

Procurement Process in the North-West Department of Education and Sports Development, Mmabatho Head Office

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Mini-dissertation submitted in partial fulfilment of the requirements for the degree *Master of Business Administration* at the North-West University

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DECLARATION

I, **Nomsebenzi Winterrose Letshaba**, do hereby declare that this dissertation is the result of my investigation and research and that this has not been submitted in part or full for any degree or examination to this or any other University.

Nomsebenzi Winterrose Letshaba

Date

ACKNOWLEDGEMENTS

The writing of this dissertation has been one of the most significant academic challenges I have ever had to face. Without the support, patience and guidance of the following people, this study would not have been completed. It is to them that I owe my deepest gratitude:

- I would like to thank God for the wisdom and strength during the term of this research.
- Prof. T. Pelser, my Academic Dissertation Supervisor, who supported and guided me through the dissertation process.
- My family for their emotional support, words of encouragement, unconditional love and most of all for believing in me.
- Colleagues and friends for the constant words of support and encouragement on my studies.
- Finally, to my research respondents who made it possible for me to collect data through their willingness and co-operation.

Abstract

Government or public procurement is the purchasing of goods, services or constructions on behalf of a public authority, such as a government agency (Badenhorst-Weiss, 2012). Arrowsmith, (2010) states that recently, procurement was seen as a necessity only. In fact, in many developing economies the profession is still being treated as a ‘back-office’ function. However, not much has been done to explore and address challenges facing procurement professionals in developing economies (Tukuta and Saruchera, 2015). The law regulating government procurement in South Africa has been developed predominantly since its transition into a constitutional democracy, albeit that certain remnants of the previously existing common law have remained.

Both Qualitative and Quantitative approaches were used. Data were collected using a questionnaire instrument developed through review of literature along with focus group findings. The findings on four objectives of the study identified that, out of 46 responses received, 96% indicated the importance of procurement processes as requiring professionalism, ethical and skills to master mechanisms dealing with the situation. Very few seem not to understand the process which requires intensive training.

Key words: **Legislative Framework, Procurement Ethical Conduct, Good governance, Procurement process**

Table of Contents

<u>DECLARATION</u>	i
<u>ACKNOWLEDGEMENTS</u>	ii
<u>Abstract</u>	iii
<u>CHAPTER ONE: INTRODUCTION AND BACKGROUND OF THE STUDY</u>	1
<u>1. Introduction</u>	1
<u>1.2 Definition of concepts</u>	2
<u>1.3 The Background</u>	2
<u>1.4 Problem Statement</u>	4
<u>1.5 Research aim</u>	4
<u>1.6 Research Methodology and design</u>	5
<u>1.7 The study significance</u>	7
<u>1.8 Scope of the study</u>	7
<u>1.9 Chapter Outline</u>	7
<u>1.10 Conclusion</u>	8
<u>CHAPTER TWO: LITERATURE REVIEW</u>	9
<u>2.1 Introduction</u>	9
<u>2.2 Theoretical framework</u>	9
<u>2.3 Conclusion</u>	21
<u>CHAPTER 3: RESEARCH METHODOLOGY</u>	22
<u>3.1 Introduction</u>	22
<u>3.2 Research Methodology and design</u>	22
<u>CHAPTER FOUR 4: PRESENTATION AND ANALYSIS OF RESULTS</u>	26
<u>4.1 Introduction</u>	26
<u>4.2 Section A: Demographic Information</u>	26
<u>4.2.1 Response rate</u>	26

<u>4.2.2 Biographic information</u>	26
<u>4.3 Job status of employees in the North West Department of Education and Sports Development, Mmabatho head office</u>	28
<u>4.4 Section B: The impact of legislative framework regulating the procurement process in the North West Department of Education and Sports Development, Mmabatho head office</u>	30
<u>4.5 Section C</u>	35
4.6 Reliability, Validity and Trustworthiness.....	37
<u>4.7 CONCLUSION</u>	37
<u>CHAPTER 5: SUMMARY, FINDINGS, RECOMMENDATIONS AND CONCLUSION</u>	38
<u>5.1 Summary</u>	38
<u>5.2 FINDINGS</u>	38
<u>5.3 RECOMMENDATIONS</u>	39
<u>5.4. Conclusion</u>	40
<u>BIBLIOGRAPHY</u>	41
<u>APPENDIX A</u>	48

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

Government or public procurement is the purchasing of goods, services or constructions on behalf of a public authority, such as a government agency (Badenhorst-Weiss, 2012). Arrowsmith, (2010) stated that recently, procurement was seen only as a necessity. In fact, in many developing economies the profession is still being treated as a ‘back-office’ function. However, not much has been done to explore and address challenges facing procurement professionals in developing economies (Tukuta and Saruchera, 2015). The law regulating government procurement in South Africa has been predominantly developed since its transition into a constitutional democracy, albeit that certain remnants of the previously existing common law have remained (Badenhorst-Weiss, 2012). Government procurement is dealt with specifically in Section 217 of the Constitution, which requires organs of state in the national, provincial and local spheres of government, and any other institution identified in national legislation, to contract for goods or services in accordance with a system which is fair, equitable, transparent, competitive and cost-effective (Davey and Gatenby 2015). The entire legislative framework regulating government procurement in South Africa is based upon these five foundational principles, which are echoed in various further pieces of legislation, most notably the Public Finance Management Act³ (PFMA) and the Local Government: Municipal Finance Management Act⁴ (MFMA) (Davey and Gatenby 2015).

Despite all these, there still exist lack of authority; bias; non-compliance with a mandatory and material procedure or condition; procedural unfairness; material influence by an error of law; ulterior purpose or motive; consideration of irrelevant considerations or failure to take relevant considerations into account; unauthorised or unwarranted influence; arbitrariness or capriciousness; unlawfulness; irrationality; failure to take a decision and unreasonableness (Smart Procurement, 2011).

Procurement is supposed to be both a strategic tool and a mechanism enabling the different departments in South African government to implement policies for socio-economic development and transformation (Turley and Perera, 2014). This study therefore investigates this tool by exploring and analyzing the procurement process in the Department of Education and Sports Development in the North West Province, Mmabatho head office.

1.2 Definition of concepts

It is important to define concepts in this study for the purpose of understanding what the analysis of procurement process mean.

1.2.1 Procurement

Procurement is the process of finding, agreeing terms, and acquiring goods, services or works from an external source, often via a tendering or competitive bidding process. The process is used to ensure the buyer receives goods, services or works at the best possible price, when aspects such as quality, quantity, time, and location are compared (Weele, 2010).

1.2.2 Process

A process is a set of activities that interact to achieve a result. Corporations and public bodies often define processes intended to promote fair and open competition for their business while minimizing risk, such as exposure to fraud and collusion.

1.3 Background of the study

Procurement reforms in South Africa started in 1995 and were directed at two broad focus areas, namely the promotion of principles of good governance and the introduction of a preference points system to address certain socio-economic objectives (Mkhize, 2004). Mkhize, (2004) goes further to say that the procurement reform processes were embedded in Section 112 of the Municipal Financial Management Act No 56 of 2003 (MFMA), Section 76(4) (C) of the Public Finance Management Act No 1 of 1999 (PFMA) and the Preferential Procurement Policy Framework Act No 5 of 2000 (PPPFA). In 2001, the National Treasury completed a joint CPAR with the World Bank to assess procurement practices throughout the public sector (Pauw, 2011). The CPAR identified certain deficiencies in the current practices relating to governance, interpretation and implementation of the PPPFA and its associated regulations (National Treasury, 2005).

The systems of procurement and provisioning were fragmented owing to the fact that tender boards were responsible for procurement, whereas provisioning was largely underwritten by norms and standards in the logistics system driven by the National Treasury for effective and efficient financial management in government which was continuously questioned (Hanks, Davies and Perera 2008). Mkhize, (2004) added that similarly, the logistics system as a tool for asset management raised concerns because of a lack of proper handling of movable assets in the government environment. According to Mkhize, (2004) the year 2003 saw the adoption of an SCM document entitled 'Policy to guide uniformity in procurement reform processes in government' in conjunction with provincial treasuries to replace the outdated procurement and provisional practices in municipalities. 'A guide for accounting officers of municipalities and municipal entities' according to Turley and Perera, (2014) provides guidelines on the adoption of the integrated SCM function and its related managerial responsibilities assigned to accounting officers in terms of sections 62 and 95 of the MFMA. The guide explains how Chapter 11, part 1 of the MFMA, the municipal SCM regulations and the SCM policy of the council or board of directors can be adopted as an operational process for accounting officers to deal with each step of the SCM cycle. The principle behind the policy guide is that managers should be given flexibility to manage and ensure the constitutional requirements of transparency and accountability (National Treasury, 2005).

According to Hanks, Davies and Perera (2008), SCM operates within a regulatory framework set by the national government and extended by provinces and local government bodies to specific policies, legislation and regulations, to add value at each stage of the procurement process – from the demand for goods or services to their acquisition, managing the logistics process, and finally, after use, to their disposal.

SCM policy address deficiencies and maintain proper control of inventory and asset as well as obsolescence , it also ensures uniformity in bid and contract documentation, and options and bid and procedure standards, *inter alia*, will promote the standardization of practices (National Treasury, 2003).

The National Treasury regulations defines the different elements of SCM, which are demand management, acquisition management, logistics management, disposal management and SCM performance as the important part in procurement system, these are:

- indicating and explaining specifying the functions of the accounting officer in the management of the bidding process
- determining the way to avoid abuse of the supply chain management system within a department
- requiring and establish a system to collect and report on the performance of the SCM system within their defined jurisdictions and

- creation of a supply chain management unit in the office of the chief financial officer (National Treasury, 2005).

The legislation and regulations outline National departments and provincial and local governments are allowed to extend and develop their policies, systems and structures within the ambit of the national regulatory framework, hence, to a large extent, public procurement is decentralised to departments, provinces and municipalities (Hanks et al., 2008). Based on this decentralised structure, the National Treasury regulation stipulates that organs of state should establish three kinds of committee: bid specification, bid adjudication and bid award committees (Smart Procurement, 2011). Through this process of segregation of duties, greater efficiency and risk management is promoted, and some departments have decided to combine the bid specification and adjudication committees (Pauw, 2011).

1.4 Problem Statement

The problem in the North West Department of Education and Sports Development with regard to procurement process is that the sector is being decentralized and all goods and services are acquired on behalf of their business units, as a result the process is fragmented where there is no uniformity and to a large extent the proper processes are not followed (Turley and Perera, 2014). This problem, is the practice of irregular expenditure incurred amounting to millions of Rands. The department loses the benefit of a bulk purchase and specialized knowledge may be lacking in purchasing, so as a result there is a chance of over-and under-purchasing of materials. The study therefore intents to investigate the situation in the North West Department of Education and Sports Development and recommend the best way to deal with the procurement process.

1.5 Research aim

This is, to analyse the practice of acquiring goods and service in the North West Department of Education and Sports Development in the Mmabatho head office.

1.5.1 Research Questions

The study seeks to answer the following questions:

- What is the impact of legislative framework regulating procurement process in the North West Department of Education and Sports Development, Mmabatho head office?
- To what extent procurement ethical conduct is practiced?

- What mechanisms are used to ensure good governance with reference to procurement process?
- Which best procurement processes can be used to give good results?

1.5.2 Objectives of the research

The objectives of this study are to:

- review the impact of legislative framework regulating procurement process in the North West Department of Education and Sports Development, Mmabatho head office.
- examine procurement ethical conduct in the Department of Education and Sports Development, Mmabatho head office.
- determine the mechanisms used to ensure good governance with reference to procurement process.
- recommend the best procurement processes that can be used to give good results.

1.6 Research Methodology and design

1.6.1 Methodology

According to Welman, Kruger and Mitchell (2010:52) research methodology is used as a technique to give logic to a study and therefore, has a much wider scope than methods such as opinion polls, which in turn, have a wider scope than research techniques such as attitudes scales. Qualitative and quantitative research approaches was used as a mixed-method to triangulate a way of combining the two approaches, in so doing qualitative data analysis monitors and report the procedure, and a quantitative approach was used with a view to establish the concepts and the selection or construction of measuring (De Vos, et al., 2010:93). The study will use these approaches to address the challenges of procurement process in the North West Department of Education and Sports Development, Mmabatho head office.

1.6.2 Research design

Research design is a general plan for implementing a research strategy. A research design specifies whether the study involves a group or individual participants, to make comparisons within a group, or between groups, and how many variables are included in the study (Welman et al., 2010:52). Research strategies are broad categories that classify research according to how the study is conducted (Frederick and Lori, 2011:190). This study was conducted at the Mmabatho head office, in the Department of Education and Sports Development, in the North West Province, with a focus group involved in procurement

process. The main purpose of this study is exploratory, in the sense that it focuses on exploring the challenges faced by the department as a whole.

1.6.3 Sample population

Target population refers to a group of individuals with a specific interest. Individuals in a target population share one characteristic in doing a particular function (Gravetter and Forzano, 2009:138). Aschengrau and George (2008:7) mention that the population also determines a group of people with common characteristics inter alia place of residence, gender, age and use of certain services. The study used people of common characteristics with regards to addressing or working with procurement process in the North West Department of Education and Sports Development in Mmabatho head office. With a population of 350 staff members, random sampling was used.

1.6.4 Sample size

Probability sampling was used. It is a mechanism for reducing bias in the selection of samples, such as representative sample; random sampling; non-response; population and sampling error (Bryman, 2012:207). The sample size must be adequate to allow estimates about the characteristics of phenomena with reasonable precision (Gravetter and Forzano 2009:138). Different strategies can be utilised to obtain the best possible sample, and a final decision in this regard must be taken (De Vos, Strydom, Fouché and Delport, 2010:82). Each sample element is randomly drawn from the population. In addition, when it is possible to do so, relevant characteristics of the sample such as age, race, gender and social class are compared to the population to provide evidence of similarity for inferring representativeness (Welman, Kruger, and Mitchell, 2010:55).

1.6.5 Data Collection

A questionnaire was developed as presented, and was divided into three sections. The questionnaire was presented in a Likert - type scale with Strongly Disagree forming one end of the continuum and Strongly Agree the other end. Data was collected with a structured questionnaire on characteristics of procurement processes in creating a conducive environment to produce effective and efficient way of managing funds of the department.

1.6.6 Validity and reliability

The validity and reliability of the variables will be assessed using item reliability, construct reliability, and average variance extract, together with Cronbach's alpha coefficient. The results of the reliability testing highlights that the instrument utilised and the questions determine the reliability, validity and trustworthiness. At .746, Cronbach's alpha coefficient. According to the internal consistency is a good measure.

1.6.7 Data Analysis

Data was obtained through questionnaires. The first step was to edit especially related to responses to open-ended questions. The researcher ensured that all relevant questions had been answered and there was a follow-up if the respondents did not understand or needed clarification. The sections were analysed using the SPSS programme. Section A focused on Demographic Information; Section B, on the role of officials working in Supply Chain section and various systems of governance contributing to or impeding the efforts to expedite the proper way of procurement process. Section C focused on open-ended questions. The results from the data analysis were summarized.

1.6.8 Ethical Procedure

Research ethics are principles that the researcher undertakes in the process of data collection. According to Fouka and Mantzorou (2011), the research ethics outline how the respondents of the study are treated and protected during data collection and provide assurance to the respondents that their rights and general well-being will be protected.

The researcher followed the ethical requirements that are detailed by the Research Ethics Committee of the University of the North West Province. These ethics prescribe and encourage researchers to inform respondents about their participation in the study and that they will be free to be part of the study, and that no respondent will be forced or intimidated in order to be part of this study.

Informed consent was obtained prior to conducting the study and the confidentiality and anonymity of the respondents was protected by not disclosing personal information and contacts of the respondents without their consent and approval. This information will be disclosed to the participants and an agreement was reached not to mention any personal information relating to the participants of the study.

1.7 Significance of the study

The analysis of procurement process in the North West Department of Education and Sports Development, Mmabatho head office would be significant to the following:

Government:

To address the compliance with legislation based on procurement process.

Stakeholders:

Social background has a particular impact on service providers with whom the North West Department of Education and Sports Development, at the Mmabatho head office is doing business. This will assist the stakeholders to understand the importance of the procurement process.

1.8 Scope of the study

The study was conducted in the Mmabatho office, at the North West Department of Education and Sports Development as the head office of the province.

1.9 Chapter Outline

Chapter 1: Introduction

The following is being included in chapter one: the introduction, the problem statement, objectives, research questions, significance and scope of the study.

Chapter 2: Literature Review

In this section, a literature review is discussed in detailed. The sections consist of an insight and detailed discussion on the procurement process.

Chapter 3: Research Methodology

The research methodology is discussed in general and the Administration of the Questionnaires, Collection of the Questionnaires, Data Collection Instruments, Data Analysis, format of the study and chapter conclusion.

Chapter 4: Presentation and analysis of results

The discussion of the findings is addressed.

Chapter 5: Summary, Conclusions and Recommendations

The discussion here is based on the objectives using primary and secondary information.

1.10 Conclusion

Information provided above discussed the whole process and the layout of the study including theories that explain how procurement process should be conducted. What follows, focuses on literature review.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

A literature review is regarded as an essential process in an academic discourse because it enables the researcher to discover what is contained in the body of knowledge and in this instance, this would be knowledge on procurement process as a tool or instrument to create effective and efficient service of goods

(Baba, and HakemZadeh, 2012). It also involves the identification of inconsistencies and the gaps in the knowledge of the phenomenon investigated (Badenhorst, 2008:117). This could be obtained through the theoretical framework.

2.2 Theoretical framework

According to Swanson (2013), theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical bounding assumptions. The theoretical framework is the structure that can hold or support a theory of a research study, and introduces and describes the theory that explains why the research problem under study exists (Baba, and HakemZadeh, 2012). Some of the theories are discussed to clarify the procurement process. These are Supply Chain Management Theory; Decision Theory; Agency Theory; Marketing Ethical Theory.

2.2.1 Supply Chain Management Theory needed in procurement process

This theory was developed in the early 1980 and because of the ever changing environments that tends to improve industries and government to manage the funds effectively and efficiently (Svensson 2002). Svensson (2002), further states that the theory highlights the growing need and importance of procurement professionals, as the scope of international purchasing and changing as a result of globalization and it also requires total systems views of the linkages in the chain that work together efficiently to create customer satisfaction. Supply chain management is broad in scope and considers the effect of functions other than procurement on business processes spanning multiple companies (Lambert and Pohlen, 2001). It is the integration of key business processes from the end-user right through to the original suppliers that provided the product(s), service(s) as well as the essential information that add value for customers and other stakeholders (Mentzer, DeWitt, Keebler, Soonhong, Nancy, and Smith, 2001). (Walters, 2012) reiterate that, it is imperative that costs be lowered across the chain by driving out unnecessary costs and focusing on adding value.

2.2.1.1 Centralization in supply chain management

Weele (2014), sates that a centralized procurement structure places the purchasing unit in both a central and tactical position which, includes the creation of a framework agreement for the use of the whole organisation and contract management within a contract period. The term framework agreement according to Brammer, and Walker, (2011), is created especially for centralized procurement, which clarifies the terms and conditions relating to price, quantity and quality compliance from suppliers with the company's buyers. Brammer, and Walker, (2011) further describe the task of creating this corporate-wide agreement belongs to

a central purchasing unit, meanwhile, ordering and fulfillment tasks are still conducted as decentralized activities, although the procurement model is centralized. In this model, the central purchasing unit is responsible for collecting the demand forecast and bundling volumes of items whose product specifications are standardized and satisfy end-users. After that it proceeds with selecting final suppliers, negotiating and contracting (Karjalainen 2009).

Centralization in procurement attempts to acquire “the economies of scale in purchasing prices and process costs” by switching the individual purchases done by functional units with corporate-wide agreements (Weele, 2014:268). To achieve these benefits, the central purchasing unit formulates the procurement process and develops supplier base reduction (Lysons and Farrington, 2012).

Table 1: Summarized pros and cons of procurement centralization (Weele, 2014:268)

Centralization advantages	Centralization disadvantages

Trautmann, Turkulainen, Hartmann, and Bals, (2009b), explain how the theory and introduction of centralization in purchasing should be differentiated from two other methods including decentralized and hybrid structures (a structure that combines both the advantage of centralized and decentralized procurement). The reason is that the centralization process does not necessarily involve the entire

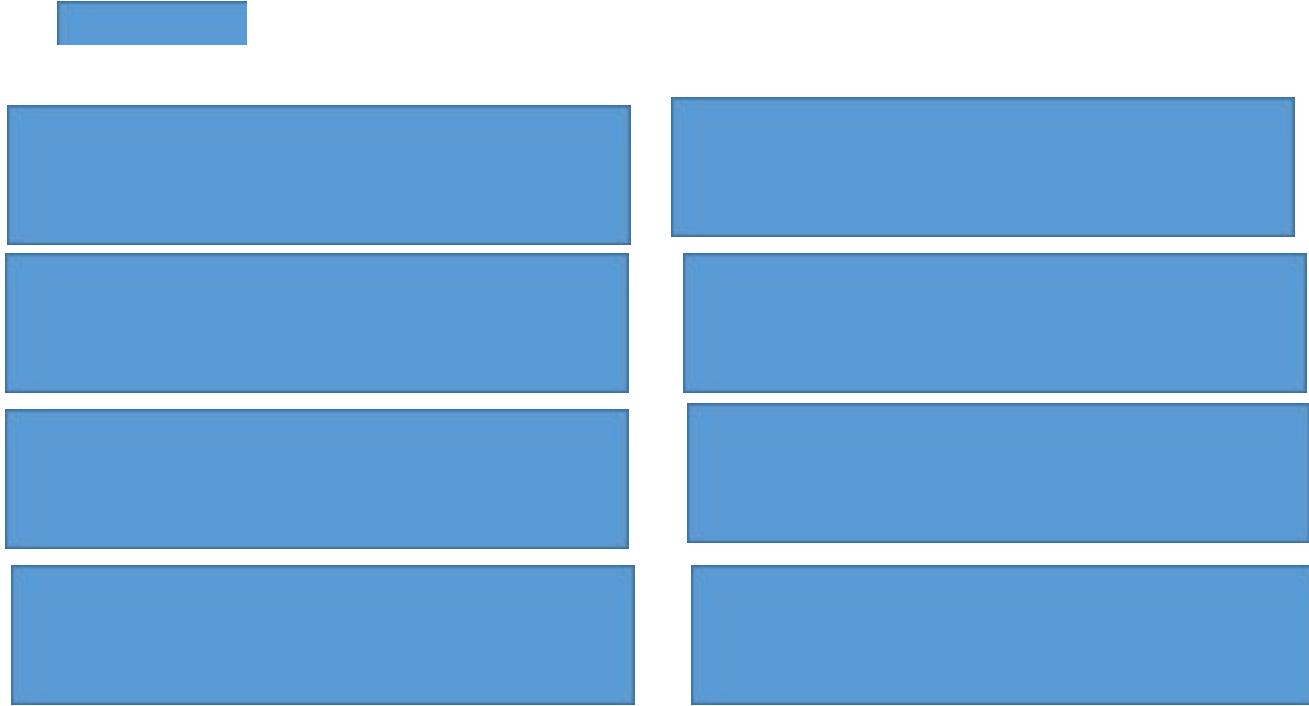
procurement system but is related to the centralized supplier management, and bundled contract dealing (Hyttinen, 2013:12).

The opposite approach to centralized procurement is decentralized procurement, which allows each functional unit to be responsible for a cost center and therefore, use its budget to purchase its individual orders. This model is driven by units' independent needs and focuses on a unit level rather than a corporate level as in the case of centralized procurement (Weele 2014, 267).

2.2.1.2 Decentralized procurement in supply chain

Decentralized procurement, therefore, is preferred by unit members who can directly influence and make the decision on their purchased items to satisfy their needs with higher productivity and the most prominent advantage of this structure is the allowance for autonomy in a business units-driven organisation (Hyttinen, 2013). Hyttinen, (2013) further explain that, its major shortcoming is the obstacle to controlling and monitoring the total spending on indirect materials in the organisation because different units from same corporation may purchase the same products from the same suppliers but with different prices and conditions. Moreover, the supply chain transparency and effective process management are also hindered by the involvement of higher number of vendors who provide various items for the same product category (Weele, 2014). In the procurement EY (2014: 3), the leading world auditor and business advisor highlights that indirect procurement still lacks spending visibility and strategic management. The reason for that is because decentralized indirect procurement model is frequently overwhelmed by overlapping and scattering transactions across business units and geographies, and therefore, retards its leverage for highest cost saving as well as diminishes buyers' negotiation power for better prices and service conditions. Decentralization structure, a sluggish procurement model, stems from its disorientation and separation of cost savings from motivating buyers to perform the best tactics and reach the best deals. Therefore, business should only consider opting for decentralized procurement when there are unique product requirements requested from different business units. Table 2 below demonstrates more detailed the pros and cons of decentralized procurement model.

Table 2: Summarizes Pros and Cons of Decentralized Procurement (Weele, 2014)



- Lack of economies of scale:

Chiboiwa, Samuel and Chipunza (2010), explains that, lack of economic scale is brought about by poor corporate governance which, leads to high labour turnover, this is spread over all sectors of the economy, thereby negatively affecting national economic growth and stability. Human resources are the most important assets of an entity. Employees expect to be rewarded according to their efforts (Laoledchai, Land and Low 2008).

- Overlapping work

Overlapping work can be improved by technology, which is process of changes and it is associated with high set-up costs, but can develop the situation (Savage, Fransman and Jenkins, 2013).

- Strategic management

Enhanced innovativeness and risk management as well as ethical market exposure will assist not to concentrate on operational activities (Christopher et al., 2011).

- Hiding purchasing cost

Procurement costs include the cost of processing an order through the accounting and purchasing department, transmitting the order from the supplier, transporting the order when transportation charges are not included in the purchased goods and material handling or processing of the order at the receiving end (Hypo Group Alpe-Adria, 2010).

2.2.3 Problems in Public Procurement that detract from service delivery

Globally, public procurement is central to the delivery of public services and performance of public entities (Dzuke and Naude 2015). Various scholars identified the following key problems in the public procurement system: (1) weak and outdated procurement policies and processes, (2) public sector procurement remaining an operational activity and not a strategic activity, (3) a lack of accountability and transparency; a lack of procurement knowledge and skill, (4) embedded fraud and corruption and (5) the inability to implement appropriate reforms (Ameyaw, Mensah and Osei-Tutu, 2012; Mamiro, 2010; Lisenji, 2015) observed that the lack of appropriate skills and specialised knowledge are significant problems in public procurement, as procurement officers are required to provide value for money and take into account strategic considerations.

Dza, Fischer and Gapp (2013) observed that political interference in the procurement process is a problem for the successful implementation of public procurement in Africa. In most African countries, politicians influence the tender process, insisting that particular contracts are awarded to individuals or companies of their choosing. In sub-Saharan Africa, Ringwald and Ndercaj (2014) identified the following common problems affecting public sector procurement: (1) the lack of transparency, accountability and integrity in policy and process, (2) the lack of professional, managerial and leadership skills, (3) the lack of strategic recognition for the procurement function, (4) the continued failure to implement appropriate change and (5) weak and outdated procurement policies and processes.

Furthermore, for a public entity in a developing country to conduct procurement performance there are numerous challenges that are encountered: i) there are many ways of measuring that may be in use, ii) most measures are irrelevant, iii) there is no way of standardising the measurements and iv) conducting performance measurement is costly. The reasons for these challenges are: i) inaccurate information, ii) lack of a link between procurement measures and corporate objectives, iii) measurement of procurement performance is regarded as an overhead and not an integral part, iv) people do not understand the benefit of measuring procurement performance and v) interference of other stakeholder. In addition, most of the measures were developed in a different environment.

SCM procurement professionals can be used to address problems in distribution network configurations, distribution strategies, trade-offs in logistics activities, information as well as cash-flow transactions or payments (Schiele and McCue, 2006). SCM entails supply chain activity implementation, together with the management and coordination of order sourcing and processing, and movement of materials, information and finances through the supply chain (Modi and Mabert, 2010). Edler and Georghiou (2007) noted that the rationale of SCM is to advance confidence or trust and improve collaboration amongst supply chain partners. As a result of globalisation, the proliferation of multinational companies worldwide and the increasing need for business partnerships, organisations are increasingly finding it necessary to rely on valuable supply networks to compete as a global and networked economy. There is therefore a demand for experienced procurement professionals who possess all the skills and technical expertise needed in international purchasing (Arora, 2014). This highlights the role of procurement professionals as key members of the supply chain; hence the need for small to medium enterprises (SMEs), high-growth oriented firms and public corporations to upgrade their operations to augment effective procurement.

There are four stages used to procure goods, which are: stage one where preparation is done because the problem needs to be identified and the internal and external stakeholders are important for specification purpose; The second stage, is to analyse and develop the specification mentioned; The third stage is the process of outsourcing, and the identified supplier will be able to sign the tender contract, while the fourth stage provides with the final delivery of goods (UNEP (2014)). The purpose of the tender is to provide the governmental with relevant information to potential suppliers to ensure for healthy competition, while at the same time draw a model to guide the process (Kiiver and Kodym, 2014). Uyarra, Edler, Garcia-Estevez, Georghiou, and Yeow, (2014), argue that if the model is not linear it will result in over-specified tenders and price per unit are the main focus of negotiations between the supplier and procurer. Kiiver and Kodym, (2014), confirm that, this will allow the supplier to define the necessary goods to be delivered to avoid waste.

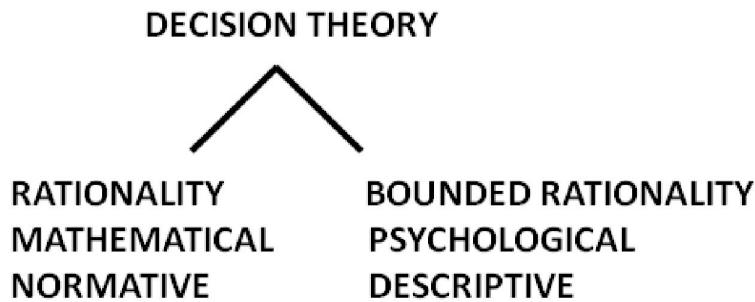
Grimm and Thai (2011) argue that not enough research has been done, because it does not show as to what role theory has played in advancing the knowledge of purchasing in public sector contexts and the recommendation is that more has to be done.

2.2.4 Decision Theory in procurement process

Baba and HakemZadeh, (2012) argue that, decision made by managers is very important and that, if too much of information is collected, that may put pressure and result in wasting the company resources and even risk the future of the organisation. Abbasi and Nilsson (2012) conclude from their major review, that

operationalisation is one of the central challenges for sustainable supply chain management, which suggests there are problems with the ways in which it is integrated into management processes (Alexander, Touboulic, and Walker, 2014). Baba and HakemZadeh, (2012) confirm that basic toolkit of Decision Theory that can be used by managers and scholars includes a thorough examination of individual and group decisions that is demonstrated on the table showing different options and their known consequences, or thinking trees that on how particular options open up others. Different tools and types are appropriate problem solving, and the various techniques, such as for considering multiple criteria at the same time or possible goals have been subject to considerable development over recent decades, particularly boosted by the rise in personal computing (French, Maule, and Papamichail, 2009).

Figure 4: The two branches of Decision Theory



Source: Alexander, A., Walker, H., and Naim, M. (2014).

Decision Theory produces bounded rationality to show how people's behaviour can be so limited in their logical reasoning capabilities and subject to various biases in perception (Alexander, Walker, and Naim, 2014). All these describe how mathematics and psychological thinking could be used to produce proper results and avoid certain risks especially when things are going bad, which courses stress and derail proper way of thinking therefore emotional states are as significant as proper capability (Tett, 2009).

2.2.5 Agency Theory needed in procurement process

This theory started in 1960 and 1970 where management perceived it as solving ordinary problems in the organisation and addresses the works on economic risk and further determine individual-group goal that impacts on risk-sharing behaviour (McCue and Prier, 2008). Baker and Saren, (2010) in their observation

see this as something that could be used in times of uncertain conditions and embraces the areas of political science, which broadens its application beyond simple contract relations was subsequently adapted and used in a variety of other disciplines such as sociology, while Halldórsson, and Skjott-Larsen, (2006) argue that its relationships is of importance because it delegates the work of one party to another while at the same time representing employees (Whipple and Roh, 2010). Though the profit maximisation approach and self-interest persists, the focus is on determining the most efficient contract governing the principal-agent relationship (McCue and Prier, 2008).

The main purpose of (PAT), reiterated Plambeck and Gibson, (2010), is to overcome certain shortcomings and issues that are complex in creating problems that impact on the relationship in business and government, also developing, and offers suggestions as to how they might be managed more effectively (Shapiro, 2005). Halldórsson and Skjott-Larsen, (2006), therefore find it very useful for explaining non-rational behaviour of agents (and principals) when, for instance, an expert agent might be unwilling to share sensitive information with its principal because of lack of trust which underpins Supply Chain relationships.

Baker and Saren, (2010) describe the Multi-disciplinary analysis of agency theory studies as the managerial implications of this theory, and can range from relationship establishment and development to relationship maintenance and even termination within the SC environments (Baker and Saren, (2010) and this could entail both downstream and upstream processes as well as the internal operations of the primary supply chain partners. In holistic terms, agency theory is a useful tool for managers to diagnose and segregate their portfolio of relationships. Regardless of the fact that the organisation has a transactional or partnership relationship with its partners, it is a critical task for managers to understand and mitigate behavioural uncertainty across the SC (Ketchen and Hult, (2007a), and several anecdotal cases can be identified in the literature where the sources of operational problems have been related to ineffective management of inter-organisational relationships, and/or where the distrustful atmosphere has triggered the opportunistic behaviour of the partners (Richey, Roath, Whipple, and Fawcett, 2010).

In essence, agency theory can explain how players (both independently and as a collective) within the SC respond to transaction cost dilemmas where rational and non-rational behaviour occurs Ketchen and Hult, (2007a), hence, abnormal behaviours of network partners can be analysed and, subsequently, counterbalancing remedies can be devised, and this process, in turn, might contribute to the development and maintenance of a trusting atmosphere in business relationships, moreover, it is invaluable in either increasing or decreasing the tolerance threshold of managers (with respect to re-engineering their

supplier/customer relationships) who are constantly dealing with complex organisational behaviour within their SC (Richey, Roath, Whipple, and Fawcett, 2010).

As noted above, the implications are applicable to various outbound and inbound processes and practices such as vendor-managed inventory (VMI), just-in-time (JIT), collaborative planning, forecasting and replenishment (CPFR), enterprise resource planning (ERP) and efficient consumer response (ECR). All these practices are relationship-intensive and their implementation requires a high level of task or authority delegation across principals and agents participating in a SC. The successful implementation of SC processes and activities could be provisioned by catering for agent-specific conditions through a dynamic contractual relationship. Agency theory may help managers to factor social, economic, political and behavioural aspects into their contract decision-making, by undertaking adaptive measures around incentivisation, information sharing and goal congruence (Plambeck and Gibson, 2010).

Plambeck and Gibson, (2010), posit that agency theory is suitable for studying SCM. Conversely, it was found that the extant literature is subject to many gaps and this highlights the need for further research and should explicitly recognise the application of agency theory for studying issues such as information sharing, risk/reward sharing, and establishment/maintenance of inter-organisational relationships at the SC level of analysis (as opposed to the prevailing dyadic investigations in the literature). Plambeck and Gibson, (2010), further explain that, attention also needs to be paid to the assumptions underlying agency relationships within SC environments. This is significant as supply chains that span country borders, and even continents, might be affected by cultural variation (Brown Johnson and Droege, 2004).

2.2.6 Marketing Ethical Theory needed in procurement process

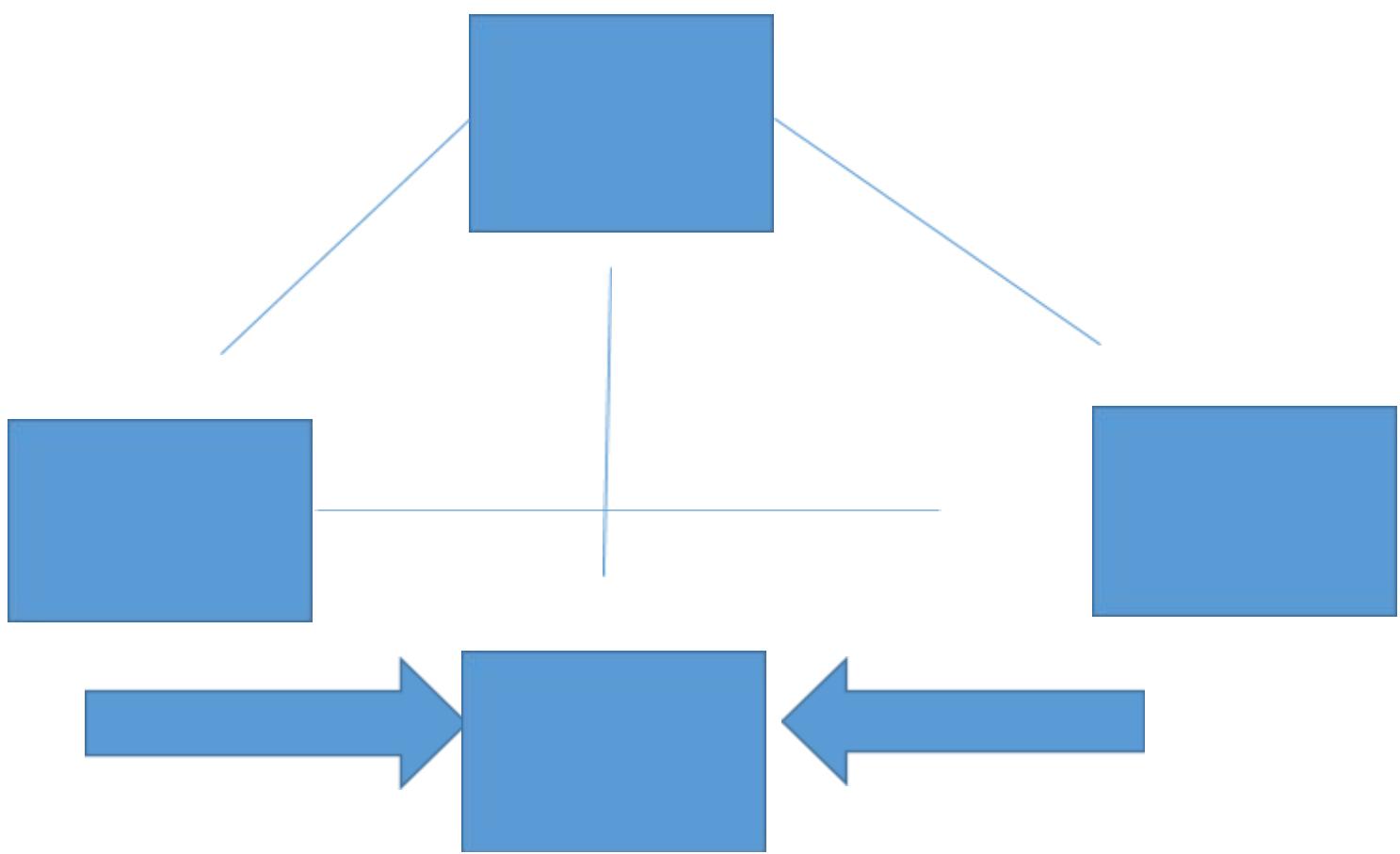
From the early 1930s to late 1950s historical research in marketing was dominated by the study of marketing thought Baker and Saren, (2010) and theoretical foundation of all ethics is moral philosophy and several other disciplines, and marketing ethics too draws from these areas, however, substantial efforts have been made by a number of scholars to build a theoretical basis for the field that extends its social science roots (Baker and Saren, 2010). Laczniak and Murphy (2006) discuss the present perspectives for ethical and socially responsible marketing as the normative and seven ‘Basic Perspectives’ (BPs) advanced. Figure 5 shows the seven essential BPs and how they fit together. Each builds on the next and BP1 notes that ethical marketing puts people, for example customers, employees, managers, etc. first or at the centre, as is shown in Figure 5. BP2 focuses on legal and ethical questions and basically says that ethics creates a higher standard for managers than the law does.

According to Laczniak and Murphy (2006) there are three central elements (intent, means and ends) to BP3, and four types of managers, for example, egoist, legalist, moral strivers and principled, in BP4. There are five points related to BP5, six stakeholders are identified in BP6 and a seven-step model for making ethical decisions in BP7. In addition to extensive discussion of each of the seven BPs, Laczniak and Murphy (2006) draw ethical lessons from this set and provide implications for researchers, managers and educators.

2.2.6.1 Marketing Ethics

Kothar (2004) emphasizes procurement ethics being important in procurement for the following reasons: procurement staff are the representatives of their organisation in dealing with suppliers, sound ethical conduct in dealing with suppliers is essential to the creation of long-term relationships and the establishment of supplier good will, and it is impossible to claim professional status for procurement without reference to a consideration of its ethical aspects.

Laczniak, and Murphy, 2007: 157 summarises the marketing ethics as follows



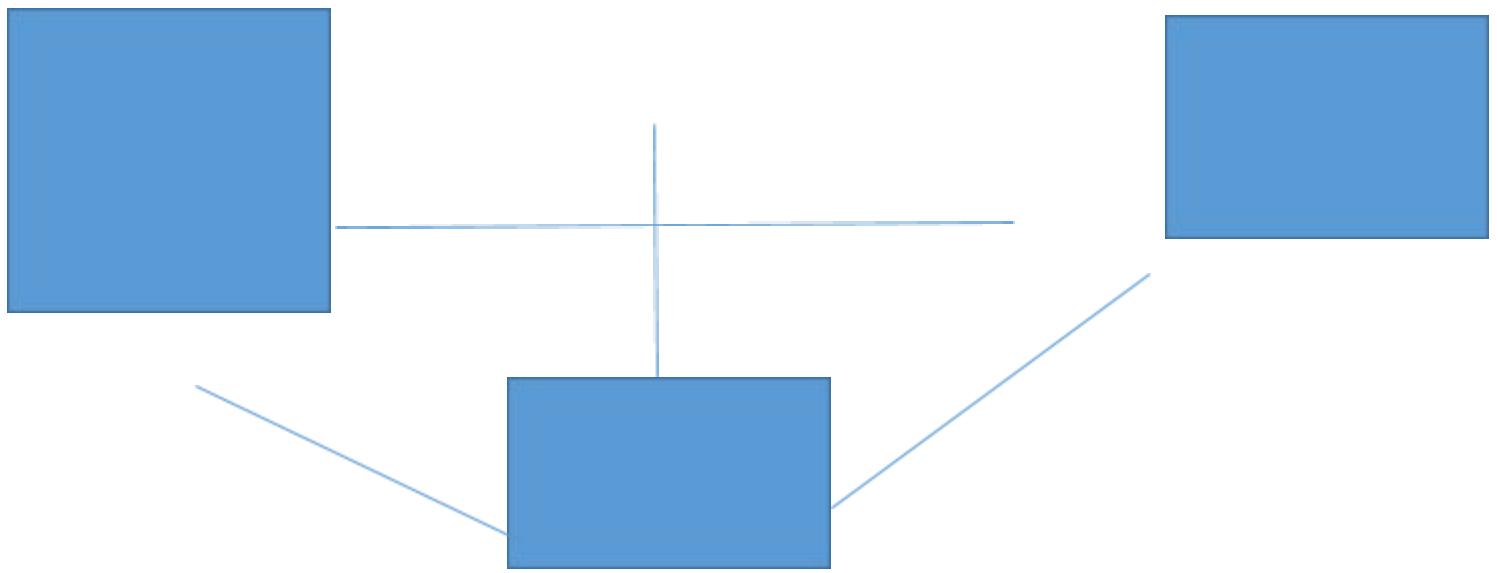


Figure 5: A summary of the essential basic perspectives (BPS) for evaluation and improving marketing ethics (Laczniak, and Murphy, 2007: 157)

Murphy, Laczniak and Wood (2007) discuss the above approach to relationship marketing about the ethical theory that serves as the foundation, and figure 5 shows the model that was formulated, the middle of the diagram depicts the three stages of relationship marketing: establishing, sustaining and reinforcing, while paired with these three stages are three central virtues that should be associated with the stages. In other words, trust is essential if one is to establish a relationship with another person or organisation. Commitment is necessary if one wants to maintain such a relationship, and finally, diligence is needed if the relationship is to be maintained or reinforced. Surrounding these according to (Laczniak and Murphy, 2006), stages are four facilitating or supporting virtues and integrity is a hallmark virtue of all professions, including marketing, the second critical virtue to enhancing relationship marketing is fairness that is, respect and another virtue that is increasingly important in the multi-cultural world of this century. Baker and Saren, (2010) argue that, it has been recognised that one can ‘respectfully disagree’ with the point of view of others in a marketing context. Empathy is the final facilitating variable and has resonance with the Golden Rule and the ethic of care and marketers who are successful in a relationship setting seem to know the importance of and practice this virtue (Murphy, Laczniak and Wood, 2007).

2.2.6.2 Overview of Marketing Theory

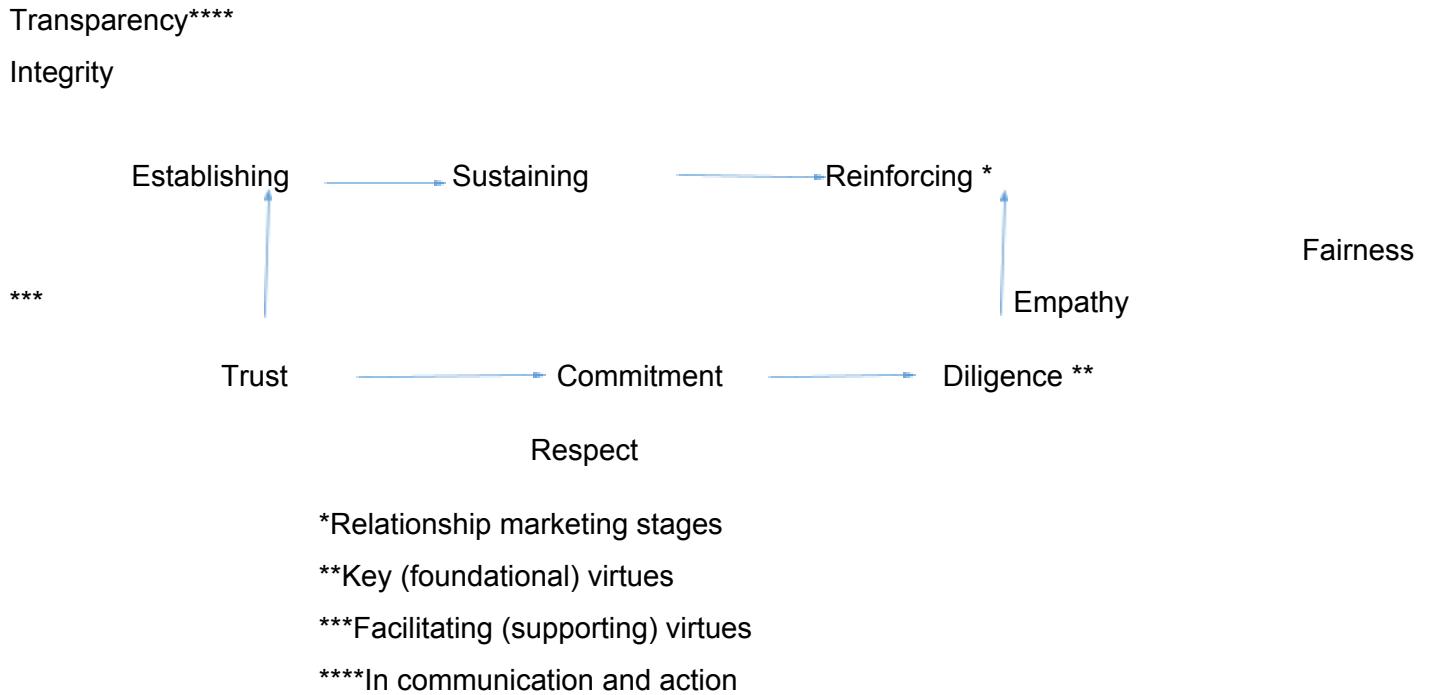


Figure 6: Ethical bases of relationship marketing (Murphy, Laczniak and Wood, 2007).

2.2.7 Improving both Centralization and Decentralization

According to Mutegi (2014), electronic public procurement helps the government to obtain better working equipment or services at a relatively low price, improve the working efficiency and reduce financial expenditure. E-Procurement is an automated business process that includes procurement planning, management of suppliers, requisitions, quotations, contracts and receipts, which will be shifted to a more effective and cost-efficient online transaction. Organisations have introduced e- procurement to replace off-line versions of tendering; the public sector organisations use e- procurement to achieve the following benefits; increased efficiency and cost savings, faster and cheaper in government procurement, transparency and to reduce corruption in government in public services.

Knudson (2002) defines e-procurement as aspects of procurement supported by various forms of electronic communication and takes forms such as electronic data interchange, enterprise resource planning, e-sourcing, e-tendering, and e-informing, among others. E-solutions in procurement are designed to result in efficiency and productivity improvement; this should result in quantifiable cost savings. Among the projected efficiency areas are: better time management in the entire process, and transparent and dependable processes among others. However, efficiency achievement also comes with challenges; lack of system integration and standardization issues, immaturity of e-procurement services, lack of supplier preparation

and resistance of solutions end users; difficulty of changing purchasing-related behaviour among companies' employees (Brammer and Walker, 2011).

2.2.8 Best practice in procurement process

The National Treasury, (2005), emphasises the regulatory pillar of rules, laws and sanctions as an enforcement mechanism, with expedience as basis for compliance and social obligation. Watermeyer, (2011) describes different legislative frameworks that guide procurement practices. These include the:

- South African Constitution of 1996:

Section 217 of the Constitution in effect encompasses the important principles of good governance in public procurement by prescribing a public procurement system that has to be in accordance with a system that is fair, equitable, transparent, competitive and cost effective.

Although National Treasury has made strides in assisting national and provincial departments in implementing integrated SCM processes, it seems that there are still challenges in the full implementation of the five constitutional principles underpinning government procurement policy. These five principles are the following: (1) fairness, (2) equity, (3) transparency, (4) competitiveness and (5) cost effectiveness.

- Public Finance Management Act 1 of 1999

According to the Public Finance Management Act Section 76(4) c (1999), procurement process must lead to uniformity of the SCM system across government departments.

The key leadership figure within a government department or parastatal is the Accounting Officer. This is the person responsible for setting up and overseeing an accountable, well-organised, transparent, cost effective, efficient and competitive SCM office (PFMA Section 38 1(a) (iii)).

- Preferential Procurement Policy Framework Act No 5 of 2000

From a systemic approach, the procurement process should ensure a balance between the needs and the material resources available so that the organisation can operate effectively and efficiently (Deac, 2013). For this, the procurement and the management of material resources must satisfy the following conditions:

- ensure all material resources are according to specified supply requirements

- purchase the material resources in the necessary quantities and at the right time
- costs to be at a minimum level.

Thus, to achieve a competitive advantage, the process of procurement and management of material resources must be carried out in accordance with the principles of the total quality concept: providing the products that are required, with the required quality, in the desired quantity, at the desired time, and at the lowest price possible. In order to meet the total quality requirements, the procurement process must be strategically and proactively oriented and must effectively participate in developing the general strategies of the organisation. Procurement strategies must be an integral part of the overall strategies of the organisation and must harmonize with them.

Due to the strong impact of the process of procurement and management of material resources on compliance with the product requirements, controlling and establishing appropriate monitoring and measurement methods will have an important contribution to further improve the efficiency and effectiveness of the organisation. The methods used to monitor, measure and analyse must demonstrate the ability to achieve the planned results and to comply with the organisation's strategy. Performance is measured based on key performance indicators that must be established from the phase of designing the procurement process. If, for reasons of feasibility, certain indicators cannot be measured and monitored, criteria will be established (Popa, 2013).

2.3 Conclusion

The theories of procurement process confirm that procurement is both a strategic tool and a mechanism enabling the government to implement policies for socio-economic development and transformation. It can have effective and efficient results if it operates in an environment of increasingly intense scrutiny and accelerated changes driven by technology. Compliance with the said legislations is important. The next chapter relates the methodology that has been used in this study to achieve objectives set for this study.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This is to clarify the methodology employed and to reflect on the research questions by providing a thorough explanation of methods and design, the target population, the sample size, the technique employed to collect data and analysis thereof.

3.2 Research Methodology and design

3.2.1 Research Methodology

This is an approach or a tool that is used to analyse data by means of questions or questionnaire, based Procurement process and the findings to produce the results (Leedy Ormrod, 2010), in this case, the situation of the North West Department of Education and Sports Development at the Mmabatho head office.

In this way, a research problem indicated in chapter one, can be understood and addressed in a holistic manner by the following objectives:

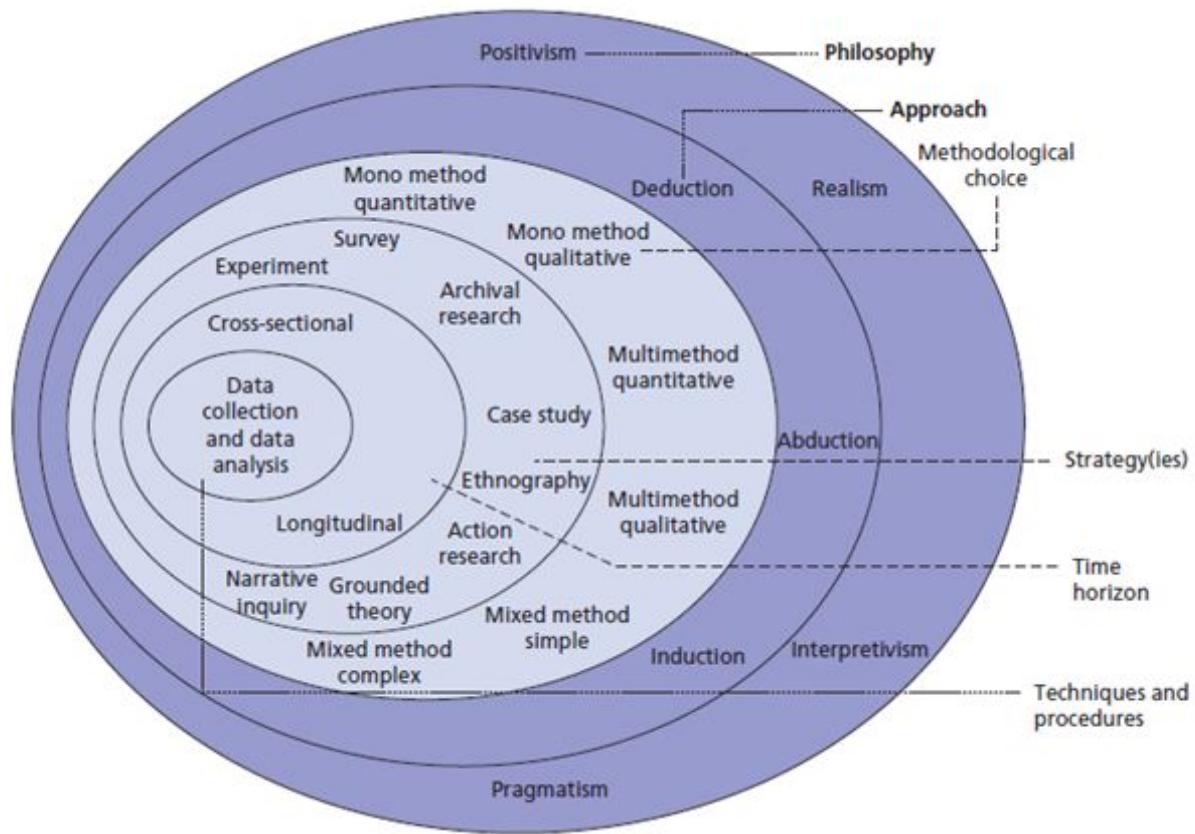
Objectives	Problem Statement	Objectives
What is the impact of legislative framework regulating procurement process?	Research problem fragmented procurement process	To what extent procurement ethical conduct is practiced?
What mechanisms are used to ensure good governance with reference to procurement process?		Which best procurement processes can be used to give good results?

Table 3: Research questions

As it is illustrated in figure below, the identification of the research philosophy is positioned at the fourth layer of the ‘research onion’, where the researcher’s choices of method, mixed methods such as qualitative and

quantitative approach were used. Positivism refers to a philosophical system or framework that recognises (universal) facts and observable, empirical phenomena (Kroeze, 2012: 2).

Figure: 7. The research onion



Source: Saunders, M., Lewis, P. and Thornhill, A. (2012)

3.2.1.1 Primary and Secondary Data

It is important to note that both data, that is, primary which gather information and secondary sources for interpretation and analysis are used interchangeably and may lose its uniqueness (Silverman, 2011). As a means of measuring a construct, the questionnaire will always be divided into three sections and is presented in a Likert - type scale with Strongly Disagree forming one end of the continuum and Strongly Agree the other end.

3.2.2 Research design

The approach of the design used was a survey research which comprises a cross-sectional design. Data was collected predominately by use of a research instrument, a self-administered questionnaire at a single point in time in order to collect a body of quantitative data.

Four (4) questions were prepared to use for the purpose of qualitative analysis in addition to the questionnaire used in the department, administered by the researcher.

3.2.3 Study Population and Sample Size

De Vos et al., (2010:55), maintain that to obtain representativeness a stratified sample need to be used in this case. With 200 employees, the following sections were identified, and officials selected are those who are responsible for; demand planning in the MEC's office, with 10 officials; Accounting Services, with 10 officials; Budgets, 10; Internal Audit 10, internal control, 10 and Supply Chain, that is acquisition, logistics and disposal, with 14. The total number of respondents included in the sample is n=64. (N = population; n = sample) which makes 32% as the percentage suggested.

3.2.4 Data Collection

A questionnaire (as presented in appendix A) was developed for the North West Department of Education and Sports Development at Mmabatho head office. It is recommended that questions should be structured in a simple and easy way for respondent to understand as the researcher would normally not be around to explain or assist in completing the questions (Kumar, 2014).

3.2.5 Data Analysis

This is a process used to maintain themes coming from respondents when answering questions (Kumar, 2014). The author continues to argue that there will always be challenges when quantitative information is transformed into numerical values in order to make the code easier. Statistical Package for Social Sciences (SPSS) was used to collect data, which assist in provision of frequencies, tables and graphs.

3.2.6 Summary

Quantitative and qualitative approaches were used to determine the way in which research is designed. These methods are the evidence to test the theory in a convincing way. Brannen, (2005) confirms that, it is

possible to combine quantitative and qualitative methods, although great care should be taken to ensure that the theory behind each method is compatible and that the methods are being used for appropriate reasons.

According to Jansen (2010), qualitative research include small-group for investigating beliefs, attitudes and concepts of normative behaviour, to seek views on a focused topic or, with key informants, for background information or an institutional perspective, to understand a condition, experience, or event from a personal perspective. The small group used in this study was identified, and officials selected are those who are responsible for; demand planning in the MEC's office, with 10 officials; Accounting Services, with 10 officials; Budgets, 10; Internal Audit 10, internal control, 10 and Supply Chain, that is acquisition, logistics and disposal. The total population number is 200 employees and the total sample is 64, which makes 32% as the percentage suggested.

In answering questions about experience, meaning and perspective, most often from the standpoint of the participant. The following questions in Section C, of Appendix A of the study demonstrated this reasoning:

SECTION C:

1. In your opinion what do you think procurement process is?
2. Do you think you have skills on procurement process?
3. In your opinion do you think centralisation is the best method in procurement process?
4. In your opinion do you think decentralisation is the best method in procurement process?

Validity in qualitative research means “appropriateness” of the tools, processes, and data. Whether the research question is valid for the desired outcome, the choice of methodology is appropriate for answering the research question, the design is valid for the methodology, the sampling and data analysis is appropriate, and finally the results and conclusions are valid for the sample and context (De Vos, Strydom, Fouche and Delport, 2010:55). Further maintain that to obtain representativeness a stratified sample need to be used in this case. These data are usually not amenable to counting or measuring and analysis of texts and documents', such as government reports, media articles, websites or diaries, to learn about distributed or private knowledge.

The study therefore used the above mentioned questions to be validated in chapter four for the purpose of findings and analysis. According to Palinkas, Horwitz, Green, Wisdom, Duan and Hoagwood (2013), in assessing validity of qualitative research, the challenge can start from the ontology and epistemology of the issue being studied, e.g. the concept of “individual” is seen differently between humanistic and positive

psychologists due to differing philosophical perspectives. In this case, Procurement Process in the North-West Department of Education and Sports Development, Mmabatho Head Office could be a challenge when assessing centralization or decentralization of the process. The following section discusses results and interpretation.

CHAPTER 4

PRESENTATION; ANALYSIS AND RESULTS

4.1 Introduction

Section A, B and C are used as a guide to assist respondents in answering questions. The results from the questionnaire are organised and analysed in the order of the research objectives presented in chapter one.

4.2 Section A

Demographic information

This section focused on the demographic information, which included gender, age group, job status, and highest qualification, number of years respondents have been employed in the department and the sections respondents are employed in, and the response rate of the administered questionnaires.

4.2.1 Response rate

Sixty four (64) questionnaires were administered in the North West Department of Education and Sports Development, Mmabatho head office. Out of the total of 64 questionnaires distributed, 45 were completed and returned, which is a 70% response rate by employees of the Department.

4.2.2 Biographic information

Figure 4.1 illustrates the gender of respondents in the North West Department of Education and Sports Development's Mmabatho head office.

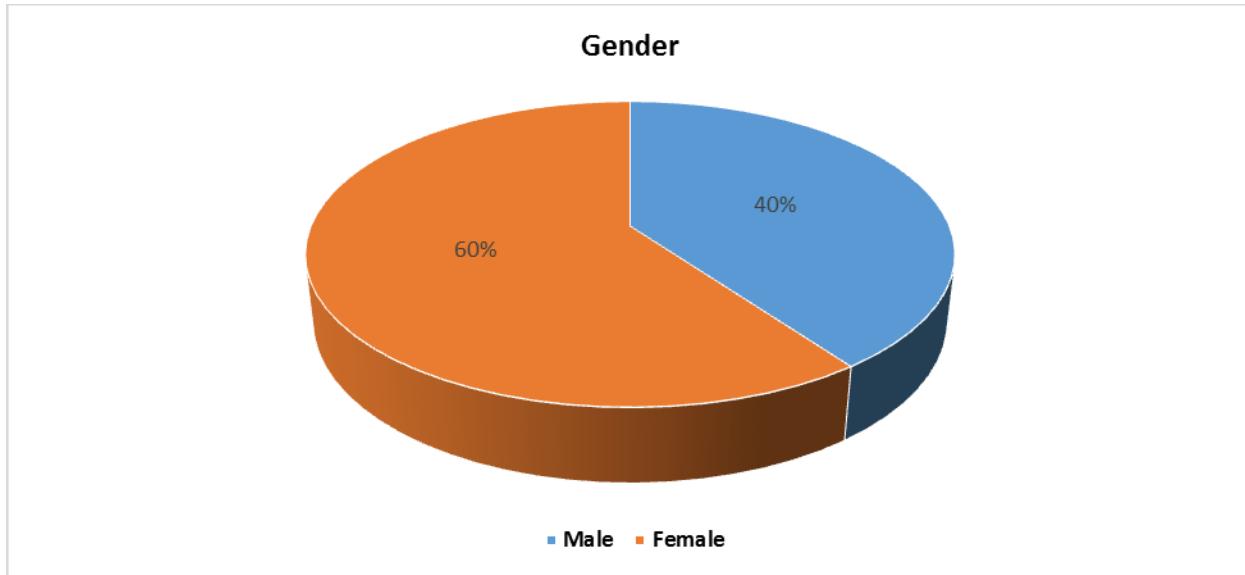


Figure 4.1 Gender distribution of respondents

Figure 4.1 depicts that of the respondents, 60% were females and 40% were males. This implies that there are more females as compared to males in the Department in the North West Province, because the split differs by 20 percent. According to the report on Employment Equity and Gender Transformation Report for North West Province (2011), it is stated that South Africa can demonstrate a strong political commitment to gender equality and transformation in the workplace, owing to comprehensive legislative framework and appropriate policies; yet, the evidence indicates that progress on gender equity has been very slow.

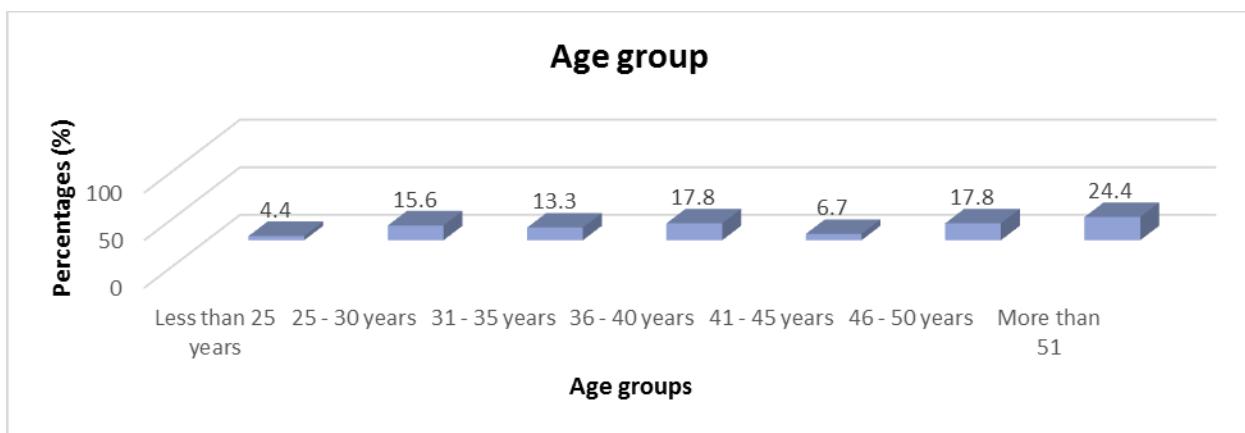


Figure 4.2 Age groups of respondents

Figure 4.2 shows that the majority of respondents were in the age groups of more than 51 years with (24.4%), and also in the age groups 36 – 40 years and 46 - 50 years with 17.8% each respectively; and the

minority were in the age groups of less than 25 years with 4.4%. This implies that most of the employees in the North West Department of Education and Sports Development are nearing their retirement age, because 24.4% of the respondents are in the age group of 51 plus.

Figure 4.3 highlights the job status of the respondents from the North West Department of Education and Sports Development.



4.3 Job status of employees in the North West Department of Education and Sports Development, Mmabatho head office

As shown in figure 4.3, the majority of the respondents are Operational Managers with 37.8%, 24.4% of the respondents are State Accountants and the minority (8.9%) are Practitioners.

Figure 4.4 highlights the highest qualifications of the respondents from the North West Department of Education and Sports Development.

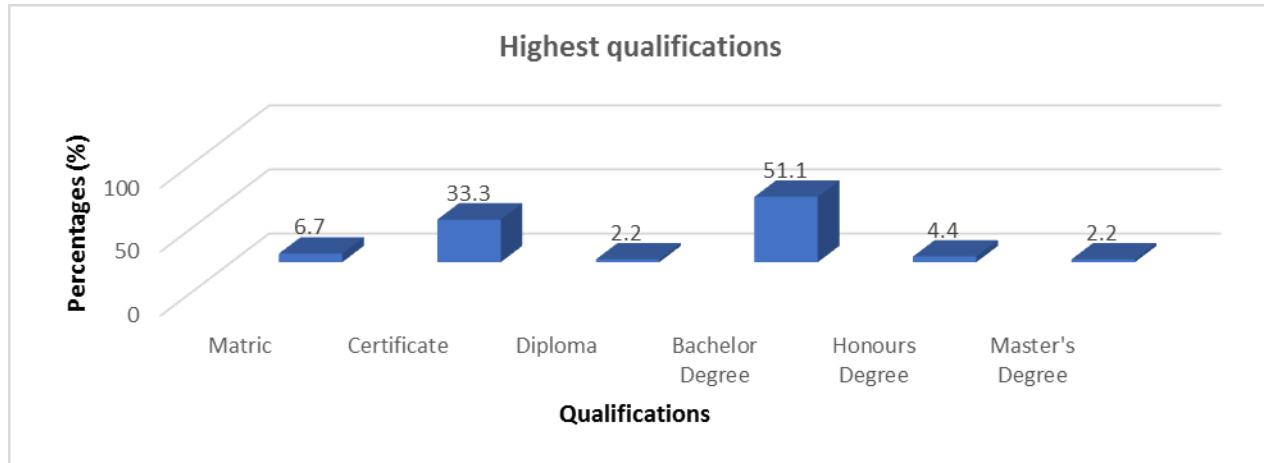


Figure 4.4 Highest qualifications of employees in the North West Department of Education and Sports Development

As illustrated from Fig 4.4, the majority of the respondents on this section are graduates from tertiary institutions with a Bachelor's Degree. From the 64 responses received, 51.1% are respondents holding Bachelor's Degree; 33.3% hold Certificates and the minority which is 2.2% have either a Diploma or a Master's Degree respectively. This implies that the majority of the respondents are educated and this enables them to transfer skills to the younger generation to ensure sustainability for the Department, as well as carrying out the jobs efficiently.

Figure 4.5 highlights the number of years the respondents have worked at the North West Department of Education and Sports Development.

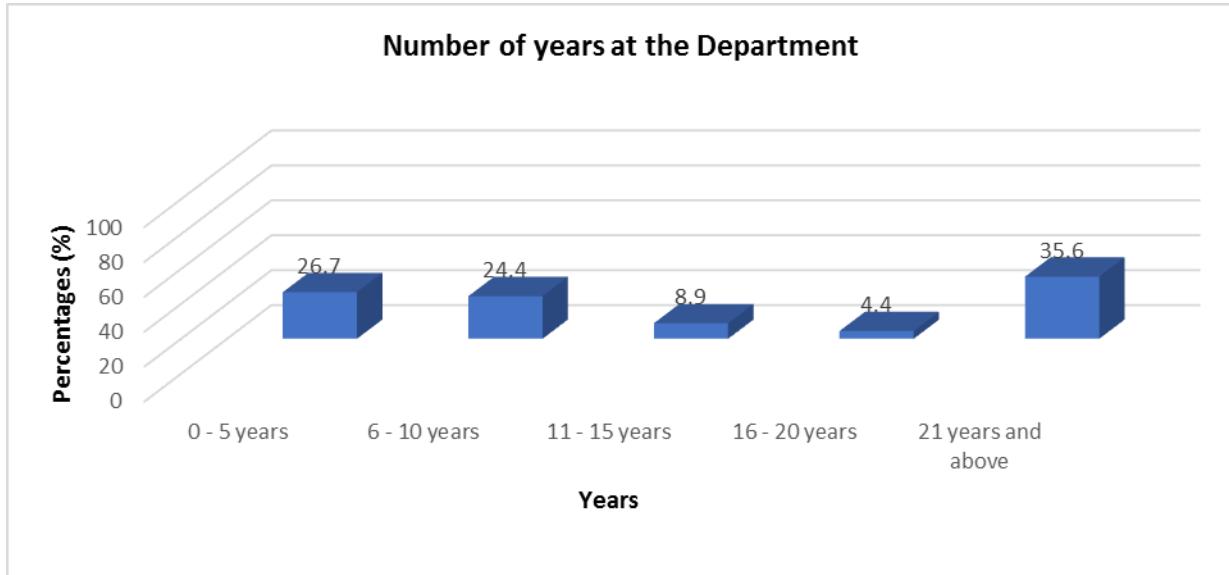


Figure 4.5 Number of years employed at the North West Department of Education and Sports Development

Figure 4.5 reflects that the majority of the respondents (35.6%) have worked at the Department for 21 years or more, 26.7% have been with the department between 0 – 5 years and 24.4% have been at the department between 6 – 10 years, however, the least number of respondents, 4.4%, worked at the Department between 16 – 20 years. This implies that the majority of employees have been working at the department for many years and they understand the policies and procurement processes in the department.

Figure 4.6 highlights the sections respondents are employed.

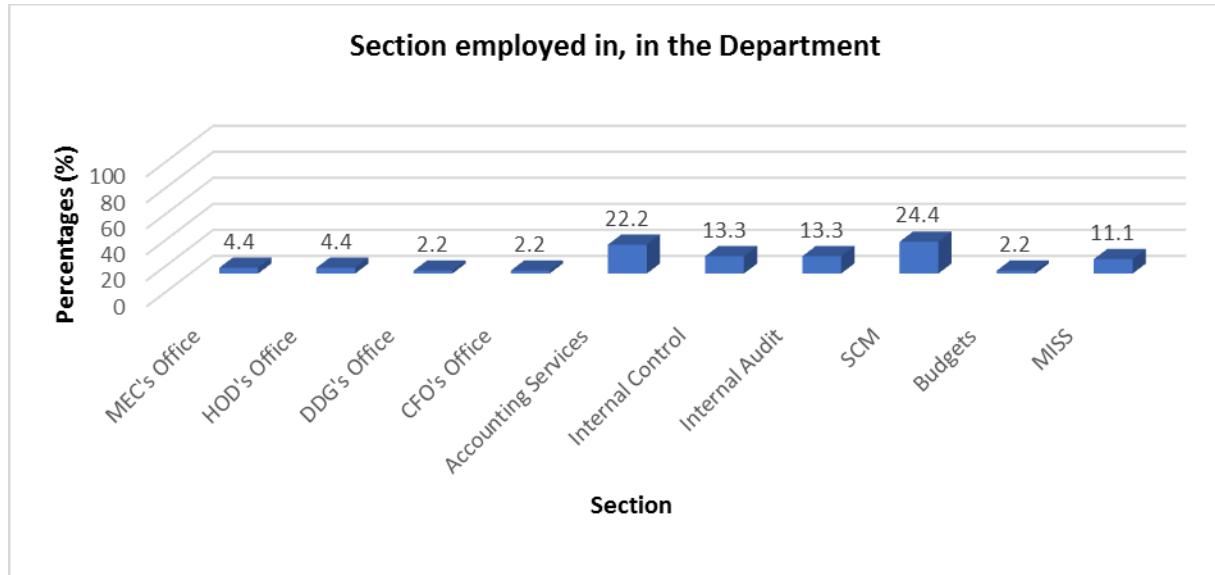


Figure 4.6 reflects that the majority of the respondents (24.4%) are employed in the SCM section, 22.2% of the respondents work in Accounting Services and the minority of the respondents with 2.2% are employed in the DDG's Office, CFO's and Budgets sections respectively.

4.4 Section B: The impact of legislative framework regulating the procurement process in the North West Department of Education and Sports Development, Mmabatho head office

This section mainly focuses on the impact of legislative framework regulating procurement in the North West Department of Education and Sports Development at the Mmabatho head office, the extent to which procurement is conducted ethically, the mechanisms used to ensure good governance with reference to procurement processes and the best procurement processes that can be used to give good results.

Table 4.1 this table summarises the impact of the legislative framework regulating the procurement process in the Department of Education and Sports Development in the North West Province, Mmabatho head office. (n=45).

Respondents presented the impact of legislative framework regulating the procurement process.

STATEMENTS	STRONGLY AGREE	AGRE	UNCERTAI	DISAGRE	STRONGLY DISAGRE
	1	2	3	4	5
Public procurement has to be in accordance with a fair system	(78) 35	(22) 10	(0) 0	(0) 0	(0) 0
Procurement process must lead to uniformity of the SCM system across government departments	(76) 34	(22) 10	(2) 1	(0) 0	(0) 0
Monitoring and measurement methods are not necessary	(2) 1	(2) 1	(4) 2	(47) 21	(44) 20
Only managers are accountable to comply with the public procurement Acts	(0) 0	(0) 0	(4) 2	(56) 25	(40) 18
Public procurement has to be in accordance with a system that is transparent	(76) 34	(22) 10	(2) 1	(0) 0	(0) 0
Public procurement has to be in accordance with a system which is competitive and cost effective	(67) 30	(31) 14	(2) 1	(0) 0	(0) 0
Public procurement has to be in accordance with equitable system	(67) 30	(29) 13	(2) 1	(2) 1	(0) 0
Procurement process should only be practiced by accountants	(16) 7	(9) 4	(7) 3	(20) 9	(49) 22
One does not need communication skills to do procurement	(4) 2	(9) 4	(16) 7	(42) 19	(29) 13
Regulations bring corruption	(4) 2	(9) 4	(33) 15	(16) 7	(38) 17

Systems of procurement is fragmented owing to the irregular tenders	(18) 8	(18) 8	(58) 26	(2) 1	(4) 2
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The study investigated the impact of the legislative framework regulating the procurement process in the North West Department of Education and Sports Development, Mmabatho head office. Out of 45 responses received, all the respondents (100%) agreed that public procurement has to be in accordance with a fair system, 98% of the respondents highlighted that the procurement process must lead to uniformity of the SCM system across government departments, public procurement has to be in accordance with a system that is transparent, and public procurement has to be in accordance with a system which is competitive and cost effective for the department.

Some 58% of the respondents did not understand whether systems of procurement are fragmented owing to the irregular tenders and 33% of the respondents were not clear whether regulations bring corruption in the North West Department of Education and Sports Development.

A total of 96% of the respondents disagreed that only managers are accountable to comply with the public procurement, whilst 93% also disagreed that monitoring and measurement methods are not necessary in the department.

The following describes the extent of ethical procurement conducted in practice.

STATEMENTS	STRONGLY AGREE	AGREE	UNCERTAIN	DISAGREE	STRONGLY DISAGREE
		1	2	3	
Procurement staff are the representatives of their organisation in dealing with suppliers	(40) 18	(51) 23	(2) 4	(4) 2	(0) 0
Ethical marketing puts people first	(38) 17	(47) 21	(11) 5	(4) 2	(0) 0
Sound ethical conduct in dealing with suppliers is essential to the creation of long-term relationships	(44) 20	(44) 20	(9) 4	(2) 1	(0) 0
Customers are always right	(51) 23	(36) 16	(7) 3	(7) 3	(0) 0

Ethics creates a higher standard for managers than the law does	(31) 14	(38) 17	(20) 9	(11) 5	(0) 0
Relations marketing is the ethical practice	(27) 12	(51) 23	(22) 10	(0) 0	(0) 0
Commitment is necessary if one wants to maintain supplier's relationship	(47) 21	(42) 19	(2) 1	(9) 1	(0) 0
It is impossible to claim professional status for procurement without ethical aspects	(31) 14	(27) 12	(33) 15	(7) 3	(2) 1

The study investigated the extent to which procurement ethical conduct is practiced at the North West Department of Education and Sports Development, Mmabatho head office. Out of 45 responses received, 91% of the respondents indicated that the procurement staff are the representatives of their organisation in dealing with suppliers, 89% of the respondents agreed that working hard is necessary if one wants to maintain supplier's relationship in the department, 88% of the respondents agreed that sound ethical conduct in dealing with suppliers is essential to the creation of long-term relationships, 87% of the respondents highlighted the notion which states that customers are always right should be encouraged at the department, 85% of the respondents agreed that ethical marketing always puts people first, which must be enhanced in the department.

Kothar (2004) emphasizes procurement ethics being important in procurement for the following reasons: procurement staff are the representatives of their organisation in dealing with suppliers, sound ethical conduct in dealing with suppliers is essential to the creation of long-term relationships and the establishment of supplier good will, it is impossible to claim professional status for procurement without reference to a consideration of its ethical aspects.

However, even though there were positive responses some of the respondents were uncertain about some statements. 33% of the respondents were not sure whether it is impossible to claim professional status for procurement without ethical aspects. Some 22% were uncertain that ethics is the good basis for relationship marketing and lastly, 20% of the respondents indicated that they were unclear about the law.

Table 4.3 what mechanisms are used to ensure good governance with reference to procurement process?
(n=45)

Mechanisms used to ensure good governance with reference to procurement processes.

STATEMENTS	STRONGLY AGREE	AGRE	UNCERTAI	DISAGRE	STRONGLY DISAGRE
	1	2	3	4	5
Electronic public procurement helps the government to obtain better working equipment or services	(27) 12	(60) 27	(11) 5	(2) 1	(0) 0
Department can delegate the work to another party when you cannot provide services	(31) 14	(42) 19	(27) 12	(0) 0	(0) 0
Good corporate governance is necessary	(58) 26	(40) 18	(2) 1	(0) 0	(0) 0
Enhanced innovativeness and risk management	(36) 16	(56) 25	(9) 4	(0) 0	(0) 0
Hiding purchasing cost	(7) 3	(16) 7	(0) 0	(60) 27	(18) 8
Procurement policies and processes are important	(71) 32	(27) 12	(2) 1	(0) 0	(0) 0
Appropriate skills and specialized knowledge are the main key	(51) 23	(47) 21	(2) 1	(0) 0	(0) 0
Provide value for money	(69) 31	(27) 12	(4) 2	(0) 0	(0) 0

The study investigated the mechanisms that can be utilised to ensure good governance with regard to procurement processes at the North West Department of Education and Sports Development, Mmabatho head office. Out of the 45 responses received, 98% of the respondents agreed that good corporate governance is necessary, procurement policies and processes are important and appropriate skills and

specialized knowledge are the main key mechanisms that can be utilised for good governance in relation to the procurement process, 96% of the respondents indicated that the provision of value for money is a vital mechanism for good governance, 92% highlighted that enhanced innovativeness and risk management can be good mechanisms for good governance with reference to the procurement processes and lastly 78% of the respondents disagreed that hiding purchasing costs could be a mechanism for good governance in reference to procurement processes at the North West Department of Education and Sports Development, Mmabatho head office.

Tables 4.4 which best procurement processes can be used to give good results. (n=45)

The best procurement processes that can be used to give good results in the North West Department of Education and Sports Development, Mmabatho head office.

STATEMENTS	STRONGLY AGREE	AGREE	UNCERTAIN	DISAGREE	STRONGLY DISAGREE
	1	2	3	4	5
To meet requirements, in the procurement process	(64) 29	(31) 14	(4) 2	(0) 0	(0) 0
Negotiation power for better prices and service conditions	(51) 23	(36) 16	(9) 4	(2) 1	(2) 1
Decision making capability	(62) 28	(36) 16	(2) 1	(0) 0	(0) 0
Where the product or service specifications are made public to potential suppliers	(64) 29	(24) 11	(11) 5	(0) 0	(0) 0
Knowledge on procurement process	(69) 31	(27) 12	(4) 2	(0) 0	(0) 0
Comply with all Supply Chain Management regulations	(78) 35	(20) 9	(2) 1	(0) 0	(0) 0

Out of the 45 responses received, 98% of the respondents completely agreed that decision-making capability and complying with all the regulations of Supply Chain Management were critical procurement process that can be utilized to yield good results, 96% of the respondents indicated that to meet the total quality requirements in the procurement process and knowledge on the procurement process can give good

results in the department if utilised, 88% of the respondents highlighted that making public the product or service specifications to potential suppliers can be a good results driver if it is used adequately in the department and lastly 86% indicated that better prices could be negotiation power for better prices and service conditions could yield adequate results for the department when it is used. "Decision making is arguably the core of managerial tasks but often managers make decisions under pressure and with incomplete information. In addition, managers are confronted by an overload of information. The results of poorly supported decisions are choices that waste company resources and even risk the future of the organisation." (Baba and HakemZadeh 2012).

4.5 Section C

This section allowed respondents to indicate what they understand about the procurement process, highlight whether they have the skills for procurement, to indicate whether centralization is the best method for procurement process and to highlight whether decentralization is the best method in the procurement process.

4.5.1 Procurement process

The majority of the respondents highlighted that the procurement process is the process used by government to buy goods and services through the use of a competitive tendering system from various service providers. Moreover, through this process, the respective government representative needs to acquire goods and services through quotations from the service providers (3 quotes) and then follow the PFMA prescripts in awarding the contract to the relevant and cheaper service provider to supply government with the services required. However, one of the respondents indicated that this process is the preparation and processing of demand as well as the receipt and approval of payments to suppliers. Lastly, one respondent felt that the procurement process means finding, agreeing terms and acquiring goods and services from an external source via a tendering process.

4.5.2 Procurement process skills

The majority of the respondents agreed that they have the skills needed to execute the procurement process within the prescripts of government regulations. Some of the respondents had a proper qualification in SCM, others had accounting qualifications, but through the workshops and training they managed to skill themselves in the procurement processes of government in the North West Department of Education and Sports Development. Through training, some of the respondents obtained professional certificates in the procurement process, whilst others have been working with procurement policies for quite some time now.

Others indicated that even though they did not have proper SCM qualifications, they could still be able to negotiate good deals for the department. However, Weele (2010) substantiated the respondents' understanding of procurement as the process of finding, agreeing terms and acquiring goods, services or works from an external source, often via a tendering or competitive bidding process. The process is used to ensure the buyer receives goods, services or works at the best possible price, when aspects such as quality, quantity, time, and location are compared.

However, there were those who felt that they do not even have a clue what procurement is; these respondents did not have any procurement or SCM skills. Furthermore they did not work in the SCM division, which meant they do not deal directly with the procurement process. One of the respondents indicated that since arriving in the division, there has never been any training

4.5.3 Centralization is the best method in the procurement process

A majority indicated that centralization would be the best method to use, as it will reduce corruption and nepotism in securing service providers. Moreover, it will make it easier to track updates and changes in service and product acquisition. Furthermore, it will bring greater control over buying processes that the department engages in, will encourage decrease in the total overheads of the department, and reduce duplication of requests and unnecessary irregular expenditure, and lastly enhance communications with vendors and service suppliers. According to Weele (2014), a centralized procurement structure places the purchasing unit in both a central and tactical position. It includes the creation of a framework agreement for the use of the whole organisation and contract management within a contract period.

However, the minority felt that centralization will increase corruption and lack of opportunities for other suppliers because of nepotism. Furthermore, this will be exacerbated by similar people taking decisions on the bidding process. Some of the respondents had no clue what centralization means.

4.5.4 Decentralisation is the best method in the procurement process

The majority of the respondents highlighted that decentralization will reduce the bargaining power in the department, it will encourage corruption and the departments will not have adequate finances to keep acquiring services. Moreover, it will enhance the chance of over- or under- purchasing by the various sections in the department and will also undermine effective control of procurement.

However, some felt that it will be the best method because it will encourage close relationships between government and suppliers, and afford communities opportunities to provide services to the department. Furthermore, there were those who indicated that they had no clue what decentralization meant for the department and its procurement processes (Hyttine, 2013).

4.6 Reliability, validity and trustworthiness

The validity and reliability of the variables were assessed using the item reliability, construct reliability, and average variance extract, together with Cronbach's coefficient alpha. The results of the reliability testing highlights that the instrument utilised and the questions were reliable, valid and trustworthy, with Cronbach's coefficient alpha of .746, which according to the internal consistency, is an acceptable measure.

4.7 Conclusion

The chapter presented the findings on the demographics of the respondents, as well as key analyses of the procurement processes at the Department of Education and Sports Development in the North West Province at the Mmabatho head office. Overall the results indicate that respondents agreed that public procurement has to be in accordance with a fair system, and furthermore highlighted that the procurement process must lead to uniformity of the SCM system across government departments, public procurement has to be in accordance with a system that is transparent, and public procurement has to be in accordance with a system which is competitive and cost effective for the department.

CHAPTER 5

SUMMARY, FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Summary

The delivery of services through staff and the procurement of goods and services from suppliers should take place on the basis of proper strategic leadership and management processes. Inappropriate planning and budgeting, failure to identify priorities, underspending of budgets and ineffective procurement form part of the root causes of poor service delivery to the public, as ineffective procurement leads to the misallocation of resources and restricts the movement of resources to the right places at the right time. The impact of improper procurement practices on society is very serious, as it delays the delivery of basic services and development. The study therefore sought to investigate these.

5.2 Findings

5.2.1 Major findings of the study

The findings were based on the objectives of the study:

- Review the impact of legislative framework regulating procurement process in the North West Department of Education and Sports Development, Mmabatho head office.

- Examine procurement ethical conduct in the North West Department of Education and Sports Development, Mmabatho head office.
- Determine the mechanisms used to ensure good governance with reference to procurement process.
- Recommend the best procurement processes that can be used to give good results.

The first objective relates to the investigation of the impact of legislative framework regulating the procurement process in the Department of Education and Sports Development in the North West Province, Mmabatho head office. Out of 45 responses received, all the respondents (100%) agreed that public procurement has to be in accordance with a fair system, 98% of the respondents highlighted that the procurement process must lead to uniformity of the SCM system across government departments, public procurement has to be in accordance with a system that is transparent, and public procurement has to be in accordance with a system which is competitive and cost effective for the department.

Fifty eight percent (58%) of the respondents did not understand whether systems of procurement are fragmented owing to the irregular tenders and 33% of the respondents were not clear whether regulations bring corruption in the North West Department of Education and Sports Development, Mmabatho head office.

Ninety six percent (96%) of the respondents disagreed that only managers are accountable to comply with the public procurement, whilst 93% also disagreed that monitoring and measurement methods are not necessary in the department.

The second objective was to examine and investigate the extent to which procurement ethical conduct is practiced in the North West Department of Education and Sports Development, Mmabatho head office. 87% of the respondents highlighted that the notion, which states that customers are always right, should be encouraged at the department, 85% of the respondents agreed that ethical marketing always puts people first, which must be enhanced in the department.

However, even though there were good responses some of the respondents were uncertain about some statements. 33% of the respondents were not sure whether it is impossible to claim professional status for procurement without ethical aspects. Some 22% were uncertain that ethics are a good basis for relationship marketing and lastly, 20% of the respondents indicated that they were unclear whether ethics created a higher standard for managers than law.

The third objective presents and investigates the mechanisms used to ensure good governance. Out of the 45 responses received, 98% of the respondents agreed that good corporate governance is necessary,

procurement policies and processes are important and appropriate skills and specialized knowledge are the main key mechanisms that can be utilised for good governance in relation to the procurement process. 96% of the respondents indicated that the provision of value for money is a vital mechanism for good governance, 92% highlighted that enhanced innovativeness and risk management can be good mechanisms for good governance with reference to the procurement processes and lastly, 78% of the respondents disagreed that hiding purchasing costs could be a mechanism for good governance in reference to procurement processes in the North West Department of Education and Sports Development, Mmabatho head office.

The fourth objective relates to the best procurement processes that can be used to give good results in the North West Department of Education and Sports Development. Out of the 45 responses received, 98% of the respondents completely agreed that decision-making capability and complying with all the regulations of Supply Chain Management were critical procurement process that can be utilized to yield good results, 96% of the respondents indicated that to meet the total quality requirements in the procurement process and knowledge of the procurement process can give good results in the department if utilised, 88% of the respondents highlighted that making public the product or service specifications to potential suppliers can be a good results driver if it is used adequately in the department and lastly 86% of respondents indicated that better prices and service conditions could yield adequate results for the department when it is used.

5.3 Recommendations

The recommendation for the first objective is that in order to review the impact of legislative framework regulating procurement process in the North West Department of Education and Sports Development in Mmabatho head office, proper and relevant policies should be developed in the organisation to perform effectively and efficiently. Supply Chain Management should also promote good standardization and legislation should be re-enforced.

The second objective is to examine procurement ethical conduct in the North West Department of Education and Sports Development, Mmabatho head office. The researcher recommends that there is a need for establishment of a procurement training policy and code of ethics. This will provide the staff involved in the process with the much-needed knowledge and guidance. This is also based on procurement Ethical relationship marketing, which could be acquired through transparency, Integrity, fairness, trust, commitment, diligence and respect.

With the third objective, relevant mechanisms must be used to ensure good governance with reference to procurement process. Different tools are appropriate for different types of decision problem, and the various techniques, such as considering multiple criteria at the same time or different possible goals have been

subject to considerable development over recent decades, particularly boosted by the rise in personal computing (French, Maule and Papamichail, 2009). However, although potentially providing valuable insight, additional factors to consider include the accuracy of the underlying assumptions and data, and issues around interpretation and implementation (Baba and HakemZadeh, 2012). It is therefore important that training should be offered to give good results.

5.4. Conclusion

The discussion of the study covered a variety of information that is answering the four objectives of research. The methodology used was to try and find out the situation in the North West Department of Education and Sports Development at the Mmabatho head office, whether what is researched previously happens currently. This was followed by analyzing the interpretation of results. The conclusion was drawn from the findings and recommendations provided. It is evident that the procurement processes do have legislation which must be complied with. Skills should be acquired to be able to use relevant mechanisms as well as professionalism to expose unethical behaviour during the process.

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APPENDIX A

QUESTIONNAIRE: TO NORTH WEST DEPARTMENT OF EDUCATION AND SPORTS DEVELOPMENT, MMABATHO HEAD OFFICE

I am Nomsebenzi Winterrose Letshaba an MBA Master's student at the North West University (MAFIKENG CAMPUS) and I am conducting a research study on the topic below:

PROCUREMENT PROCESS IN THE NORTH WEST DEPARTMENT OF EDUCATION AND SPORTS DEVELOPMENT, MMABATHO HEAD OFFICE

Kindly assist in the completion of this study by furnishing the information as requested in the questionnaire. Your honest response will contribute to addressing the challenges encountered by the North West

Department of Education and Sports Development, Mmabatho head office. Responses will be treated with the utmost confidentiality.

Please read the statements carefully and mark with a cross (X) in the appropriate block.

SECTION A

1. Demographic Information

1.1 Gender

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

1.2 Age group

Less than 25 years	<input type="checkbox"/>
25 – 30 years	<input type="checkbox"/>
31 – 35 years	<input type="checkbox"/>
36 – 40 years	<input type="checkbox"/>

41 – 45 years	
46 – 50 years	
More than 51	

1.3 Job status

Manager	
Line manager	
Operational manager	

1.4 Highest qualification

Below Matric	
Matric	

Certificate	
Bachelor Degree	
Honours Degree	
Master's Degree	
Doctorate Degree	

1.5 Number of years employed at the your organisation

0 – 5 years	
6 – 10 years	
11 – 15 years	
16 – 20 years	
21 years and above	

1.6 Which Section are you employed in?

Finance	
Corporate	
Engineering	
Community services	
The Development Services Unit	
Supply Chain	

SECTION B

This section analyses the impact of legislative framework regulating procurement process. Please put a cross (X) or tick (✓) in the applicable box to rate your level of agreement or disagreement. Mark one box only per statement:

What is the impact of legislative framework regulating procurement process in the North West Department of Education and Sports Development, Mmabatho head office?

No	Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
2.1	Public procurement has to be in accordance with a system of fair					
2.2	Procurement process must lead to uniformity of the SCM system across government departments					
2.3	Monitoring and measurement methods are not necessary					
2.4	Only managers are accountable to comply with the Public procurement Acts					
2.5	Procurement process should only be practiced by accountants					

2.6	One does not need communication skills to do procurement					
2.7	Regulations bring corruption					
2.8	systems of procurement is fragmented owing to the irregular tenders					

To what extent procurement ethical conduct is practiced?

No	Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
2.9	Procurement staffs are the representatives of their organisation in dealing with suppliers					
2.10	Ethical marketing puts people first					
2.11	Sound ethical conduct in dealing with suppliers is essential to the creation of long-term relationships					
2.12	Customers are always right					
2.13	Ethics creates a higher standard for managers than the law does					

2.14	Ethical is bases of relationship marketing					
2.15	Commitment is necessary if one wants to maintain supplier's relationship.					
2.16	It is impossible to claim professional status for procurement without ethical aspects.					

What mechanisms are used to ensure good governance with reference to procurement process?

No	Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
2.17	Electronic public procurement helps the government to obtain better working equipment or services					
2.18	Department can delegate the work to another party when you cannot provide services					
2.19	Good corporate governance is necessary					
2.20	Enhanced innovativeness and risk management					
2.21	Hiding purchasing cost					

2.22	Procurement policies and processes are important					
2.23	Appropriate skills and specialized knowledge are the main key					
2.24	Provide value for money					

Which best procurement processes can be used to give good results?

No	Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
2.25	To meet the total quality requirements, in the procurement process					
2.26	Negotiation power for better prices and service conditions					
2.27	Decision making capability					
2.28	Where the product or service specifications are made public to potential suppliers,					
2.29	Comply with all regulations of Supply Chain Management					

SECTION C:

3. In your opinion what do you think procurement process is?

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4. Do you think you have skills on procurement process?

If you answered YES, please explain

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If you answered NO, please indicate why

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5. In your opinion do you think centralisation is the best method in procurement process?

If you answered YES, please explain

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If you answered NO, please explain why

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6. In your opinion do you think decentralisation is the best method in procurement process?

If you answered YES, please explain how

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If you answered NO, please explain why

THANK YOU FOR YOUR TIME AND CO-OPERATION