives of the study, data collected and the reviewed literature. In this chapter, the main conclusions of the study will be drawn and the recommendations will be made.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

Supply chain encompasses all activities associated with the flow and transformation of goods from the raw material stage, through to the end user, as well as the associated information flows. Material and information flow both up and down the supply chain (Handfield & Nichols 1999:2).

Supply chain is the network of organizations that are involved, though upstream and downstream linkages in the different processes and activities that produce value in the form of products and services in the hands of the ultimate customer (Christopher 1998:15).

The term supply chain management (SCM) is not yet universally accepted as descriptive of the exciting new approach aimed at enhancing customers' service and providing a firm with a competitive advantage through the efficient management of flow of material and services.

Handfield and Nichols (1999:2) are of the opinion that supply chain encompasses all activities associated with the flow and transformation of goods from the raw material stage (extraction), through to the end user, as well as the associated information flows. Materials and information flow both up and down the supply chain.

The theory of supply chain management is centred in the concept of value. In essence it postulates that “for the eventual product or services to be commercially advantageous to the organisation involved in its creation and provisions, value must be added to a process faster than cost” (Lamming 1996:2). Stated simply, this means that in the flow of materials and services to the organisation, through the internal processes of the organisation, to the distribution system and ultimately to the end customer, all activities that are not adding value but are adding cost must be eliminated.

Hugo, Badenhorst-weiss & and Van Rooyen (2002:29) state that supply chain management is a management philosophy aimed at integrating a network of upstream linkages (source of supply), internal linkages inside the organisation and downstream linkages (distribution and ultimate customer) in performing specific processes and activities that will ultimately create and optimise value for the customer in the form of products and services, which are specifically aimed at satisfying customer demands.

In the 1960's, the emphasis in management thinking was on marketing and development of marketing strategies. It was during this time that the notion “the customer is king” developed and that management focused on manufacturing products to suit customer demand. Marketing strategies based on market segmentation and on communication with specific market segments through, for example, customised promotion strategies placed the customer foremost in management thinking. This concept is the cornerstone of the focus on customer service in modern SCM thinking (Hugo, Bandenhorst &Van Biljon 2006:3).

During the 1970s and as an extension of the evolution in marketing, the emphasis was on physical distribution of products with a view of improving the availability of products to customers. Concomitantly, the emphasis was on optimising inventory holding and minimising inventory holding costs in the various nodal storage facilities where material and finished products inventories were accumulated. It was also the period for buzzwords such as just-in time (JIT), cycle time reduction and time compression and total quality management. It was during this time that firms established systems that could more efficiently manage the process of acquiring the raw materials, having the necessary machines time and human resources available as well as scheduling output to meet demand without excess stores and inventories.

Coyle, Bardi & Langley (2003:13), state that the emphasis was undeniably on manufacturing in the 1980s. There was substantial pressure on manufacturing to become more flexible and to be able to adapt manufacturing processes quickly to ever-changing customer demands. The pressure was on finding techniques to reduce costs, reduce cycle times and improve forecasting techniques. Linked with growing software technology industry, this was the period when techniques such as material requirement planning (MRP), distribution requirement planning (DRP), enterprise resource planning (ERP), and system application process (SAP) were developed.

From an SCM point of view, this was the era when many of techniques and methodologies that would eventually make SCM possible were developed and honed to perfection. During this period, many management philosophies that today characterise the management of functional areas such as production and procurement were refined. These refined concepts are now part of overall SCM philosophy (Hugo et al 2006:4).

The 1990s were the era during which strategic logistics management developed into critically important business activity. The focus of logistics changed from internal efficiency to external relations between parties in the supply chain. It was also the era in which business experienced the most dramatic changes. Some of the changes, which impacted on the concept of SCM, are summarised by Chandar and Kumar (2000:100) as follows:

- Increasing national and international competition;
- Growing number of strategic alliances between organisations;
- Manufacturing systems have been enhanced by tools such as ERP and MRP;
- Organisation structures are starting to align with processes;
- There has been a growing appreciation in many firms of total cost focus for product from its source of consumption (The total cost of ownership);
- Outsourcing of non-core activities;
- Reduction in the number of suppliers; and
- Sharing of information between vendors and customers.

The impact of these changes on supply chain developments was profound. It became accepted doctrine that all players within the supply chain-upstream including supplier's suppliers and downstream extending to customer's customers have a role to play in understanding customer's requirements and satisfying market demand.

Optimising customer value is the focus point of the entire supply chain. It was also accepted that no single firm has the technology or resource to meet market demands on its own. The result was integration of management, processes and infrastructure across organisational borders. Finally, and due to the availability of information technology, the need for sharing information across the entire supply chain was recognised as the main enabling factor in establishing an integrated supply chain.

2.2 DEFINITION AND DESCRIPTION OF SCM

Stock & Lambert (2001:54) state that SCM is the integration of key business processes from end user through original suppliers that provides products, services and information that add value to for customers and other stakeholders.

Hugo et al (2006:5) submit that in the view of the many factors that contribute to the development of modern concepts of the supply chain management, it is not surprising that generally acceptable definitions of these concepts will be difficult to formulate.

Firstly, supply chain management is not yet universally accepted as descriptive of this exciting new approach aimed at enhancing customer service and providing a firm with a competitive advantage through the efficient management of the flow of materials and services. Terms such as supply pipeline management, logistics management, supply networks are used interchangeably.

Secondly, exactly how concepts of supply chain management should be defined is a further bone of contention. The two definitions below illustrate some of the difficulties currently being encountered.

- Supply chain management is the systems approach to managing the entire flow of information, materials, and services from raw materials suppliers through factories and warehouse to the end customer. (Leenders and Fearon ,1997:295)

- Supply chain management (SCM) is the process of planning, implementing, and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible. The supply chain management encompasses every effort involved in producing and delivering a final product from the supplier's supplier to the customer's customers. Four basic processes – plan, source, make, deliver (Anonymous 4, 2007:1).

Researcher agrees with the definition by Leenders and Fearon because it emphasises the management of the supply chain while Anonymous endeavours to define the elements of managing the supply chain.

An analysis of the definitions of the supply chain management leads to interesting deductions. Firstly, the statement that supply chain and logistics are identical concepts may be rejected. The main difference between the supply chain and logistics is that logistics is focused on the activities, processes and management of the flow of materials of a specific organisation. It has never focused on managing interrelationship with upstream and downstream entities.

The supply chain, on the other hand, endeavours to integrate elements of supply chain that are clearly beyond organisational borders.

2.3 SCM IN LIMPOPO PROVINCIAL TREASURY

Procurement and Supply Chain Management (P&SCM) within Limpopo Provincial Treasury is subject to the provisions of the Public Finance Management Act 01 of 1999 (PFMA). The intention of this policy is to ensure that treasury employees, and in particular, its supply chain practitioners, act strictly in accordance with the requirements of the PFMA when engaging in procurement and supply chain activities within the department.

The National Treasury on 5 December 2003 promulgated a Framework for Supply Chain Management in terms of section 76(4) (c) of the Public Finance Management Act (Act No. 1 of 1999) (PFMA).

National Treasury's approach to supply chain management has been well researched and is consistent with good commercial practice as espoused by the Provincial Treasury. A number of shortcomings have been identified in the Provincial Treasury's current SCM practice, and the Supply Chain Management Office, implemented in terms of the Framework and its regulations, will address these.

The further development of an effective and efficient supply chain management system for the acquisition and disposal of assets, goods, works, and services (including management consulting services) on a competitive basis, based on sound business principles of the company, the supply chain management system and processes address the following:

- Governance
- Demand Management
- Acquisition Management
- Logistics Management
- Disposal Management
- Supply Chain Performance Management.

The supply chain components within the provincial treasury are as follows:

- Demand and Acquisition
- Policy making and implementation
- Supply chain advice centres
- Disposal management

2.4 SUPPLY CHAIN MANAGEMENT PROBLEMS

Supply chain management must address the following problems:

- Distribution Network Configuration: Number and location of suppliers, production facilities, distribution centres, warehouses and customers.

- Distribution Strategy: Centralized versus decentralized, direct shipment, Cross docking, pull or push strategies, third party logistics.
- Information: Integrate systems and processes through the supply chain to share valuable information, including demand signals, forecasts, inventory and transportation etc.
- Inventory Management: Quantity and location of inventory including raw materials, work-in-process and finished goods. Supply chain execution is managing and coordinating the movement of materials information and funds across the supply chain. The flow is bi-directional.

2.5 SUPPLY CHAIN MANAGEMENT FUNCTION OR ACTIVITIES

Supply chain management is a cross-functional approach to managing the movement of raw materials into an organization and the movement of finished goods out of the organization toward the end-consumer. As corporations strive to focus on core competencies and become more flexible, they have reduced their ownership of raw materials sources and distribution channels. These functions are increasingly being outsourced to other corporations that can perform the activities better or more cost effectively.

The effect has been to increase the number of companies involved in satisfying consumer demand, while reducing management control of daily logistics operations. Less control and more supply chain partners led to the creation of supply chain management concepts. The purpose of supply chain management is to improve trust and collaboration among supply chain partners, thus improving inventory visibility and improving inventory velocity.

Several models have been proposed for understanding the activities required to manage material movements across organizational and functional boundaries. SCOR is a supply chain management model promoted by the Supply-Chain Management Council. Another model is the SCM Model proposed by the Global Supply Chain Forum (GSCF). Supply chain activities can be grouped into strategic, tactical, and operational levels of activities (Anonymous 1, 2007:1).

2.5.1 Strategic activity

The following are strategic activities of supply chain:

- Strategic network optimization, including the number, location, and size of warehouses, distribution and facilities;
- Strategic partnership with suppliers, distributors, and customers, creating communication channels for critical information and operational improvements such as cross docking, direct shipping, and third-party logistics;
- Product design coordination so that new and existing products can be optimally integrated into the supply chain, load management;
- Information Technology infrastructure, to support supply chain operations;
- Where to make and what to make or buy decisions; and
- Align overall organizational strategy with supply strategy.

2.5.2 Tactical

The tactical supply chain includes:

- Sourcing contracts and other purchasing decisions;
- Production decisions, including contracting, locations, scheduling, and planning process definition;
- Inventory decisions, including quantity, location, and quality of inventory;
- Transportation strategy, including frequency, routes, and contracting;

- Benchmarking of all operations against competitors and implementation of best practices throughout the enterprise; and
- Milestone payments.

2.5.3 Operational

Supply chain involves operational activities as follows:

- Daily production and distribution planning, including all nodes in the supply chain;
- Production scheduling for each manufacturing facility in the supply chain (minute by minute);
- Demand planning and forecasting, coordinating the demand forecast of all customers and sharing the forecast with all suppliers;
- Sourcing planning, including current inventory and forecast demand, in collaboration with all suppliers;
- Inbound operations, including transportation from suppliers and receiving inventory;
- Production operations, including the consumption of materials and flow of finished goods;
- Outbound operations, including all fulfilment activities and transportation to customers; and
- Order promising, accounting for all constraints in the supply chain, including all suppliers, manufacturing facilities, distribution centres, and other customers.

2.6 SUPPLY CHAIN BUSINESS INTERGARTION.

Successful SCM requires a change from managing individual functions to integrating activities into key supply chain processes. An example scenario: the purchasing department places orders as requirements become appropriate. Marketing, responding to customer demand, communicates with several distributors and retailers, and attempts to satisfy this demand. Shared information between supply chain partners can only be fully leveraged through process integration. Supply chain business process integration involves collaborative work between buyers and suppliers, joint product development, common systems and shared information (Stock and Lambert 2001:55).

.According to Lambert and Cooper (2000:65), operating an integrated supply chain requires continuous information flows, which in turn assist to achieve the best product flows. However, in many companies, management has reached the conclusion that optimizing the product flows and cannot be accomplished without implementing a process approach to the business. The key supply chain processes stated by Lambert (2004:83) are:

- Customer relationship management
- Customer service management
- Demand management
- Order fulfilment
- Manufacturing flow management
- Supplier relationship management
- Product development and commercialization
- Returns management
- One could suggest other key critical supply business processes combining these processes stated by Lambert such as:
 - Customer service management
 - Procurement
 - Product development and commercialization

- Manufacturing flow management/support
- Physical distribution
- Outsourcing/partnerships
- Performance measurement

2.6.1 Customer service management process

Customer service management is increasingly important in South Africa as customers begin to expect better service and become better able, through greater economic prosperity and easier access to technology, to exercise their choice between competing service providers. Customer expectations are being shaped by exposure to new and best practices and wider experience of competing or similar services (Anonymous 2, 2007:1).

Customer Relationship Management concerns the relationship between the organization and its customers; customer service provides the source of customer information. It also provides the customer with real-time information on promising dates and product availability through interfaces with the company's production and distribution operations. Successful organizations use following steps to build customer relationships:

- Determine mutually satisfying goals between organization and customers;
- Establish and maintain customer rapport; and
- Produce positive feelings in the organization and the customers.

2.6.2 Procurement process

Strategic plans are developed with suppliers to support the manufacturing flow management process and development of new products. In firms where operations extend globally, sourcing should be managed on a global basis. The desired outcome is a win-win relationship, where both parties benefit, and reduction times in the design cycle and product development is achieved. Furthermore, the purchasing function develops rapid communication systems, such as electronic data interchange (EDI) and internet linkages to transfer possible requirements.

This requires performing resource planning, supply sourcing, negotiation, order placement, inbound transportation, storage and handling, and quality assurance. Furthermore, it includes the responsibility to coordinate with suppliers in scheduling, supply continuity, hedging, and research to new sources or programmes.

2.6.3 Product development and commercialization

Customers and suppliers must be united into the product development process, thus to reduce time to market. As product life cycles shorten, the appropriate products must be developed and successfully launched in ever shorter time-schedules to remain competitive. According to Lambert and Cooper (2000), managers of the product development and commercialization process must:

- coordinate with customer relationship management to identify customer-articulated needs;
- select materials and suppliers in conjunction with procurement; and
- develop production technology in manufacturing flow to manufacture and integrate into the best supply chain flow for the product/market combination.

2.6.4 Manufacturing flow management process

The manufacturing process produces and supplies products to the distribution channels based on past forecasts. Manufacturing processes must be flexible to respond to market changes, and must accommodate mass customization. Orders are processes operating on a just-in-time (JIT) basis in minimum lot sizes. Also, changes in the manufacturing flow process lead to shorter cycle times, meaning improved responsiveness and efficiency of demand to customers.

Activities related to planning, scheduling and supporting manufacturing operations, such as work-in-process storage, handling, transportation, and time phasing of components, inventory at manufacturing sites and maximum flexibility in the coordination of geographic, and final assemblies postponement of physical distribution operations.

2.6.5 Physical distribution

Physical distribution or marketing logistics starts by asking how customers want to receive the product and then work backwards to the design of materials, final goods, inventory scheduling, transportation, warehousing and customer service to meet those needs (Anonymous 3, 2007:1).

This concerns movement of a finished product/service to customers. In physical distribution, the customer is the final destination of a marketing channel, and the availability of the product/service is a vital part of each channel participant's marketing effort. It is also through the physical distribution process that the time and space of customer service become an integral part of marketing, thus it links a marketing channel with its customers (e.g. links manufacturers, wholesalers, retailers).

2.6.6 Outsourcing / partnerships

This is not just outsourcing the procurement of materials and components, but also outsourcing of services that traditionally have been provided in-house. The logic of this trend is that the company will increasingly focus on those activities in the value chain where it has a distinctive advantage and everything else it will outsource.

This movement has been particularly evident in logistics where the provision of transport, warehousing and inventory control is increasingly subcontracted to specialists or logistics partners. Also, to manage and control this network of partners and suppliers requires a blend of both central and local involvement. Hence, strategic decisions need to be taken centrally with the monitoring and control of supplier performance and day-to-day liaison with logistics partners being best managed at a local level (Anonymous 1, 2007:2).

2.7 IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT

Implementation is another element of management process of the supply chain that requires a close analysis. As may be deduced from discussion of the evaluation of the supply chain concept, implementing the supply chain is a gradual process that requires specific management attention (Hugo et al., 2004:18)

Hugo et al. (2002:33) suggest some practical guidelines for implementation of supply chain strategy:

- Supply chain strategy is a sub strategy of the overall business strategy, should therefore be developed to support the overall corporate strategies, policies and objectives.
- Identify supply chain goals and develop plans to ensure that the process is individually capable of meeting supply chain goals. However setting specific objectives for implementing a supply chain is imperative.

- Develop a system for gathering market intelligence and for feeding this information back into the supply chain information system. Changes in ordering, patterns change in demand profiles, anticipating demand patterns of key customers and strategic manoeuvres of competitors in the market place are some of the areas in which information feedback can be vital.
- Develop performance measurement systems that will evaluate supply chain performance across functional and organisational boundaries.

Stock et al.(2001:59) state that the implementation of SCM involves identifying the supply chain members with whom it is critical to link, what the process need to be linked with each of these key members, and what type or level of integration applies to each process link.

The objective of the SCM is to maximize competitiveness and profitability for the company as well as the whole supply chain network, including the end user.

Consequently, supply chain process integration and reengineering initiatives should be aimed at boosting total process efficiency and effectiveness across members of supply chain.

2.8 CONTROLLING THE SUPPLY CHAIN

Supply chain entails among other things the measuring of actual performance and the elimination of inefficiencies not contributing toward the attaining objectives across the total supply chain management.

The control should also be seen within the context that SCM is process management. The control systems should therefore be changed from traditional functional control to process control. It should also be kept in mind that supply chain processes are mainly managed by inter-organisational teams that have full responsibility for managing the whole process. The teams will therefore also have a major role in the overall control of the supply chain (Anonymous 1, 2007:3).

2.9 CONCLUSION

In this chapter, the literature review was conducted on the impact of supply chain management on assets and financial management. The specific focus was given to definition of supply chain, the treasury regulations, and supply chain management activities, the elements of supply chain and integration of supply chain business.

CHAPTER 3

RESEARCH METHODOLOGY AND RESEARCH DESIGN

3.1 RESEARCH METHODOLOGY

For the purpose of the proposed study, the qualitative method will be used.

Qualitative field studies can be used successfully in the description of groups, communities, and organisations. Whereas quantitative method may be more useful in hypothesis -testing research, qualitative field studies, in turn, may lend themselves more aptly to studying cases that do not fit into particular theories.

Qualitative research can, theoretically speaking, be described as an approach rather than a particular design or set of technique. Therefore qualitative approach is also fundamentally a descriptive form of research.

It is focused on the behavioural regularities of everyday situations. These regularities are usually expressed as patterns, roles, and language, and are meant to provide the inferential keys to the group of people under study, such as business community.

The qualitative method is not concerned with the methods and techniques to obtain appropriate data for investigating the research hypothesis, as in the case of quantitative research. Qualitative data are based on meaning expressed through words and other symbols or metaphors (Welman and Kruger, 2001:191)

The primary task of ethnographic research is to uncover and explicate the ways in which people in particular setting come to understand, account for, take action, and manage their situations as well as the problems and difficulties they encounter. The process of uncovering and explicating are typically based on successive observations and interviews

3.2 RESEARCH DESIGN

A research design is a plan according to which one obtains research participants (subjects) and collect information from them. In it we describe what we are going to do with participants with a view of reaching conclusion about the research problem.

The investigations will be conducted as follows, the researcher made presentation, to the Chief Financial Officer to outline the purpose of the entire research and request that the very same presentation be forwarded to the relevant head of directorates and sub-directorate, to ensure that the researcher secures cooperation when conducting the research.

3.3 SAMPLING

3.3.1 Probability Sampling

The probability sampling determines the probability that any element or member of the population will be included in the sample. In probability sampling each unit has a chance of being included have a probability that exceeds zero.

The advantage of probability sampling is that it enables the researcher to indicate the probability with which sample results deviate in differing degree from the corresponding population values.

3.3.2 Sampling Frame

Sample frame is a complete list which each unit of analysis is mentioned only once. The sample should be representative of the sampling frame, which ideally is the same as population, but which often differs due to practical problems relating to the availability of information.

3.3.3 Sample Size

Welman, Kruger & Mitchell (2006:70) state that generalisations about population from data collected using any probability sample are based on probability. The larger the sample size, the lower the likely error in generalising to the population. Probability sampling is therefore a compromise between the accuracy of our findings and amount of time and money invested in collecting, checking, and analysing the data.

The target population for this study is the supply chain practitioners, assets management practitioners, assets end users, heads of directorates and sub-directorates. These are senior managers, managers, and deputy managers responsible for Management accounting, financial accounting, Supply Chain management, Provincial Supply chain management (demand and acquisition), and Provincial assets management.

Population size= 32

Sample size= 20

3.3.4. Sample Techniques

For the purpose of the study, the simple random sampling will be used. Each of the employees has the same chance of being included in the sample and each sample of a particular size has the same probability of being chosen.

3.4 DATA COLLETION

Against the background of the considerations regarding data collection in the design stage, the researcher should report on the methods and techniques of data collection, the time when the project was executed, and the events at that time which could have had an influence on the collected data, the controls used to ensure that the process of data collection yields reliable data (Mouton and Marais, 1988:194).

Data were mainly collected by means of a random sample survey. A structured questionnaire was designed for the study and applied to 40 employees within the department. The questionnaire was supplemented by semi-structured interviews with the selected sample.

The following ethical considerations were taken into account in order to protect the human rights of participation. (Leedy, 1997:116)

- The right to privacy or non participation;
- The right to remain anonymous;
- The right to confidentiality; and
- The right to equivalence.

3.5. DATA COLLECTION INSTRUMENTS

Each data collecting method and measuring instruments has its advantages and drawbacks. Various points are relevant during the data collection process. Among these are the decisions regarding the measuring scales, the nature and the role of the questionnaires and conducting interviews.

The data must be collected in such a way that it is:

- Relevant to the problem
- Measurable and easy to score
- Verifiable
- Storable
- Analysable
- convenient

Data collection instruments used in the research were interviews and semi-structured interviews

3.5.1. Interviews

Welman et al (2006:166) state that between the completely structured interviews, on the one hand, and the complete unstructured interview, on the other hand, various degrees of structured ness are possible. Interviews between the two extremes are usually called semi-structured interviews. The semi-structured interviews were conducted with the end user where a need arose. The researcher had a list of theme and questions covered, although these may have varied from interview to the next.

The interview should involve the following:

- Analysis of research problem;
- Understanding of what information must be obtained from the interviewee; and
- Identify those who would be able to provide the information.

The interviews took approximately 20 minutes for each interviewee and the process took a month to complete.

The following questions were designed to solicit the opinion of the respondents to various concepts relating to the impact of supply chain management in the Limpopo Provincial Treasury.

Supply Chain Management (Q1-Q12)

Financial Management (Q13-Q18)

Assets Management (Q19-Q28)

Question 1	How does the supply chain management work and how can it be improved?
Question 2	Do the directorates have assets acquisition plans and who is responsible to ensure that they are compiled on time?
Question 3	Does the directorate have any mechanisms in place to enforce the adherence to the assets acquisitions plans?

Question 4	Do the directorates benefit from these assets management plans?
Question 5	Is the supply chain team aware of the financial implications on the capital assets acquisitions?
Question 6	Once the acquisition plans are in place, who is responsible to places the requisition for these assets?
Question 7	Does the directorate have mechanisms in place to ensure purchases are in line with the budget?
Question 8	Is the process of the assets requisition followed up?
Question 9	Does the directorate inform the requesters with regards to the assets requisitions placed (status)?
Question 10	Does the supply chain team ensure that the purchases are in line with the acquisition plans?
Question 11	Does the directorate procure assets on regular basis so that they avoid March spike?
Question 12	Does the supply chain team have the process to ensure that the assets are delivered to the right people and place?
Question 13	How does the current financial management work and how can it be improved?
Question 14	Does the implementation of the supply chain management yield savings for the department?
Question 15	Do the directorates assets expenditure in line with their acquisition plans?
Question 16	Does the actual expenditure fit well with the cash projections made?
Question 17	Do the directorates eventually achieve its financial management goals on Capital budget?
Question 18	Do the directorates accounts for any under or over expenditure on capital assets.
Question 19	How does the current assets management work and how can it be improved?
Question 20	Is the process of acquiring the assets followed up once the assets management plans are submitted?
Question 21	Does the supply chain and asset management team interact with regards to new acquisitions?
Question 22	Does the assets management unit inform the supply chain and financial management when the plans are not properly followed?

Question 23	Do the directorates account for not adhering to their assets acquisition plans?
Question 24	Does the assets management unit have a process of recording new acquisitions?
Question 25	Does the assets management team verify the new acquisitions subsequent to delivery?
Question 26	Does the asset management team bar code these assets once verified for existence?
Question 27	When does the assets management team update these assets in the asset register?
Question 28	Does the assets management team have a process to ensure that the assets holder account for the assets received?

3.5.2 Structured questionnaires

Welman et al (2006:174) state that the decision to conduct a questionnaire survey should itself be the culmination of a careful process of thought and discussion, involving consideration of all possible techniques. When designing a questionnaire, the researcher should seek out as much as previous research on the topic or related topics as possible. More specifically, if it is decided that the study should have points of comparison with other studies, then data will need to be collected in a similar fashion.

Information was collected through the use of the questionnaires. The process took a month to complete.

3.5.3. Observation

The researcher is working for the Limpopo provincial treasury; the observation was also used for the purpose of the study mainly on the issues that are related procurement.

3.6 CONCLUSION

In this chapter, the research methodology and research design were addressed. Specific focus was given on the data collection, sample size, target population, and data collection instruments.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 INTRODUCTION

Once the decision is made on appropriate research design and suitable means of measuring the relevant variables, an appropriate statistical procedure to analyse data must be chosen. This choice must be made before the process of collecting data is started. The results obtained will provide feedback on the tenability or untenability of the original formulated research hypothesis.

4.2 DATA ANALYSIS

Mouton et al (1988:194) state that analysis includes both qualitative and quantitative approaches. It is generally acceptable that empirical data can be analysed in different ways. Different approaches such as analysis can sometimes lead to different findings.

Data analysis by means of statistical techniques helps us to investigate variables as well as their effect, relationship, and patterns of involvement within the study. One characteristic of data, which plays important role in the analysis process, is the nature of the distribution of scores.

4.3 DATA INTERPRETATION

Mouton et al (1988:195) state that in theoretical as well as empirical research, the report should be concluded with interpretation of the findings against the background of the original research problem. Criteria of objectivity require that the interpretation should not be selective, but that data should be reported in full. A valid conclusion is one in which the data provide both sufficient and relevant grounds for the conclusion. The interpretation should be based on the objectives of the investigation, the type of data, which has been captures, and types or types of calculations which were done.

For the purpose of the study the data we were analysed and presented in the form of tables and graphical distribution using PowerPoint and Microsoft word for report writing or data can be computed manually for the sake of simplicity.

The purpose of this research study is to provide answers to question pertaining to the research conducted. The questions were formulated in such a way that they allows the respondents to have equal chance to respond to the impact of supply chain management on assets and financial management in the Limpopo Provincial Treasury. The target population was chosen in order to authenticate the research from respondents who were affected by the research problem.

4.4 THE DATA WAS ANALYSED AND INTREPRETED AS FOLLOWS

The data were analysed to communicate the findings as well as to validate what was required. One needs to realise that the validation of data can agree or disagree with hypothesis; therefore, the researcher has to adopt different approaches to the sample.

1. How does the supply chain management work and how can it be improved?

The results from question 1 returned as follows:

Eighty five percent (85%) of the respondents indicated that the current supply chain management system is not yet where it is supposed to be;

and therefore the improvement is needed. The results show that there is a lack of integration and interaction amongst the key role players.

2. Do the directorates have assets acquisition plans and who is responsible to ensure that they are compiled on time?

The results from question 2 returned as follows:

Seventy percent (70%) of the respondents indicated that their directorates do have the assets acquisition plans but the quality thereof is questionable. The results show that the directorates do not a clear understanding of what should be included in the plans and this lead to uninformed procurement decisions been taken which has negative impact on service delivery.

3. Does the directorate have any mechanisms in place to enforce the adherence to the assets acquisitions plans?

Yes	No
1	19

The results from question 3 returned as follows:

Ninety five percent (95%) of the respondents indicated that there is no mechanism in place to enforce the program managers to submit their assets acquisition plans to supply chain management practitioners. The results clearly show that the department is also not serious in making sure that the supply chain management is effectively and efficiently implemented.

4. Do the directorates benefit from this assets management plans?

Yes	No
1	19

The results from question 4 returned as follows:

Ninety five percent (95%) of the respondents indicated that there are no benefits since the quality of that information is poor and the plans in most cases are misleading. The results indicate that the assets are acquired randomly without a plan in place which has a clear indication of what to buy and when.

5. Is the supply chain team aware of financial implications on the capital assets acquisitions?

Yes	No
20	0

The results from question 5 returned as follows:

Hundred percent (100%) of the respondents indicated that the supply chain management team or practitioners are fully aware of the implications. These results clearly point out that if the program managers are not planning the assets acquisitions effectively the department will always spend their money even where is not necessary.

6. Once the acquisition plans are place, who is responsible to places the requisition for these assets?

Yes	No
20	0

The results from question 6 returned as follows:

Hundred percent (100%) of respondents indicated that program managers are responsible to place a requisition once their assets acquisition plans are in place. These show that the managers are the ones to know exactly when to acquire capital assets and if they fail to procure on time their funds will be reduced during the adjustment periods.

7. Does the directorate have mechanisms in place to ensure purchases are inline budget?

Yes	No
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6	14
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The results from question 7 returned as follows:

Seventy percent (70%) of the respondents indicated that there are no mechanisms in place to ensure that the purchases or acquisitions are in line with the budget. The results point out exactly that the budget and the purchases do not complement each other or do not talk the same language.

8. Is the process of the assets requisition followed up?

Yes	No
11	9

The results from question 8 returned as follows:

Fifty five (55%) of the respondents indicated that the requisitions are followed up by the program managers or information technology (IT) once the period of two weeks elapse. The results point out the fact that there are still those who don't care about their requisitions.

9. Does the directorate inform the requesters with regards to the assets requisitions placed (status)?

Yes	No
15	5

The results from question 9 returned as follows:

Seventy five (75%) of the respondents indicated that the supply chain practitioners do informs the program managers about the status of the requisitions or orders. This depicts that there is better communication at this stage because the program managers are happy with the service they are getting from the supply chain management team.

10. Does the supply chain team ensure that the purchases are in line with the acquisition plans?

Yes	No
20	0

The results from question 10 returned as follows:

Hundred percent (100%) of the respondents indicated that the practitioners do request that the acquisition plans must be attached to the requisition at all times. These results show that for those requisitions that do not have acquisition plans gets rejected or referred to higher authority for approval.

11. Does the directorate procure assets on regular basis so that they avoid March spike?

Yes	No
8	12

The results from question 11 returned as follows:

Sixty percent (60%) of the respondents show that the directorates or department is not buying their assets on regular basis. These results show that the directorates buy their capital assets on the last quarter of the financial year, which leads to assets not being accounted for in the departmental assets register. This leads to purchases of unplanned assets and some of the assets paid even before they are delivered.

12. Does the supply chain team have the process to ensure that the assets are delivered to the right people and place?

Yes	No
18	2

The results from question 12 returned as follows:

Ninety percent (90%) of the respondents indicated that there is central places where the deliveries are made. IT equipments are referred to the IT section and office equipments are referred to the logistics section. These results depict that the five rights that management expects are achieved.

13. How does the current financial management work and how can it be improved?

Yes	No
8	12

The results from question 13 returned as follows:

Sixty percent (60%) of the respondents indicated that the current financial management is not doing well, and the most areas of the financial management in the department still need attention and improvements.

These results show that there are directorates which still cannot budget properly and cannot use their funds as per the budget. The majority of the directorates still lack financial skills.

14. Does the implementation of the supply chain management yield savings for the department?

Yes	No
8	12

The results from question 14 returned as follows:

Sixty percent (60%) shows that the implementation of supply chain hasn't yet yielded the saving in the department. This means that because the SCM policy is quite in terms of when to buy the capital assets. The behavior program managers buy capital assets at the end of the financial year and compromise the discounts that the department might be getting if their orders were placed on time.

15. Do the directorates assets expenditure in line with their acquisition plans?

Yes	No
6	14

The results from question 15 returned as follows:

Seventy percent (70%) of the respondents show that the directorates' expenditure is not in line with the budget merely because their budget is in most cases inaccurate. This shows that the program managers do their budget for the sake of compliance; they don't care about what happens in the future.

16. Does the actual expenditure fit well with the cash projections made?

Yes	No
6	14

The results from question 16 returned as follows:

Seventy percent (70%) of the respondents show that directorates' expenditure does not fit well with the projections made on the capital budget. This results point out the deficiency of the program managers in compiling cash projections of what they want to procure on certain period.

17. Do the directorates eventually achieve its financial management goals on Capital budget?

Yes	No
11	9

The results from question 17 returned as follows:

Fifty five (55%) of the respondents indicated that directorates eventually achieve their financial goal only after the adjustments were made. This points out that the directorates achieve their goals only when financial management intervenes during the adjustment periods whereby the unused funds are taken away from directorates.

18. Do the directorates accounts for any under or over expenditure on capital assets?

Yes	No
6	14

The results from question 18 returned as follows:

Seventy percent (70%) of the respondents show that the directorates don't account for their under expenditure on monthly basis. This shows that the directorates do not account for any under expenditure. Only the department does on its overall under expenditure.

19. How does the current assets management work and how can it be improved?

Yes	No
8	12

The results from question 19 returned as follows:
Sixty percent (60%) of the respondents indicated that assets management is not where it is supposed to be. This points out that the value chain is not properly managed because the asset management team is in most cases the last ones to know about any purchases made in the directorate. They realize capital assets purchases when they see expenditure in the budget which is risky to the department. Capital assets acquisition plans are also not accurate and not binding.

20. Is the process of acquiring the assets followed up once the assets acquisition plans are submitted?

Yes	No
0	20

The results from question 20 returned as follows:
Hundred percent (100%) of the respondents indicated that no one makes the follow up to program managers. This shows that the program managers can only procure capital assets at any time that suits their needs.

21. Does the supply chain and asset management team interact with regards to new acquisitions?

Yes	No
0	20

The results from question 21 returned as follows:
Hundred percent (100%) of the respondents indicated that there is no interaction between the two directorates. This reveals that the asset management team will always chase assets that are already delivered to

end users, and this will result in the department assets registers being understated.

22. Does the assets management unit inform the supply chain and financial management when the plans are not properly followed?

Yes	No
2	18

The results from question 22 returned as follows:
Ninety percent (90%) of the respondents indicated that asset management team does not communicate any deviations of the plans to anyone. This points out that for mere fact that the asset acquisition plans are not accurate. Their communication will mean nothing.

23. Do the directorates account for not adhering to their assets acquisition plans?

Yes	No
2	18

The results from question 23 returned as follows:
Ninety percent (90%) of the respondents indicated that the directorates do not account for not sticking to their assets acquisition plans. This indicates that the department does not see the asset acquisition plans as a control measure to ensure that the directorates use their funds for the intended purposes.

24. Does the assets management unit have a process of recording new acquisitions?

Yes	No
12	8

The results from question 24 returned as follows:

Sixty percent (60%) of the respondents indicated that unit has a process in place to record new acquisitions though it is difficult. This depicts that only when they are aware of such acquisition they do follow the laid process.

25. Does the assets management team verify the new acquisitions subsequent to delivery?

Yes	No
6	14

The results from question 25 returned as follows:

Seventy percent (70%) of the respondents indicated that the unit does not verify the new acquisition subsequent to delivery. This points it out that because normally they become aware of the acquisitions at later stage; it is very difficult to verify them immediately after delivery. This is risky because these assets can be stolen without the knowledge of the assets management team.

26. Does the asset management team bar code these assets once verified for existence?

Yes	No
20	0

The results from question 26 returned as follows:

Hundred percent (100%) of the respondents indicated that the assets management team bar-code these assets once they have seen them. This means that no assets will go into the assets register without bar code and verified for existence as well.

27. When does the assets management team update these assets in the asset register?

Yes	No
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20	0
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The results from question 27 returned as follows:

Hundred percent (100%) of the respondents indicated that the assets management team updates these assets in the assets register monthly after the process of verification and bar-coding has completed. This shows that only those that were verified and bar-coded will go into the department's assets register.

28. Does the assets management team have a process to ensure that the assets holder account for the assets received?

Yes	No
20	0

The results from question 28 returned as follows:

Hundred percent (100%) of the respondents indicated that the assets management team has controls in place to make sure that the assets holder do account for their assets. This shows that all the assets which the assets management team is aware of are accounted for in department's assets register. They normally use assets inventory list which the assets holders agree in the form of signatures to be in the possession of those assets.

4.5 CONCLUSION

In this chapter a data analysis and interpretation of results were conducted on the data collected from the research interviews.

The data were relatively easy to collect, store and analyze, and it was also convenient in terms of interpretation and relating it to the hypothesis.

CHAPTER 5

RECOMMENDATIONS AND CONCLUSION

5.1 RECOMMENDATIONS

The following recommendations are made by the researcher following the research problem with the purpose to address the research problem and to provide answers to the research question.

5.1.1 Supply Chain management

- Develop maximum integration with the other directorate or sections within the department. It is essential to understand the major needs of the program managers, so that these needs can be translated into support action such as developing capital assets standardization programs, forecasting future prices, performing economic make or buy analyses.
- There is a need to establish a demand analyses sections which will assist in making sure that whatever the end users or program managers request is legitimate and will assist in furthering the service delivery as promised. This will also assist in making sure that there is no fruitless expenditure in the department or assets are being replaced while they are still within their life span.
- Improve on the internal controls systems on procurement process in such a way that both assets and financial management are well covered. Identify standard capital assets; for instance, IT equipments that the directorates can choose from when the items are sourced.
- Since the major part of the budget is on the capital assets, therefore it is very important that the assets acquisition plans are enforced to every program manager to avoid poor spending of the budget. The capital assets acquisition plans should be accurate because the success of the financial and assets management rely heavily on them.
- The program managers should know exactly what is it that they will they need in the following financial year and plan accordingly. When the budgets are prepared the program managers should be in the position to produce their acquisition plans so that the budget can be prepared based on informed information.

- When the program managers compile their annual acquisition plans, the same information should be used to compile the budget because in most cases what is in the acquisition plan does not compliment the budget.
- Cut the capital budget if not used on or before the end of the 3rd quarter. This will assist in making sure that the program managers do not wait until the last day to action the budgets, and it will assist in avoiding March spike and unplanned purchases of or unimportant assets.
- Those mangers who could not spend their budget as planned should the taken for disciplinary action, merely just to set the records straight and that will encourage accountability.
- Develop a practice note that will clearly states the implications of not spending the budget as planned or spending it in such a way that it does not compliment the service delivery.
- Develop strategies(check list) that ensure compliance to all procurement process within the department

5.1.2 Financial management

- The department should introduce norms and standards to prescribe transparency and expenditure control measures, which should include best practices to regulate financial management in the department.
- The program managers should be trained on financial management matters, which will eventually lead to a better financial management within the directorates and the department as whole.
- Ensure that the procurement or acquisition plans that they developed are the ones that they use to prepare the budget because the current situation reflects the opposite where the capital expenditure does not correspond with budget and the acquisition plans.
- There is a need for communication amongst all the role payers to avoid the under spending of capital assets and to give the financial management team an opportunity to adjust the capital budgets on time where a need arises.
- Allow the participation of employees when this capital budgets are prepared because the program managers normally centralize that function and eventually lack ownership of the subordinates.
- Encourage the program managers to cost their budgets according to their respective needs because currently they just budget for the sake of budgeting and for compliances purposes as well.

- For those who budget and end up not even spending their budgets should account even if it means disciplinary action against such individuals. In an ideal situation such money should have been invested somewhere or using it somewhere to further the business of the government.
- Have a budget meeting on a regular basis to discuss the challenges that financial management and the program managers are facing so that the challenges can be addressed at earlier stage.
- Conduct budget workshops because that is where things start and make sure that every program manager understands his or her role when coming to budget matters.

5.1.3 Assets management

- The assets management team should be involved in the process of acquiring assets to avoid this confusion of assets being paid but not bar-coded or included in the assets register. In an ideal situation, the assets controllers should also verify any assets requisition so that they can track to assets from the onset and to reduce the risk of losing these assets.
- The assets management team should also have a say if the directorates are not procuring the assets as per assets plans
- There is a need for a constant communication amongst the assets management, supply chain, and financial management in order to address these issues of capital assets acquisitions at earlier stage before it is too late. This will assist in making sure that the assets controllers do not become aware of the new assets when they see expenditure in the budget.
- Install the culture of accountability to ensure that the program managers take this issue of capital assets plans very seriously.
- The assets should not be paid until the assets controllers verify, bar-code this assets and include them in the assets register. This will ensure that the assets management team is inform once the delivery of those items takes place. It will also assist the assets controllers not to chase the assets when they realize that there is expenditure in the budget.
- Develop a check list to ensure that all the assets purchased are included in the department's assets register.
- Have an integrated financial system that will allow these functions to run smoothly and improve communication between the role players maybe by way of workflow.

5.2 KEY RESEARCH FINDINGS

- No integrated financial system to coordinate these functions (the supply chain , financial management and assets management)
- No communication or interaction within the relevant stakeholders who actually perform the duties. Asset management team normally is the last ones to know about the new acquisition; they in fact know about the new acquisitions when they see expenditure in the budget.
- Lack of commitment from the end users or program managers with regard to assets acquisition plans. The most directorates have not spent their budget in terms of the Treasury guidelines so far because they do not actually know exactly what to acquire.
- No measure in place to enforce compliance of assets acquisition plans from the program managers. There are still those who have not submitted their plans to either assets management team or financial management.
- No person dedicated to perform the demand analysis in terms of the assets needs of the program managers. Demand analysis person will assist in checking whether or not the assets in need are of a paramount importance or the service delivery will be affected should that asset not be acquired.
- Lack of budgetary skills from the program managers, most managers budget because they are required to do so and their budgets in most cases are not linked to their capital needs.
- Inaccurate budgetary figures. The program manager even goes to an extent of estimating their figures in the budget, which leads to under expenditures.
- Lack of internal controls to ensure that all the assets procured are accounted for. The process of verifying and bar-coding assets takes places once the payment has already been effected, and this is very risky to the department.
- Lack of accountability for unused budget. The financial management team only cut the unused budget during the adjustment period and no disciplinary measure or what so ever is taken against those found guilty.

- The process of verifying and bar-coding assets is done after the payment has been effected. These results in risk of paying assets that are not even there.
- The department has got no cut-off date for the acquisition of capital assets, which leads to March spike.
- There are no standard specifications for capital assets that assist the program managers to cost their budgets accurately.
- The asset management team has got no powers to question any late procurement or non acquisition of capital assets in the department.
- No deadlines in terms of acquisition of capital assets, which results in poor financial management in the department.
- There is no assets management module in place that will assist in building credible assets registers.
- The directorates has a tendency of acquiring assets on the last quarter of the year which compromises the chances of getting discounts from the suppliers and also make it difficult for asset management to account for those assets in the departmental asset register.
- Lack of supply chain, assets management and financial management practice notes, which will give clarity to issues that are not covered in the policy.

5.3 CONCLUSION

The supply management is the process responsible for the development and management of a department's total supply system both external and internal components. Its major focus, however, is strategic, it deals with activities that have a great potential for impacting the success of the department and integrate supply actions with those of other key players in the department.

The development of strategic, long term acquisition plans for all major assets and active participation in the corporate strategic planning process is critical for success of supply chain management in the department. Nevertheless the full potential of the supply chain has yet to be developed and realized in the Department.

The demand and acquisition management together with both assets and financial management should ensure that the following objectives are met during the acquisition of capital assets:

- Understanding future needs
- Identifying critical delivery dates
- The frequency of need
- Linking the requirement to the budget
- Doing an expenditure analysis
- Determining the specifications
- Doing a commodity analysis
- Doing an accountability analysis
- Assets register
- Cost benefit analysis

The supply chain management can only be achieved when precise acquisition plans are in place for each major category of the capital assets and effectively integrating with other role players.

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