

**CHALLENGES FACING THE SUPPLY CHAIN MANAGEMENT
SYSTEM OF DR RUTH SEGOMOTSI MOMPATI DISTRICT
MUNICIPALITY**

by

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DECLARATION

I declare that the work entitled – Challenges facing the Supply Chain Management Systems in Dr Ruth S Mompati District Municipality is my original work. I have not copied from any other students' work or from any other sources except where due reference or acknowledgement is made explicitly in the text, nor has any part been written for me by another person.



Lesedi Lucrecia Motuba

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ABSTRACT

A case study was undertaken in the Bophirima District Municipalities, North West Province, Republic of South Africa. Stratified sampling was utilised through which (100) hundred respondents were identified within the municipality. Both primary and secondary data collection method was employed to collect empirical data.

The findings of the study revealed that (i) implementation of Supply Chain Management was far from satisfactory (ii) the municipality is faced with problems of lack of skills and capacity in the implementation and executive of Supply Chain Management. Furthermore non-compliance to Supply Chain Management regulations was highlighted.

The study concludes by recommending (i) greater sharing of information among those assigned with the implementation of the Supply Chain Management the utilisation of technology (ii) establishment of a structure for the implementation of the Supply Chain Management, and in particular structures for public-private partnerships in service delivery, (iii) training of municipal employees assigned with the implementation of Supply Chain Management and (iv) stricter application of the public procurement and the Municipal Finance Management Acts. For further research it is recommended that a replication of the research be done in other municipalities to obtain the situation regarding the implementation of Supply Chain Management practices.

The regulatory framework of the South African government has ensured that all significant changes and improvements in the supply chain practices of government are well maintained, in an effort to encourage efficiency and effectiveness in government supply chain management processes. Tighter controls have been placed in government procurement sector to ensure value for money. However, the challenge still remains with changing how people in government supply chain management receive these efforts of government, and how they accept this shift in the way they do things.

According to the National Treasury of South Africa, Supply Chain Management is one critical areas which will assist in ensuring that government financial reforms are achieved. Therefore, for this reason, the national treasury has issued supply

chain management regulations in line with the Public Finance Management Act (PFMA) as well as in line with the Municipal Financial Management Act (MFMA) to guide and add to the requirements of the legal framework. The regulations are phased in over a period of time, giving municipalities the opportunity to draft, adopt, and implement their SCM policies. No guide or model therefore yet exists that can be adapted to suit Dr Ruth SegomotsiMompoti District Municipality in its quest to implement all the components of SCM in order to improve service delivery.

Supply chain is not a very old concept in local government and in government in general. The concept of supply chain places a lot of pressure on municipalities by requesting that supply chain at municipalities be done transparently and without affecting service delivery negatively. The problem comes from the service providers and the general public, who expect a lot from government. The public has also displayed interest around government procurement and tendering in municipalities, as they are stakeholders and users of the services provided by these municipalities.

It is clear that, some municipalities are taking these issues seriously at various stages of their processes, other municipalities are struggling to make progress in terms of making their procurement and supply-chain processes sealed and free from illegal activities.

This study aims at investigating whether the supply chain management practices in the Dr Ruth SegomotsiMompoti District Municipality, North West province of South Africa, are in line with the regulatory framework using outlined research methodology. Supply chain management was brought in the South African public sector to reduce insufficiencies relating to governance, justification and execution of the public sector procurement guidelines.

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CHAPTER ONE

CONTEXTUALISATION AND PROBLEM STATEMENT

1.1 Introduction

This chapter sets out the contextual background and motivation for this research. In establishing the background, the chapter states implicit Lyne objectives contained in the new local government legislation and specifically, the legislation relevant to supply chain management. Further, as well as this chapter describes the organisational culture envisioned by the available municipal supply chain management legislation which aims at transforming municipalities into more efficient, effective and economical spheres of government.

This chapter covers a brief background of the problem, a statement of the problem, objectives of this research, main research questions and sub-questions, assumptions of the study, delimitations as well as definition of the main concepts of the study. The researcher gives an in depth elaboration of the various definitions of supply chain management, the legal framework, the supply chain management system, the role players within a supply chain management environment and the common problems or challenges within the supply chain management environment of any municipality.

1.2 Background to the problem

In South Africa, all government transactions and processes are governed by the Constitution, Act no 108 of 1996. Supply chain management is also one of the transformation processes that are emphasised by the Constitution in Section 217. The Constitution states and emphasises that, whenever any structure of government, whether it is the national, provincial or local sphere of government or any other institution identified in national legislation contracts for bids or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective (The Constitution of the Republic of South Africa, Act no 108 of 1996. S 217 (1))

The Municipal Finance Management Act 56 of 2003 is clear on the establishment of the supply chain management units by the municipalities. These units have to be established and form part of the Budget and Treasury Office (BTO) of the municipality. However, municipalities still undergo various challenges in as far as supply chain management is concerned. Common challenges include poor implementation of supply chain management practises; lack of skills and capacity in the implementation and execution of supply chain management; quality of service and products in the supply chain, and poor collaborative planning. Other barriers to having a sound supply chain management are conflict of interest in the composition of tender committees, and the complexity of the Preferential Procurement Policy Framework Act (Act No 5 of 2000).

Due to the cited challenges, the implementation of Supply Chain Management currently occupies a centre stage in the financial management reform process in the public sector in South Africa (Mkhize, 2004 p214). The emphasis of these financial management reforms is on the way in which financial resources are allocated, managed and reported on in the public sector (Mkhize, 2004). Thus, the South African government has adopted integrated Supply Chain management in its public procurement policy (Office of Government Commerce, 2005).

The Minister of Finance in line with the Public Finance Management Act, Act no 29 of 1999, developed the supply chain management framework with the following objectives in mind:

- To give effect to the provisions of the Constitution, 1996;
- To give effect to the provisions of the MFMA, 2003;
- To transform outdated procurement and provisioning practises into an integrated SCM function;
- To ensure that SCM forms an integral part of the financial management system of the municipality / municipal entity;
- To make significant improvement to financial management in the broader public sector;

To introduce a system for the appointment of consultants;

- To create a common understanding and interpretation of government's preferential procurement policy objectives;
- To promote consistency in respect of SCM policy and other related policy initiatives in Government;
- To align with global trends and ensure that South Africa adheres to international best practices (<http://www.treasury.gov.za/legislation/PFMA/>).

1.3 Problem Statement

The South African government procurement services are assumed to be characterised by a lot of corruption, fraud and illegal practices, which left the state with no option but to deal away with those systems (prior procurement systems) and substituting them with the current supply chain management system.

The aim of introducing supply chain management was to address the inefficiencies in government's previous methods of procurement of goods and services, asset management, and contract management. There are however problems with regard to the improper implementation of supply chain management. In essence, each municipality must in terms of Section 111 of the Municipal Finance Management Act No. 56 of 2003, implement a supply chain management policy that gives effect to Section 217 of the Constitution, and part 1 of Chapter 11 of Municipal Finance Management Act No 56 of 2003 and the other applicable provisions of the Act.

1.4 Objectives of the study

The objectives of this research are:

- To establish whether the supply chain management system and supply the chain management unit exist within the Dr Ruth Segomotsi Mompati District Municipality in terms of the framework on Supply Chain Management and in terms of the MFMA.

- To examine whether the municipality has the Supply Chain Management Policy in place and whether there is compliance to such a policy and procedures.
- To explore the level of understanding of the supply chain management in the district municipality by the staff, management and other role players.
- To assess the impact of supply chain management policies in the district municipality on service delivery and on municipal management as a whole.

1.5 Main Research Questions and sub questions.

The main research question for this study is to establish whether the system of supply chain management exist in the Dr Ruth Segomotsi Mompati District Municipality. The question is therefore set out as follows:

- Is there a supply chain management system in the Dr Ruth Segomotsi Mompati District Municipality?

The sub questions for the research are outlined below:

- Is there a Supply Chain Management unit within the Budget and Treasury Office (BTO) of the Dr Ruth Segomotsi Mompati District Municipality?
- Are there problems relating to supply chain management in Dr Ruth Segomotsi Mompati district municipality in particular? Indicate any three problems that you are aware of?
- Is there a demand management element within the SCM division of the Dr Ruth Segomotsi Mompati District Municipality?
- Is there an Acquisition management element of the SCM within the SCM Unit of the Dr Ruth Segomotsi Mompati District Municipality?
- Is there a Logistics management element of the SCM at Dr Ruth Segomotsi District Municipality?
- Is there an element of Asset and Disposal management in the SCM unit of the Dr Ruth Mompati District Municipality?
- What are the SCM challenges at the DrRMDM?

- Indicate any three problems relating to SCM in the Dr Ruth Segomotsi Mompoti District Municipality that you are aware of.
- Is there enough capacity to deal with procurement and supply chain management challenges?
- Do you think poor supply chain management affects service delivery negatively?

1.6 Assumption of the Study

The need to undertake research on the challenges relating to supply chain management in the Dr Ruth Segomotsi Mompoti Municipality results from the general assumptions that the supply chain environment of municipalities and the public sector as a whole is characterised by challenges which affect service delivery negatively.

In view of the above, it is the hypothesis of the research that there are challenges relating to the Supply Chain Management at the Dr Ruth Segomotsi Mompoti District Municipality.

The researcher is of the view that, most municipalities have the following problems:

- (i) procedure is not followed in the procuring of goods and services;
- (ii) Bids are perceived to be favouring certain individuals or companies;
- (iii) municipalities are unable to deal with the problem of corruption in supply chain management;
- (iv) there is lack of capacity to deal with procurement and supply-chain management challenges;
- (v) Non-compliance with the relevant supply-chain management policies.

1.7 Research Methodology

Mouton (2001:69) defines primary information in research as the researcher's own data, whether you have collected it yourself or whether it already exists in one form or another, usually available in textual information (qualitative data) and numeric information (quantitative data). A self-administered questionnaire will be used as a tool to obtain and gather data on the processes followed to analyse evidence relating to supply chain management within the district municipality.

1.7.1 Data collection techniques and study population

The process to collect data involved consultation with the councillors, senior managers and staff of the municipality. A structured questionnaire, prepared in English was distributed to collect data enabling interaction with the stakeholders and targeted respondents. A maximum of 100 questionnaires was distributed for the recipients within the municipality to respond to questions regarding their understanding of supply chain management.

1.7.2 Ethical Considerations

The research findings were discussed at senior management meeting, Mayors forum, Municipal Managers forum and all municipal councils within the district.

1.8 Limitations

The study is limited to Dr. Ruth Segomotsi Mompati District Municipality, but may be relevant to all other municipalities across South Africa. The study is organised as follows:-

1.9 Layout of the dissertation

The research consists of five chapters

Chapter One

This chapter outlines the conceptual framework and introduction to the study. The researcher explains the real reasons for this research and the research questions in this chapter.

Chapter two

In this chapter, a review of the available literature around the challenges relating to supply chain management in municipalities is performed. Thoughts and ideas of various authors are interrogated and explored to substantiate the arguments on matters relevant to the study.

Chapter three

Chapter three of this study discusses the research design and methodology that were used to look into the research questions and to find answers thereto. It also describes the inspiration behind the methodology used and demonstrates how the research design and methodology were applied to analyse the supply chain management challenges of the Dr Ruth Segomotsi Mompati District Municipality.

Chapter four

This chapter analyses the results of the conducted research on the challenges of supply chain management faced by municipalities in the North West Province with specific reference to the Dr Ruth Segomotsi Mompati District Municipality. In this chapter, the researcher determines and selects from the general field exactly that data is required with regards to procurement procedures in municipalities.

Chapter five

This study summarises all the discussions above, linking the aims and the objectives of the study, data collected and the reviewed literature. In this chapter, the main conclusions of the study are drawn and recommendations are made against issues raised. Issues for further research are also identified.

1.9 Abbreviations

SCM – Supply Chain Management

MFMA – Municipal Finance Management Act

BBBEEE – Broad-Based Black Economic Empowerment

PPPFA – Preferential Procurement Policy Framework Act

DrRSM – Dr Ruth Segomotsi Mompati

BTO – Budget and Treasury Office

1.10 Conclusion

This chapter presented the background of the study, statement of the problem, objectives of the study, research methodology and organisation of the study. Literature relevant to the challenges relating to supply chain management of municipalities is discussed in chapter two.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of the literature that represents the supply chain management challenges faced by municipalities in an effort to establish the most reliable research on the research problems that the researcher identified with and is relevant to the research topic. The purpose for this section is to bring some clarification to the concept of SCM by exploring some of the more prevalent SCM definitions, frameworks and terminology.

Municipalities are the sphere of government that is closest to the people. Therefore the provision of services is of essence in the highest standards and highest quality. Some of these services are acquired through the supply chain management process by the municipality and provided to citizens. The provision of these services within the required expectations is critical to the citizens, therefore the methods employed to source these services must be within the legislative limits.

2.2 Supply Chain Management defined

Supply Chain Management (SCM) is a concept that is gaining in popularity and importance. However, SCM is not a concept without problems. These problems include the lack of a universally accepted definition of SCM, the existence of several different and competing frameworks for SCM, issues with terminology and the relative lack of empirical evidence supporting the benefits attributed to SCM.

The Council of Supply Chain Management Professionals (2005:7) defines SCM as:

“Managing supply and demand, sourcing raw materials and parts, manufacturing and assembly, warehousing and inventory tracking, order

entry and order management, distribution across all channels, and delivery to the customer”.

SCM is the management of actions involved in purchasing materials, converting them into intermediate goods and end products and distributing a product or service. The chain starts with basic suppliers of raw materials and extends all the way to the final customers. The facilities or parties involved in an assembly type of supply chain, such as automotive component manufacturers, include warehouses, factories, processing centres, distribution centres, retail outlets and offices. The activities involved include demand planning, sourcing, managing inventory, information and quality, scheduling production, distribution, disposal and customer service (Heizer & Render 2008:434; Stevenson 2005:692).

Hugos (2006:4) defines SCM as “the coordination of production, inventory, location and transportation among the participants in a supply chain to achieve the best mix of responsiveness and efficiency for the market being served.” However, supply chain management in the public sector is not entirely different from the definition according to Hugo. In the public services, the National Treasury determined the framework through which SCM should be implemented. This framework defines SCM as an integrated process where all the elements and role players of SCM are combined together to achieve the objectives of as indicated in the Constitution and to ensure the achievement of the prescripts of the MFMA.(Act No. 56 of 2003)

Lamb, Hair and McDaniel (2007:371) define supply chain management as a system that coordinates and integrates all the activities performed by supply chain members a seamless process, from the source to the point of consumption, resulting in enhance customer and economic value.

According to Paliwal (2006:64) SCM is a field of study that extracts contributions from several disciplines including transaction cost economics, relationship marketing, agency theory and systems studies. SCM provides a useful structure for analysing relationships between businesses engaged in both vertical and

horizontal alliances as a means of pursuing consumer awareness. In addition, SCM is also concerned with the development and nature of relationships between organisations in the supply chain.

2.3 Public Sector Approach

According to section 16A3.1 (a,b) of the Treasury regulations (2005) The accounting officer of an entity to “which these regulations apply must develop and implement an effective and efficient supply chain management system in his or her institution for the acquisition of goods and services; and the disposal and letting of state assets, including the disposal of goods no longer required”.

A SCM system should “be fair, equitable, transparent, competitive and cost effective; be consistent with the Preferential Procurement Policy Framework Act, 2000; be consistent with the Broad Based Black Economic Empowerment Act, 2003 and provide the following: (i) demand management; (ii) acquisition management;(iii) logistics management;(iv) disposal management; (v) risk management; and (vi) regular assessment of supply chain performance”(Treasury Regulations, 2005:section 16A3.2(a,b,c,d)).

According to Treasury Regulation (2005:s 16A4.1)the accounting officer must have a separate supply chain management unit within the office of that organisation’s chief financial officer, in order to implement the institution’s supply chain management system.

Section 16A5.1 of the Treasury Regulations (2005) stipulates that the accounting authority should make sure that officials implementing the entity’s supply chain management system are trained and employed in accordance with the requirements of the Framework for Minimum Training and Deployment issued by the National Treasury.

2.4 Continuous improvements in the procurement systems of government

In his budget speech in Parliament on 27 February 2013, Finance Minister Pravin Gordhan indicated that further reforms to the public procurement system in South Africa with a particular focus on curbing corruption are a continuous process. He emphasised the importance of ensuring that corruption is combated so as to ensure that government continually endeavours to increase the value which it receives for the money it spends. This clearly shows that procurement reforms are an ongoing process.

Procurement reforms in government began in 1995 and were focused on to two broad focus areas, namely the promotion of principles of good governance and the introduction of a preference system to address certain socio-economic objectives. The procurement reform processes were supported by the introduction of a number of legislative measures, including the adoption of the Public Finance Management Act, 1999 (Act 29 of 1999) and the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000).

According to McCruden (2007: 245) the procurement reforms were necessary not only to promote good governance in the public sector procurement, leading to greater efficiencies, but also so that it could be used effectively to deliver socio-economic objectives of government. These reforms are still continuing to date and even laid foundation to initiatives which exist today such as the Broad Based Black Economic Empowerment (BBBEE).

According to the Green Paper on Public Sector Procurement Reform in South Africa which was published in April 1997, it is recognised that public sector procurement could be used by government as a mechanism to achieve certain broader policy objectives such as Black Economic Empowerment, local economic development spin-offs for small and medium-sized business, skills transfer and job creation. As part of achieving these government initiatives, local governments are now obliged to empower their communities by creating jobs and opportunities for their citizenry so that they can give back to the local economy.

2.5 South African supply chain management practices

Ambe (2009:248) mentions that SCM is an essential element of sensible financial management in the South African public sector management. It utilises internationally accepted best practice principles, whilst at the same time addressing government's preferential procurement policy objectives. The aim of SCM is to add value at each phase of the process commencing with demand of goods or services to their acquisition, overseeing the processes of logistics and finally, after use, to their disposal. In undertaking that, it addresses deficiencies in recent practice linked to procurement, contract management, inventory and asset control and obsolescence planning. The adopting of SCM policy ensures consistency "in bid and contract documentation and options as well as bid and procedure standards, among others, will promote standardisation of SCM practices".

2.5.1 Principles of SCM

According to Ambe (2009:428-429) the principles of SCM are as follows:

- SCM is an attitude for carrying out business. It is an idea for sharing of risks, benefits and rewards, for long term collaboration and trust among partners and for joint preparation and joint swap of information throughout all the phases of supply chain.
- SCM is the incorporation of various layers of municipalities determined as a panel to optimise the mutual supply chain processes in prop up of the tactical objectives of the supply chain of the municipality and stakeholders in the supply in the chain.
- Ambe (2009:429) is of the view that "SCM is the management of all links and interfaces in the supply chain. However, all of these links and interfaces are not of equal importance and therefore the management task of various nodes or interfaces in the supply chain will differ according to impact on the relevant supply chain processes on the creation and delivery of consumer value".

- SCM is directed by the code of co-operative governance and intergovernmental relations as predetermined in the constitution, enshrining the self-sufficiency of each speciality while monitoring the association among those specialities.
- The basis of SCM is on collective vision of what consumers' value is and therefore attuned with municipal principles are vital in carrying out the needed levels of planning and coordination.
- According to Ambe (2009:429) "SCM implies optimised performance from all supply chain members across all processes and activities and ultimately the development of consumer driven performance measures aimed at ensuring the continuous improvement of the supply chain as a whole".

2.6 Supply Chain Management and the legal framework.

In South Africa, supply chain management is guided by various pieces of legislation, and mainly by Section 217 of the Constitution. A summary of what the various pieces of legislation say about supply chain management is summarised below:

The Constitution of the Republic of South Africa, Act 108 of 1996. Section 217 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), which reads as follows:

- (1) When an Organ of State in the national, provincial or local sphere of government, or any other institute identified in national legislation contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.
- (2) Subsection (1) does not prevent the Organs of State or institutions referred to in that subsection from implementing a procurement policy providing for
 - (a) categories of preference in the allocation of contracts; and
 - (b) the protection or advancement of persons, or categories of persons, or unfair discrimination.

The Municipal Systems Act, (Act No. 32 of 2000) section 83 of this act allows municipalities to provide municipal services themselves or by way of service delivery agreements. The Preferential Procurement Policy Framework Act (Act 5 of 2000) and its regulations provides that all local municipalities implement a preference system in the allocation of contracts for categories of service providers to advance the interests of persons previously disadvantaged by unfair discrimination. The Municipal Finance Management Act (Act No. 56 of 2003), aims to assist municipalities to maximise their capacity to deliver services. The MFMA also seeks to promote ethical behaviour of officials and other role-players involved in supply-chain management.

Municipalities and municipal entities in South Africa must have and implement a SCM policy, which gives effect to the provisions of the SCM provisions within the MFMA. The SCM policy must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal SCM. The Act places considerable emphasis on efficiency in the provision of services and achieving financial value for money and seeks to buttress this with a strong code of conduct for municipal officials to combat corruption(<http://mfma.treasury.gov.za/MFMA/Guide/>).

The Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003). This act magnifies the requirements provided within the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) to take into account and to apply codes of good practice for Black Economic Empowerment. Additionally, it defines the use of a qualification criteria for the issuing of licenses, the sale of state-owned assets and the entering into of public private partnerships.

Government has initiated a number of strategies over a broad front to bring about structural change in the economy. In all government programmes, the extent to which black people benefit is a fundamental criterion of operation and success. Consequently, actions and policies that will have the effect of bringing about Black Economic Empowerment will have an impact on many spheres of society and the

economy. In this context, government's SCM activities have a major role to play as collective instruments of policy.

The SCM regulations further provide that every municipality and municipal entity must have an approved SCM policy. This policy must provide for the procurement of goods and services by way of a range of processes including pettycash purchases; formal, written price quotations; and competitive bidding processes for procurement of short and long term contracts. To expedite decision making, provision is made for the delegation of powers and duties and for sub delegation. No decision making in terms of any SCM powers and duties may be delegated to an advisor or consultant. This means that advisors and consultants may assist in the evaluation process but they may not take final decisions.

The SCM regulations are very clear about the role of political office bearers in procurement processes. Councillors are not allowed to take part in procurement activities, (Municipal Finance Management Act 56 of 2003) Section 117, 2003:126). "The council of a municipality must play an overseeing role for that purpose and reports must be submitted to the council by the accounting officer to enable the council to play such a role. The Dr Ruth Segomotsi Mompati District Municipality has in place an SCM policy which is clear and strict in prohibiting the councillors to participate in the supply chain management processes."

2.7 Participants in the municipal SCM.

Municipal processes differ from those of other spheres of government, their roles and responsibilities also differ according to their size and categorisation. According to the MFMA, SCM Regulations, accounting officers are entrusted with the responsibility of ensuring that SCM are implemented within their budget and treasury offices irrespective of their size or capacity. The SCM Regulations require that municipalities must establish SCM units to develop and implement their SCM policies. The MFMA clearly states that the SCM units must operate directly under the supervision of the Chief Financial Officer.

The regulations more want that officials intricate in implementing the policy be trained. This should be done in accordance with the treasury guidelines on training. The SCM regulations also offer for a committee system for competitive bids consisting of a bid specification committee, a bid adjudication committee and a bid evaluation committee. The SCM Policy of the DrRSM district provides for three bid committees. According to this policy, the main function of the bid specification committee is to compile the specifications for the procurement of goods or services by the municipality. The specifications must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services. Specifications must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.

In as far as possible, the specifications should be described in terms of performance required rather than in terms of descriptive characteristics for design. The specification committee should not create trade barriers in contract requirements in the form of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification. Specifications may not make reference to any particular trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "equivalent". The National Treasury Guide to Accounting Officers on the implementation of SCM states that, the bid-specification committee be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors. No person, advisor or corporate entity involved with the bid-specification committee, or director of such a corporate entity, may bid for any resulting contracts.

According to the Municipal SCM Regulations (30 May 2005), the roles of the bid evaluation committee must include, among other things, the evaluation of bids in accordance with the specifications for a specific procurement and the points

system. The evaluation of each bidder's ability to execute the contract; checking in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears; and submit to the adjudication committee a report and recommendations regarding the awarding of the bid or any other related matter.

The National Treasury requires that, the bid evaluation committee must, as far as possible, be composed of officials from departments requiring the goods or services; and at least one SCM practitioner of the municipality. The SCM Regulations provide that the bid adjudication committee which must consider the report and recommendations of the bid evaluation committee. Depending on its delegations, it must make a final award or a recommendation to the accounting officer to make the final award or make another recommendation to the accounting officer how to proceed with the relevant procurement.

The bid adjudication committee must consist of at least four senior managers of the municipality which must include the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and at least one senior SCM practitioner who is an official of the municipality and a technical expert in the relevant field who is an official, if such an expert exists.

The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting. Neither a member of a bid-evaluation committee, nor an advisor or person assisting the evaluation committee may be a member of a bid adjudication committee. If the bid adjudication committee decides to award or recommend a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must furnish the reasons for the deviation.

The accounting officer appoints the members of the committees, taking into account section 117 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), which provides that councillors are barred from serving on any municipal tender committees. The accounting officer may appoint a neutral independent observer to attend and oversee the process to ensure fairness and promote transparency. These provisions strengthen the notion that the accounting officer takes responsibility and accountability for the procurement process, and that the elected council makes the policy and oversees the process, but that individual councillors are specifically barred from getting involved in, or interfering with the process.

Among the responsibilities within SCM is for the municipality to maintain a database to support the monitoring of the extent to which government's procurement reform objectives are met. The municipality must also monitor the manner in which policy is implemented in respect of government's procurement reform objectives, the manner in which targets are set and attained, value for money obtained and delivery mechanisms. One of the functions within the performance review could be to identify and evaluate issues around the effects of the procurement policy on the poor and how the policy can be adapted to benefit the poor in the long run.

2.8 Elements of SCM

The Municipal SCM Regulations further breaks supply chain management into five elements. These elements make the coordination process as outlined by Lamb et al (2007) easier and possible. The elements of supply chain are further discussed below;

2.8.1 Demand Management

Seghal (2009: p31) defines demand management as an initial step in the supply chain management where demand forecasting is done. The main objective of

demand forecasting is to determine the future needs of goods or services and to establish the resources necessary to address such demand.

In municipalities, the demand management element of SCM is where the resources required to fulfil the needs identified in the Integrated Development Plan (IDP) of the municipality are analysed and planned accordingly. The objective is to ensure that the resources required to fulfil the needs identified in the Integrated Development Plan (IDP) of the municipality or municipal entity are delivered at the correct time, price and place and that the quantity and quality will satisfy those needs.

In the Dr Ruth Segomotsi Mompati District Municipality, the demand management as a subunit of supply chain does not exist. However, the functions which are supposed to be performed by this subunit are performed by individuals within the budget and treasury office. The planning (IDP) does not take into cognisance the supply chain process, nor does it take the budget process into consideration to some extent. This is usually a visible problem because there is normally uncoordinated and unplanned procurements taking place. This is a huge problem because it affects service delivery to the public to some extent.

According to the Supply Chain Regulations, this is the phase that brings the supply chain practitioner closer to the end user. In order to ensure that value for money is achieved. This phase implies, among others, that during the strategic planning of the municipality or municipal entity's IDP, or any part thereof, the functions to be executed are determined as well as the goods, works and / or services needed to execute the said functions. The demand requirement for goods, works and / or services are therefore specifically budgeted and programmed for within the municipality / municipal entity's IDP.

Lambert (2008:11) defines demand management as the SCM process that balances the customers' requirements with the capabilities of supply chain. With the right process in place, management can match supply with demand proactively

and execute the plan with minimal disruptions. The process is not limited to forecasting.

2.8.2 Acquisition Management

Acquisition management is usually mistaken as procurement. Engelbeck (2002) differs by defining acquisition management as a well established activity within government with a set of management responsibilities that are perceived to be broader in scope as compared to procurement. He further states that the core acquisition principle is to deliver on a timely basis best value product or service to the customers while maintaining and fulfilling policy objectives.

Visser and Erasmus (2002:158) maintain that the calling for tenders to secure supplies of goods and services is an integral part of procurement, as legislation compels public institutions to procure goods and services through that process. A thorough knowledge of the different phases of the tendering process and the accompanying procedures is, therefore, necessary to ensure that public officials procure goods and services in good time and according to their requirements.

2.8.3 Logistics Management

This aspect of SCM addresses the logistics management issues which entail among other things, the coding of items; setting of inventory levels; placing of orders; receiving and distribution of material; stores/warehouse management; expediting orders; transport management; and vendor performance.

Ismail (2008:3) states that logistics management is the most important element of SCM. According to him, it is that part of SCM that plans, implements and controls the effective storage of goods, services and related information between the point of origin to the point of consumption, in order to meet the customer requirements.

According to the National Treasury, every municipality must establish an effective system of logistics management in order to provide for the setting of inventory levels; placing of orders; receiving and distribution of goods; stores and warehouse management; expediting orders; transport management; vendor

performance; and maintenance and contract administration. When ordering stock or goods, certain procedures need to be followed.

2.8.4 Disposal Management

According to Section 40 of the Municipal SCM Regulations, disposal management involves the management of all the functions related to disposal or letting of assets, including unserviceable, redundant or obsolete assets. The SCM policy of DrRSM district municipality provides a few methods that can be used to dispose goods, these methods include:

- disposing by way of transferring the asset to another organ of state at market related value or, when appropriate, free of charge
- by selling a redundant or obsolete asset by way of auction,
- destroying the asset.

2.8.5 Risk Management in Supply Chain Management

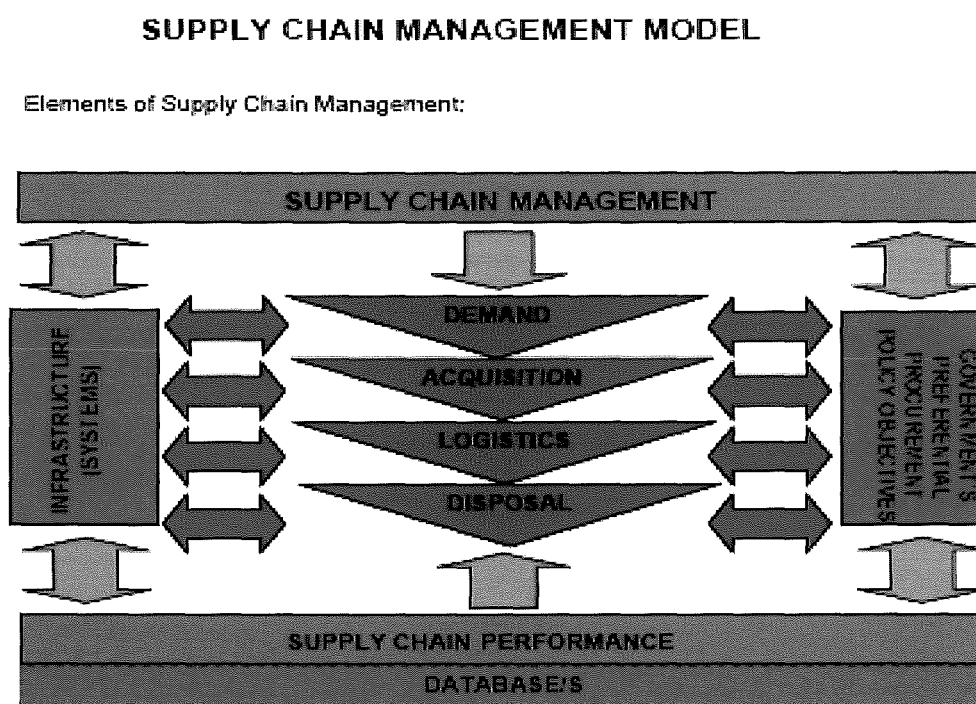
In terms of Section 41 of Municipal SCM Regulations of 2005, risk management includes the identification, consideration and avoidance of potential risks in the supply-chain management system. Risk management must include:

- (i) the identification of risks on a case-by-case basis;
- (ii) the allocation of risks to the party best suited to manage such risks;
- (iii) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- (iv) the management of risks in a proactive manner and the provision of adequate cover for residual risks; and
- (v) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

2.8.6 Supply Chain Performance

Municipal SCM Regulations of 2005 accentuates that, SCM entail an internal monitoring system in order to determine, on the basis of reflective analysis, whether the approved SCM processes were followed and whether the anticipated objectives were achieved. According to the MFMA, constant checking and proper planning of supply chain processes is of vital importance.

Fig 2.1 The following diagram illustrates the Supply Chain Management



Source: National Treasury, 2004: *Supply Chain management A Guide to Accounting Officers/Authorities*

In an ideal supply chain management environment, the above model should be fully implemented and monitored on an on-going basis. The four elements of SCM must be in place, to ensure effective and efficient processes of supply chain management.

Supply Chain Management Challenges in Municipalities.

There are SCM challenges in municipalities and they are as follows:

Technological Advancement

Due to continuous improvements on the world demands, as a result of advancements in technology, supply chain technology stands as one of the primary pillars in the supply chain excellence strategy. However, improperly understood or implemented, it can cause severe damage rather than improvement. It is therefore important to keep abreast

Peng (2011:35) states that SCM is concerned with the flow of products and information between supply chain members' organisations. Recent developments in technology enable the organisation to avail information easily in their premises. These technologies are helpful to coordinate the activities to manage the supply chain. The cost of information is decreased due to the increasing rate of technologies. The importance of information in an integrated SCM environment is therefore vital.

Corruption in Procurement

Corrupt transactions may occur in networks that are highly organised as well as opportunistically. Lamour and Wolanin (2013:222) indicate that corrupt transactions occur between the corruptors as a result of social interaction. They state that for corruption to occur there is usually communication between two or more individuals that intend to do corruption. Even though differences may exist in the nature and scope of corrupt behaviour, and the extent to which anti-corruption measures are enforced, the phenomenon can be found at all times and within virtually every government organ. It can also be found within the private sector.

The term "corruption" is used as a summarised mention referring to a large range of illicit or illegal activities. Although there is no universal or comprehensive definition as to what constitutes corrupt behaviour, the most prominent definitions share a common emphasis on the abuse of public power or position for personal advantage.

Klitgaard (2000:46) maintain that important conditions must be in place to fight corruption in procurement, including a well delineated civil service system (merit based and adequately paid) and law enforcement services that can investigate problems.

Public Procurement Challenges in South Africa

According to Ambe and Badenhorst (2012:249) it is very important to make a note of that SCM is a fundamental component of procurement in the South African Public Sector. Therefore, SCM is employed as an instrument for management of public procurement practices. Nonetheless despite the consumption of SCM as a strategic instrument, the public procurement in South Africa still encounters huge difficulties. These challenges include among others:

- Lack of proper knowledge, skills and capacity
- Non-compliance with SCM policy and regulations
- Inadequate planning and linking of demand to the budget
- Accountability, fraud and corruption
- Inadequate monitoring and evaluation of SCM
- Unethical behaviour
- Too much decentralisation of the procurement system
- Ineffectiveness of the broad based black economic empowerment (BEE) policy.

The above challenges are discussed briefly below

a) Lack of proper knowledge, skills and capacity

According to Ambe and Badenhorst-Weiss (2012:250) to completely achieve SCM objectives, the National Treasury gives support by leading the expansion of suitable training materials to government departments or organisations, municipalities and municipal entities. However, the scarcity of skills has been a re-concurrent matter in public domain. Skills and capacity scarcity have been

recognized as the single maximum obstruction to the triumph of public procurement in South Africa. Sufficient ability in the figure of suitable structures with completely skilful and professional SCM workforce is a crucial triumph issue for appropriate SCM implementation.

Most of SCM role players in the South African public sector have gone through a number of training workshops on SCM, but they still require the suitable acquaintance for suitable implementation. There is need of ability and knowledge by SCM partakers to handle procurement processes that have led to bad governance. The Government of South Africa embarks on programmes that inform or equips practitioners, but the implementation of it always fall short.

b) Non Compliance with Policies and Regulation

Ambe and Badenhorst-Weiss (2012:250) assert that SCM is guided by a number of correlated policies and regulations. Conformity with these policies and regulation is a problem. A few of the practices associated to non-compliance with the rules and procedures link to the propensity not to make use of a competitive process for quotations and bids, and incorrect utilisation of the preference points system.

c) Inadequate Planning and linking demand to the budget

Ambe and Badenhorst-Weiss (2012:251) are of the view that Demand management is vital to the process of SCM. Demand explains the process of decision making that permits “departments to procure at the right time, at the right place and at the right cost”. Nonetheless, lots of government organisations are still faced with the problems of inappropriate preparation and connecting demand to budget. Cost efficient procurement lies on a specialist’s skills to guarantee that purchasing requirements are constantly determined, proper agreement strategies are developed, contracts are properly managed and opportunities are apprehended to protect the top deals at the right time and at the right price. The significance of drawing up precise and sensible strategic plans cannot be

overestimated. Implementation of SCM has been affected by poor planning and budgeting. It is very important that SCM practitioners sufficiently connect demand planning to budget.

d) Accountability, fraud and corruption

According to Ambe and Badenhorst-Weiss (2012:251) accountability formulates a vital support to public procurement. With no transparent and accountable systems, the huge funds channelled by public procurement systems run the risk of being intertwined with increased corruption and misuse of funds. Fraud and corruption cost South Africa's tax payers hundreds of millions annually. It is further mentioned that the impact of fraud has led to the formation of unique legislation and upgrading in existing legislation. Moreover, it is stipulated that the Public Service Commission Committee indicated that corrupt cases had been reported through the National Anti-Corruption Hotline.

e) Inadequate measures for monitoring and evaluation of SCM

Ambe and Badenhorst-Weiss (2012:252) mention that efficient policy making needs information on whether government organisations or State Owned Entities are undertaking things accurate and whether they accomplish the desired results. Effective and efficient monitoring and and evaluation systems present the way to compile and put together this important information into the policy cycle, thus provide the foundation for sound governance and accountable public policies. Insufficient monitoring and evaluation is correlated to the nonexistence or the poor existence of a control environment, and the government organisations are positioned in a complex place to provide effect to or implement SCM as stipulated by the policy.

f) Unethical behaviour

Ethics is the learning of honest judgements and correct and incorrect conduct. Ethics and conflict of interest significantly affects SCM implementation. Massive control is wielded by some chief financial officers. Whilst the National Treasury's guide to Accounting Officers set a model approach towards SCM procedure, in several occasions there is lack of compliance and application of the guidelines. This has resulted in differentiation in approaches and lack of standardisation. It is complex to confirm the completeness of tender documents in most municipalities (Ambe and Badenhorst-Weiss, 2012:252)

g) Too much decentralisation of the procurement system

Ambe and Badenhorst-Weiss (2012:253) say the South African public sector procurement is to a certain degree decentralised to departments, provinces and municipalities. "If one takes the number of cases of tender fraud and lack of services on all levels of government into account one should ask oneself whether these parties" have the acquaintance or the objective to get the best value for taxpayers' money.

Ambe and Badenhorst-Weiss (2012:253) further mentions that centralisation leverages balance to trim down costs. Decentralisation relies on local acquaintance to build relationships. Centralisation gives compensation such as leverages suitable to volumes, decrease of repetition of purchasing effort, improved control and improvement of specific expertise of purchasing personnel. Decentralisation normally leads to improved responsiveness to purchasing needs, an enhanced understanding of special needs.

h) Ineffectiveness of Broad-Based Black Economic Empowerment

The South African government entities adopted the provision Broad-Based Economic Empowerment Act, which calls for stretched opportunities for representative ownership and management. The challenges encountered in the

implementation of BBBEE are as follows: a) ownership and senior management issues obtain unbalanced emphasis; b) the cost of this tendency includes fronting, assumption and tender abuse and ultimately the regulations do not satisfactorily incentivise employment creation, support for small enterprises and local procurement. The BBBEE regulation penalise public entities as suppliers (Ambe and Badenhorst-Weiss, 2012:253).

2.9.3 Collusion, Bribes and Bid-rigging

Klitgaard (2000:46) notes three types of corruption that are likely in procurement are: collusion in bidding leading to higher prices; kickbacks from contractors/suppliers which reduce competition and influence selection; and bribes to officials responsible for regulating performance of the winning contractor resulting in possible cost overruns and low quality.

The Association of Certified Fraud Examiners say there are primarily four types of corruption schemes:

- Conflicts of interest – An employee has an undisclosed direct or indirect financial interest in an entity that enters into business transactions with the employee's company.
- Illegal gratuities – Not perceived as a bribe but as a 'gifts'.
- Economic extortion –Employees asking the supplier for bribes.
- Bribery – The supplier offers your employee bribes.

'Bid rigging' forms part of bribery and corruption. When a municipality 'goes out to bid' it's assumed that the process is strictly controlled and that corruption is impossible. It will be shown that nothing is fool proof and a tender process can be overcome by corrupt suppliers and employees.

<http://www.accountancysa.org.za/resources/ShowItemArticle.asp?ArticleId=510&issue=443>

Bid rigging or cover quoting

According to the Echkler Volker of the South African Institute of Government Auditors (SAIGA), cover quoting refers to the manipulation of the three quote procurement system by a departmental official, acting in collusion with a supplier, whereby multiple quotations are submitted as if they were independent quotes. Volker further determines that, cover quoting hugely undermines the integrity of many entities' procurement procedures.

Thompson (2001:21) states that cover quoting cannot happen in ignorance or be occasioned by negligence. It is pre meditated and intentional. The official involved in the procurement process would contact one supplier and request that supplier to submit multiple quotations, under the guise of different entities. When received, the officer would process or present these as independent quotations. As this involves dishonesty by the official, it usually goes hand in hand with a corrupt reward.

Thompson (2001:21) explains that, in the cover quoting transaction, the supplier would, on request of the procurement officer, or on the other hand at his own suggestion, submit multiple quotes using names and letterheads of actual and fictitious entities that he controls or has manufactured. This enables him to artificially inflate prices, as he is assured that one of his three quotes is the lowest, regardless of how expensive it may be. As the supplier controls all three quotations the competitive nature is eliminated, including the natural checks and balances, which keep prices reasonable. Thompson (2001:21) is of that view that the supplier can now achieve bigger profits, can afford to share these proceeds with the official who allowed the practice. Preventing cover quoting is vitally important. The much quoted seven golden rules of due diligence provide invaluable guidelines in managing the risk of losses resulting from cover quoting.

It is therefore for reasons like this that procurement policies are vital. In the absence of formalised policies, the procurement officer has discretion to operate in the manner which he deems appropriate. This gives rise to opportunities for abuse

for personal gain, with limited disciplinary recourse for the employer. Shortcomings in the policies should be corrected. Many procurement policies, for example, are silent on the requirement that independent quotations are obtained, an oversight which is much abused, but easily corrected.

Fronting

Fronting means a deliberate circumvention or attempted circumvention of the Broad Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) and the Codes. Fronting commonly involves reliance on data or claims of compliance based on misrepresentations of facts, whether made by the party claiming compliance or by any other person. Verification agencies, and /or procurement officers and relevant decision-makers may come across fronting indicators through their interactions with measured entities.

Window dressing: This includes cases in which black people are appointed or introduced to an enterprise on the basis of tokenism and may be:

- Discouraged or inhibited from substantially participating in the core activities of an enterprise; and
- Discouraged or inhibited from substantially participating in the stated areas and/or levels of their participation;

Benefit Diversion: This includes initiatives implemented where the economic benefits received as a result of the B-BBEE Status of an enterprise do not flow to black people in the ratio as specified in the relevant legal documentation.

Opportunistic Intermediaries: This includes enterprises that have concluded agreements with other enterprises with a view to leveraging the opportunistic intermediary's favourable B-BBEE status in circumstances where the agreement involves:

- Significant limitations or restrictions upon the identity of the opportunistic intermediary's suppliers, service providers, clients or customers;

remunerative work outside their employment without permission. The problem of moonlighting is prevalent in the public service, including municipalities.

The Municipal SCM Regulations, which came into effect on the 30th May 2005, prohibit persons in the service of the state, like councillors, full-time employees and directors of municipal entities from being eligible to bid or to be awarded a contract to provide goods or services to a municipality. The prohibition also applies to companies where an elected official, public employee or director of a municipal entity is the owner, director or principal shareholder. However, many municipal employees are continuing to do business with municipalities and other organs of state without declaring their interest. Some of these officials register companies in the names of relatives and friends.

2.9.7 Conflict of Interest

Kanyane (2005:62) explains that conflict of interest arises when the interests of a government employees with public interests. According to Kanyane (2005:62), such tension raises an ethical dilemma when the private interest is sufficient to influence or appear to influence the exercise of official duties. In DrRSM district municipality, such conflict of interest is prohibited and is clear in the SCM policy that no official is allowed to do business with the municipality. Where the related parties to officials do business with the municipality, such relations should be disclosed formally.

The MFMA SCM regulations state that awards to close family members of an employee in the service of the state, or to a person who left an elected or employed position in any sphere of government fewer than twelve months before, must also be disclosed in the annual financial statements of the municipality. Tough provisions also apply to ensure that bidders do not corrupt supply chain officials, as their bids will be disqualified should they do so. Officials who are responsible for procuring goods and services will need to comply with a strict code

of ethics with regard to gifts and other inducements, and must immediately withdraw from the process if a family member has any interest in a bid.

2.10 Conclusion

This chapter summarised ideas from various written material on the concepts relating to supply chain to ensure that the reader acquires understanding and the reasons behind the study. The reviewed literature explored what various writers wrote on SCM as well as the legislative framework that is relevant to supply chain.

The issues discussed in this chapter will be referred to as an when necessary when performing data analysis as well as when making conclusions and recommendations on the study as a whole. The next chapter outline the research approach, research design and research methods used in the study.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter sets out the research design and methodology that were used to look into the research questions and to find answers thereto. It also explains the rationale behind the methodology used and demonstrates how the research design and methodology were applied to analyse the SCM shortcomings and challenges of the Dr Ruth Segomotsi Mompati District Municipality.

3.2 Research Methodology

In this study, both the qualitative and quantitative methods are utilised. Newman and Benz (1998:44) stated that qualitative approach refers to research, which produces graphic data, usually people's own written or spoken words, symbols or metaphors. According to Thompson (2001:121) quantitative research is more concerned with techniques to obtain appropriate data for investigating the research hypothesis, as in the case of quantitative research. These two approaches to research are often combined where the researchers find it necessary to do so.



3.2.1 Quantitative Research

According to Anderson (2006:3) Quantitative Research method has been predestined and a huge number of participants are involved. Through definition, measurement ought to be objective, quantitative and statistically valid. In Simple terms, it's regarding numbers, objective hard data. The size of the sample for a survey is calculated by statisticians by means of formulas to establish how large a sample size will be needed from a given population in order to attain findings with an acceptable degree of accuracy. Normally, researchers look for sample sizes which give findings with at least a 95% confidence interval (which means that if

you repeat the survey 100 times, 95 times out of a hundred, you would get the same response), plus or minus a margin error of 5 percentage points. Many surveys are designed to produce a smaller margin of error.

3.2.2 Qualitative Research

Anderson (2006:3) mentions that Qualitative Research” is collecting, analysing, and interpreting data by observing what people do and say. Qualitative research refers to the meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things”.

Qualitative research is to a large extent more subjective than quantitative research and employs various methods of obtaining information, mostly individual, in-depth interviews and focus groups. The nature of this kind of research is exploratory and open-ended. Few people are interviewed in-depth and or a relatively few of focus groups are conducted. Participants are asked to reply to general questions and the interviewer or group leader examines and explores their responses to identify and “define people’s perceptions, opinions and feelings about the topic or idea being discussed and to determine the degree of agreement that exists in the group” (Anderson, 2006:3).

Anderson (2006:4) says the class of the finding from qualitative research is frankly dependent upon the skills, experience and sensitive of the interviewer or group leader. This type of research is often less costly than surveys and is extremely effective in acquiring information about people’s communications needs and their responses to and views about specific communications.

3.2.3 Characteristics of Quantitative and Qualitative Research

(Anderson,2006:4)

Quantitative	Qualitative
Objective	Subjective
Research questions: How many? Strength of association?	Research questions: What? Why?
"Hard" science	"Soft" science
Literature review must be done early in study	Literature review may be done as study progresses or afterwards
Test theory	Develops theory
One reality: focus is concise and narrow	Multiple realities: focus is complex and broad
Facts are value-free and unbiased	Facts are value-laden and biased
Measurable	Interpretive
Mechanistic: parts equal the whole	Organismic: whole is greater than the parts
Organismic: whole is greater than the parts	Report rich narrative, individual; interpretation. Basic element of analysis is words/ideas.
Researcher is separate	Researcher is part of process
Subjects	Participants
Context free	Context dependent
Hypothesis	Research questions
Reasoning is logistic and deductive	Reasoning is dialectic and inductive
Establishes relationships, causation	Describes meaning, discovery
Uses instruments	Uses communications and observation
Strives for generalization Generalizations leading to prediction, explanation, and understanding	Strives for uniqueness Patterns and theories developed for understanding
Highly controlled setting: experimental setting (outcome oriented)	Flexible approach: natural setting (process oriented)
Sample size: n	Sample size is not a concern; seeks "informal rich" sample
"Counts the beans"	Provides information as to "which beans are worth counting"

Advantages of combining both quantitative and qualitative research

- According to Anderson (2006:5) research development one approach is used to inform the other, such as using qualitative research to develop an instrument to be used in quantitative research.
- Increased validity: confirmation of results by means of different data sources (Anderson, 2006 :5)
- Complementarities : adding information, i.e. words to numbers and vice versa (Anderson, 2006:5)
- Creating new lines of thinking by the emergence of fresh perspectives and contradictions (Anderson, 2006:5).
- Barriers to integration include philosophical differences, cost, inadequate training and publication bias (Anderson, 2006:5)

3.3 Research Design

Van der Nest (2006:7) mentions that the research design should “be a deliberate planned arrangement of the conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose”.

Mouton (2001:55), interprets a research design and methodology as a plan or blueprint of how the researcher intends to conduct their research study. This study applied a combination of empirical and theoretical methods to gather data to substantiate the reasons for the research objectives. As indicated by Mouton (2001:158) the research design aims to answer the question of whether an intervention is necessary or has been implemented in an effort to answer the research questions.

3.3.1 What is a case study?

According to Leedy and Ormrod (2005:135) in a case study a certain individual, program or occasion is studied in detail for a specific period. The researcher collects enough data from the individual(s), program(s), or occasion(s) on which the examination is focused. The data is usually obtained from observations, interviews, documents and past records. In most instances the researcher might use a long time in the research area, interacting with people who are being studied. The details pertaining to the context of the case are recorded and these include information about the physical environment, and any economic, historical and social factors that have bearing on the situation. When identifying the situation of the case, the researcher involves other people who might aid the case study to come up with conclusions regarding the findings.

This research took a case study approach of looking into the facts about the research problem. The specific focus of the investigation is on the Dr Ruth Segomotsi Mompati District Municipality.

Yin (2009:123) describes a case study as an in depth study of a particular situation rather than a sweeping statistical survey. It is a method used to narrow down a very broad field of research into one easily researchable topic. Whilst it does not answer a question completely, it gives some indications and allow for further elaboration and hypotheses creation.

Mills, (2010:12) believe that a case study research design is also useful for testing whether scientific theories and models actually work in the real world.

3.4 Target Group

This research study was targeting the employees and councillors of the Dr Ruth Segomotsi Mompati District. The researcher also directed focus on other stakeholders such as service providers. The employees are comprised of both the managerial and the junior level of staff and mainly those who are in one way or another involved in the supply chain processes.

3.5 Research Techniques

3.5.1 Self-administered questionnaire

Questionnaires were utilised to acquire information from the target respondents. Some questions were semi-structured in a self-explanatory way to enable respondents to give one-word answers. The process of distributing questionnaires and collecting them took approximately three weeks. A total of one hundred questionnaires were distributed, ninety eight (98) while two were never returned.

3.5.2 Interviews

Interviews were conducted with selected employees, management and some councillors of the municipality. The interviews were scheduled and estimated to take fifteen minutes each and the process took one week to complete. As indicated earlier, considering the complexity and the sensitivity of the researched subject, many people were very sceptical about giving information and in some cases they preferred not to be interviewed but rather just to complete a questionnaire.

3.5.3 Documentary Survey

Documents are used in carrying out the research, being analysed with the purpose of scientific research. The documentary survey is utilised as a method of data collection. The sources of data utilised in this research were the researcher's everyday work, bid-evaluation reports, bid-adjudication reports, departmental reports and bid-adjudication minutes were scrutinised for the purpose of this research.

The advantages of documentary analysis are as follows;

- Inaccessible subject. One fundamental importance of documentary analysis is that it is the only method in which the researcher does not need to make personal contact with the participant (de Vos, Delport, Fouche and Strydom, 2007:318).

- Relatively low cost. Even though the cost of documentary analysis is “influenced by dispersion and availability of documents”, documentary analysis is more affordable than a survey (de Vos et.al, 2007:318).
- Non-activity. Producers of documents do not anticipate that their documents will be analysed at a later stage, unlike surveys where participants are aware that they are being studied (de Vos et.al, 2007:318).
- Confession. A person is more likely to confess in a document than in interviews or questionnaires (de Vos et.al, 2007:318).

3.6 Ethical considerations

It is vital that any researcher takes ethical considerations into cognisance when doing research. It is for that reason that authorisation from the Dr Ruth Segomotsi Mompoti was sought and granted to perform this case study research. The respondents were informed of these conditions:

- Anonymity and confidentiality: respondents were given the assurance that their names would never be disclosed. All information received from them was treated with utmost confidentiality.
- Protection from discomfort: respondents were informed that they could terminate their interviews at any given time when they felt uncomfortable
- Publication of the findings: respondents were informed that, the results of the study would be made available at their request.
- Honesty with professional colleagues: Researchers must report their findings in a complete and honest way, without misrepresenting what they have done or intentionally misleading others as to the nature of their findings.
- Informed consent: Participants should in advance be told about the nature of the research to be conducted, and be given the choice of either the right to withdraw from participating in the study at any time, as participation in a

study should be strictly voluntary. It is suggested that an informed consent form that describes the nature of research as well the nature of the required participation be presented to participants in a research study.

3.7 Stratified random sampling

Stratified random sampling includes categorising members of the population. It provides precise estimations if the population surveyed is more different from the categorised groups. It also enables the researcher to determine desired levels of sampling accuracy for each group, and it provides administrative efficiency (Fairfox country department of systems for human services, 2003:5).

Sampling is considered a very powerful tool for accurately measuring characteristics and opinions of a population. There is a possibility for misuse of this tool by researchers who do not have understanding of the limitations of different sampling procedures. Probability samples that are well constructed give the researcher the ability to gather information from a small number of members of the population taken from a large population. A probability sample enables the researcher to calculate statistics that indicate the accuracy of the data (Fairfox country department of systems for human services, 2003:5)

3.8 Validity and Reliability

According to Brewer and Hunter (2006:112) valid measure is described as “one that correlates highly both with other equally face and content valid measures of its focal concept and also with measures of that concept’s known, while showing little or no empirical association with measures of concepts unrelated to the focal concept”. Brewer and Hunter further describe the reliability as the measure that reports consistent readings of unchanging social situations- no matter who uses the measure and irrespective of either minor variation in technique or chance fluctuations in the circumstances of measurement”.

Gilbert (2008:217) describes reliability as the “property of a measuring device for social phenomena which yields consistent measurement when the phenomena are stable regardless of who uses it provided the basic conditions remain the same”.

3.9 Conclusion

This chapter outlined the experimental methods of research employed in the study. It broadly explained the rationale behind the methodology, how the research was conducted and what steps were taken to ensure the validity of the data.

CHAPTER 4

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter analyses the results of the conducted research on the challenges of supply chain management faced by municipalities in the North West Province with specific reference to the Dr Ruth Segomotsi Mompati District Municipality. A structured questionnaire was the main instrument used to collect data and copies of the questionnaire were administered by direct contact. The key data collected during the study are summarised and discussed.

4.2 Overview of the study

The Dr Ruth Segomotsi Mompati District Municipality (formerly known as Bophirima District Municipality) is one of the 4 districts in North West province of South Africa. The Municipality was renamed after one of South Africa's freedom fighters and activist, Dr Ruth Segomotsi Mompati. The offices of Dr Ruth Segomotsi Mompati District Municipality are located in Vryburg on 60 Market Street. The District is South Africa's largest beef producing district, with Hereford cattle the most popular. It is sometimes called "the Texas of South Africa".

The Dr Ruth Segomotsi Mompati was established in terms of the Municipal Structures Act, Act no 117 of 1998. The municipal demarcation code of the municipality is DC39. The district municipality is made up of five local municipalities namely Naledi Local Municipality, Kagisano-Molopo Local Municipality, Mamusa Local Municipality, Lekwa Teemane Local Municipality and the Greater Taung Local Municipality. This municipality, like any other municipality, is characterised by a combination of achievements and challenges in all areas of operation. One major challenge of the municipality is due to its rural nature, there are minimum economic spinoff.

Dr Ruth Segomotsi Mompati is further made up of human resources which include the thirty one councillors political principals (or councillors), eight senior managers who were appointed in terms of s56 and s57 of the Municipal Systems Act, as well as one hundred and ninety one the administrative staff (employees). The municipal organisational structure is divided into twelve municipal budget votes. These budget votes share a total budget estimated at R500million over the current Medium Term Revenue and Expenditure Framework (MTREF). The municipality budget is divided into twelve budget votes, which have a mixture of administrative costs and projects.

The general challenge that the municipalities face over the MTREF period is to allocate funding to achieve a balance between the needs and requirements of the various strategic focus areas relevant to the Municipality's powers and functions as identified in the IDP process. Management of these financial resources requires a high class supply chain management system which includes a technical expertise as well a general SCM expertise.

4.3 The objective of the questionnaire

The aim of the structured questionnaire distributed, was to achieve the following objectives as outlined in chapter one:-

- To establish whether the supply chain management system and supply the chain management unit exists within the Dr Ruth Segomotsi Mompati District Municipality in terms of the framework on Supply Chain Management and in terms of the MFMA.
- To examine whether the municipality has the Supply Chain Management Policy in place and whether there is compliance to such a policy and procedures.
- To explore the level of understanding of supply chain management in the district municipality on matters of procuring goods and services.
- To assess the impact of supply chain management policies in the district municipality on service delivery and on municipal management as a whole.

4.4 Distribution of the Questionnaire

A hundred (100) questionnaires were distributed to various potential respondents within the district municipality.

Table 4.1 Distribution of questionnaire

RESPONDENTS	DISTRIBUTED	RETURNED	%
Management	7	7	100%
Councillors	18	18	100%
Municipal Officials	75	73	98%
Total		98	98%

Ninety eight percent of the distributed questionnaires were received back from the targeted recipients. Out of that percentage, seven questionnaires representing seven percent of the total population were given to managers to give their inputs, only seven out of the eight managers of the municipality were given questionnaires to give inputs and all seven questionnaires were received back.

4.5 Presentation of the results

The questionnaire was divided and presented in three parts. The first part was the results of the returned questionnaire (labelled Part 1) which aimed to seek permission from the respondents to use their responses for academic research with or without their identity disclosed, and to gather personal information of the respondents. The second part of the returned questionnaire (labelled Part 2) was meant to collect information regarding the components under which the respondent is attached as well as their understanding of SCM. The third part of the questionnaire (Part 3) asked questions on the implementation and challenges of the SCM in the Dr Ruth Segomotsi Mompati District Municipality. The results are presented in tabular form, and in graphical representation.

4.5.1 Questionnaire Part 2 Personal Particulars and the component under which the respondent is attached, as well as their understanding of SCM.

Table 4.2 below presents the demographic grouping of the respondents. These demographic grouping are all employees and councillors of the municipality.

Table 4.2 Demographic grouping of the respondents

Demographic Grouping	Distributed	Returned	%
African	97	92	94%
Coloured	4	4	4%
Indian	0	0	0
White	3	2	2%
Other	0	0	0
Total	100	98	98%

Table 4.3 below represents the number of the respondents in terms of gender. Eighty four female out of ninety eight people that responded to the questionnaire are female, while fourteen out of ninety eight people are male.

Table 4.3 Respondents by Gender

Gender	Distributed	Returned	%
Male	15	14	14%
Female	85	84	84%
Total	100	98	98%

Table 4.4 below presents the respondents as per salary level. This part of the questionnaire gave the respondents the liberty of not answering this question if they don't feel like it.

Table 4.4 Respondents by salary level

Salary Levels	Distributed	Returned	%
13 – 16	5	4	4
11 – 12	24	24	24
9 - 10	43	42	42
7 – 8	12	12	12
3 – 6	14	14	14
Not answered	2	2	2
Total	100	98	98

The respondents to this questionnaire are from various sections within the organisational structure. The sections discussed in this part of the questionnaire include the Budget and Treasury (BTO), Corporate Services, Engineering Services, Community Services and Economic Development and Tourism component. The sections highlighted above, are not a full representation of the organogram of Dr Ruth Segomotsi Mompoti District Municipality. The following table presents how respondents from various components of the organogram responded to the questions.

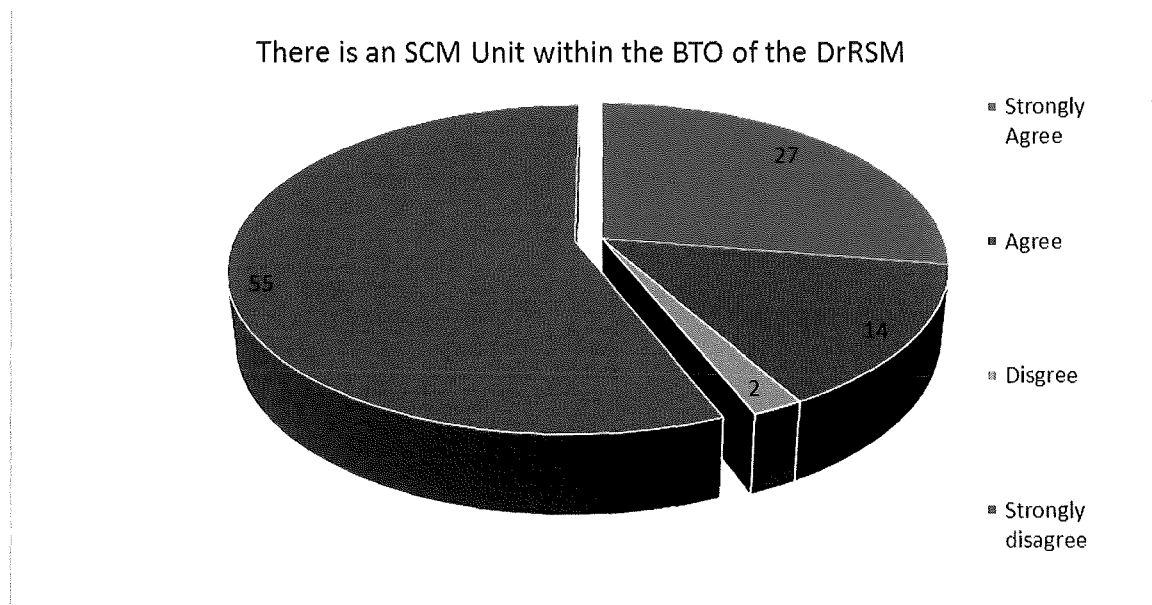
Table 4.5 Component in which the respondent reports

Component	Distributed	Returned	%
Corporate Services	48	48	48
Budget and Treasury	20	20	20
Engineering	7	7	7
Community Services	6	6	6
Economic Development and Tourism	5	5	5
Not answered	14	14	14
Total	100	98	98%

The following questions are about the understanding of SCM, role-play and general SCM understanding as a whole. The respondents will answer the questions with a selection of answers ranging from strongly agree to strongly disagree.

Figure 4.1 below seeks to answer the question which establishes if there is a unit which deals with SCM within the budget and treasury department of the municipality.

Figure 4.1 SCM unit of within the BTO of DrRSM Municipality

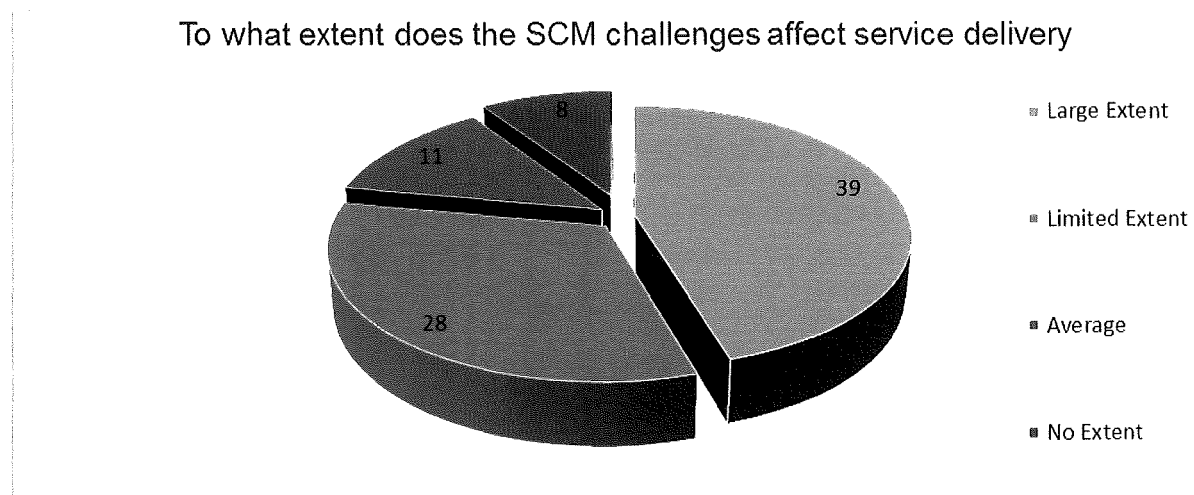


More than half of the respondents don't agree that there is an SCM unit within the budget and treasury department of the Dr Ruth Segomotsi Mompoti District Municipality. This means that fifty six (56%) percentage of the respondents strongly disagree that there is an SCM unit within the district municipality, while Twenty Seven (27) or twenty seven percent people think that there is an SCM unit within the Dr Ruth Segomotsi Mompoti District Municipality. Two of the respondents also disagree that there is an SCM unit within the municipality.

4.5.2 Questionnaire Part 3 – Implementation and challenges of the SCM in Dr Ruth Segomotsi Mompoti District Municipality

This part of the questionnaire hope to attain information about the implementation of supply chain management and the challenges thereof in the DrRSM District Municipality.

Figure 4.2 The extent of SCM challenges on service delivery



Thirty nine out of ninety eight respondents believe that challenges of SCM affect service delivery to a large extent, whereas 28 people representing twenty eight percent of the sample population believe that the challenges of scm affect service delivery to a limited extent. Eleven of the respondents say that the challenges of SCM affect service delivery to a minimum.

In assessing the implementation of the SCM within the municipality, the elements of the supply chain management at the Dr Ruth Segomotsi Mompoti District Municipality were assessed. The following which sought to establish whether there are elements of SCM in the district municipality.

Figure 4.3 below is the graphic presentation of the responses relating to the demand management of within the Dr RSM.

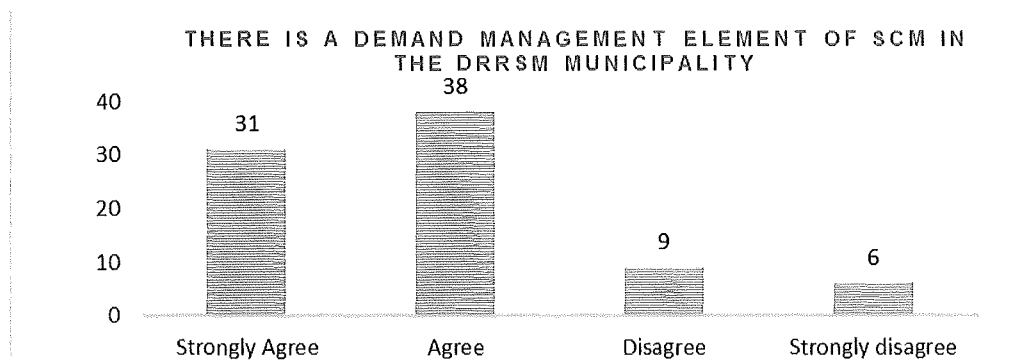
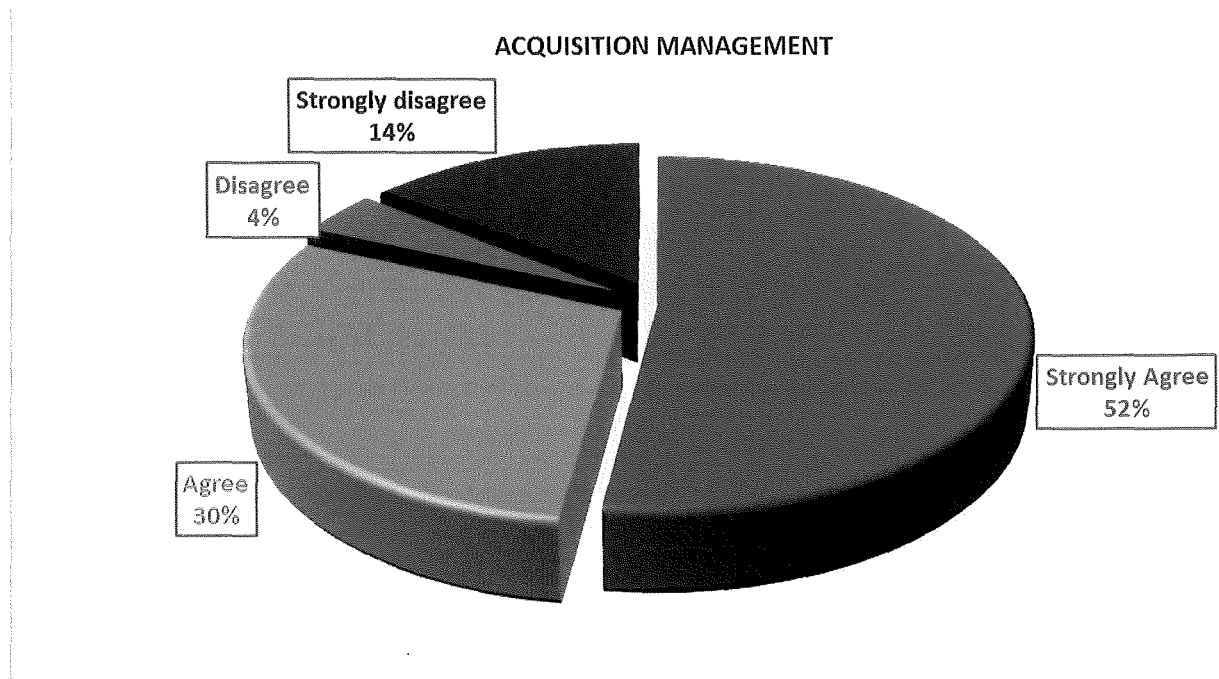


Figure 4.4 below shows another element of SCM which is the Acquisition Management as discussed in chapter two of this paper. This is where the actual acquisition of goods and services take place. To determine whether respondents think that this element exist or not, a statement indicating that this element exist. The responses were as follows:

Demand Management is one of the elements of SCM where, needs analysis and demand are managed. To establish whether or not this element of SCM exists in the Dr RSM District Municipality, the respondents were asked whether they strongly agree, agree, disagree or strongly disagree. Thirty one out of ninety eight respondents i.e 31% of the respondents strongly agree that there is a system of demand management in the municipality, while thirty eight people agree that there is a demand management system in the Dr Ruth Segomotsi Mompati District municipality. The rest of the respondents either strongly disagreed and disagreed to this statement.

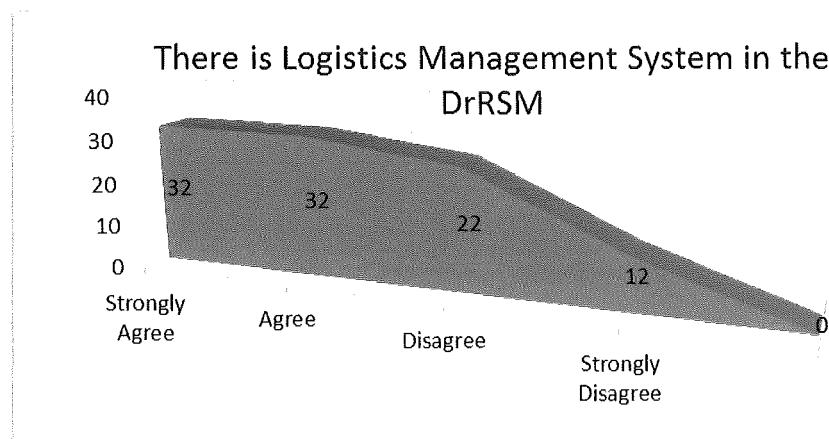
Figure 4.4 Acquisition management of SCM



Fifty two percent (52%) strongly agree that there is a system of demand management in the Dr RSM district municipality. Other respondents representing fourteen percent of the sample population strongly oppose the latter argument. This then leaves the other thirty four percent split between agreeing (30%) and disagreeing (4%).

The system of SCM also comprises logistics management. This element is also discussed and defined in chapter two. To establish whether or not this element exists in the Dr RSM municipality, the respondents were asked to give their opinion ranging from strongly agree to strongly disagreed.

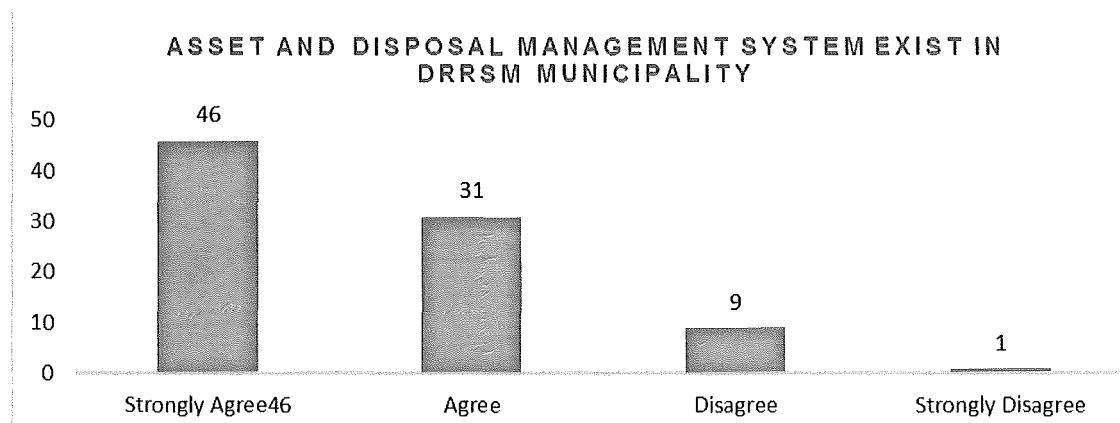
Figure 4.5 below summarises the answers of respondents on establishing whether the logistics management system exists in the Dr RSM.



Sixty four percent (64%) of the respondents split into two equal parts strongly agree and agree that there is a logistics management element of supply chain in the municipality. Twenty two percent disagree that while twelve percent strongly disagree with the statement.

In establishing whether or not the asset and disposal management of the SCM exist in the Dr RSM municipality, the respondents were given a statement which states that – There is an asset and disposal management element of SCM within the district municipality. The responses were as stated in figure 4.6 graph below:

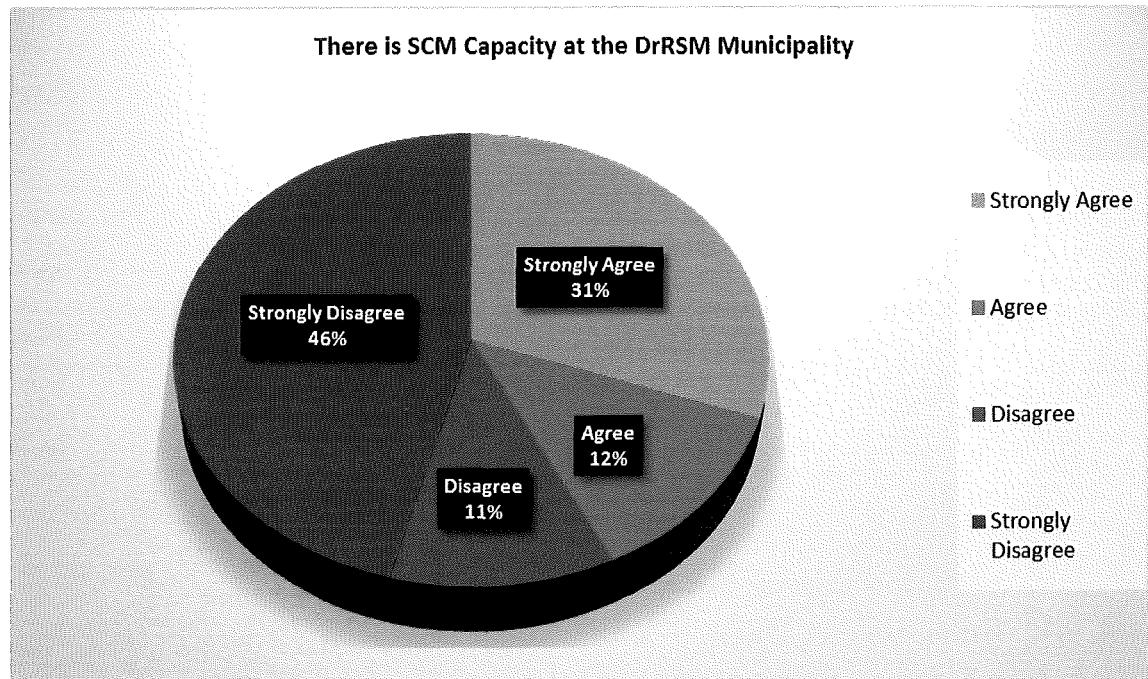
Figure 4.6 Asset and Disposal Management element of SCM



Further to analysing the above, the questionnaire also sought information on the following areas of SCM. There was a need to establish whether the Dr RSM district municipality has adequate capacity to deal with the existing challenges of

the SCM. The inputs of the respondents are summarised as follows per graph below.

Figure 4.7 SCM Capacity in DrRSM Municipality



Additional to the above, there was a question to determine whether there are SCM challenges in Dr RSM municipality with particular reference to the following contributors to the SCM problems:

Table 4.6 Summarises the common challenges that are SCM related in Dr RSM district municipality

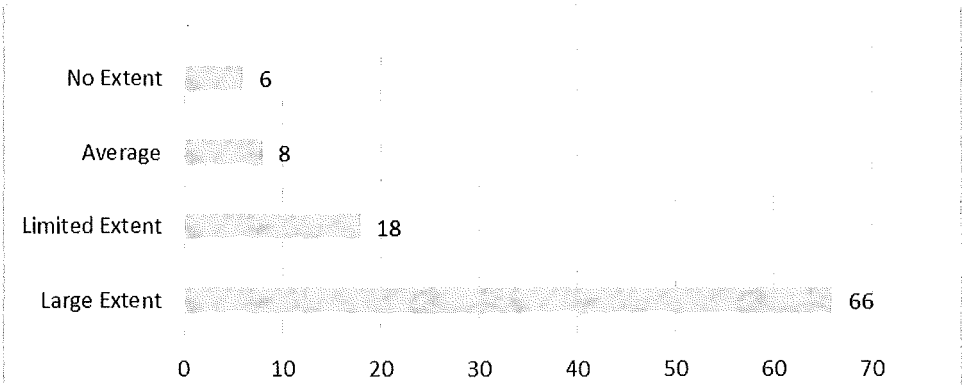
SCM Challenge	Yes	No	Comments
Corruption	31	40	Seventy one (71) people responded to this question, instead of the entire sample size of ninety eight. This means only seventy two percent of the total sample responded to this question, while the remaining 28% did not answer this question. Thirty one out of 71 i.e 31% people feel that there is corruption in the SCM DrRSM municipality.

			Fourty (40) i.e 40% of people think that there is no corruption in the SCM processes in the DrRSM municipality.
Fronting	28	52	Eighty people out of ninety eight responded to this question. Therefore twenty eight people think that there is fronting in the SCM process at DrRSM while fifty two people think that there is no fronting.
Collusion, bribes and bid-rigging	29	51	Eighty eight responded to this question, there other ten people did not answer this question. Twenty nine out of eighty eight people think that there is no collusion, bribes and bid-rigging in the DrRSM municipality.
Technological challenges	27	53	Fifty three out of 80 people feel that there are no technological challenges that affect the SCM in DrRSM district municipality, whereas twenty seven people feel that there are technological challenges that affect the SCM in DrRSM. Ten people did not respond to this question.
Conflict of interest	28	55	
Cover quoting	27	56	
Moonlighting	27	54	

The Table 4.6 analyses the responses about the presence of some challenges that affect the SCM in general and relating it to the case study of DrRSM district municipality. The questionnaire sought to find the responses per item listed and to check whether or not people think that such a problem or challenge exists in the municipality. The analysis and summary of the individual item are summarised in the comments column above.

The researcher also wanted to establish if the poor supply chain management has a bearing on the service delivery. Therefore a question to attain an answer to this is hereby outlined below.

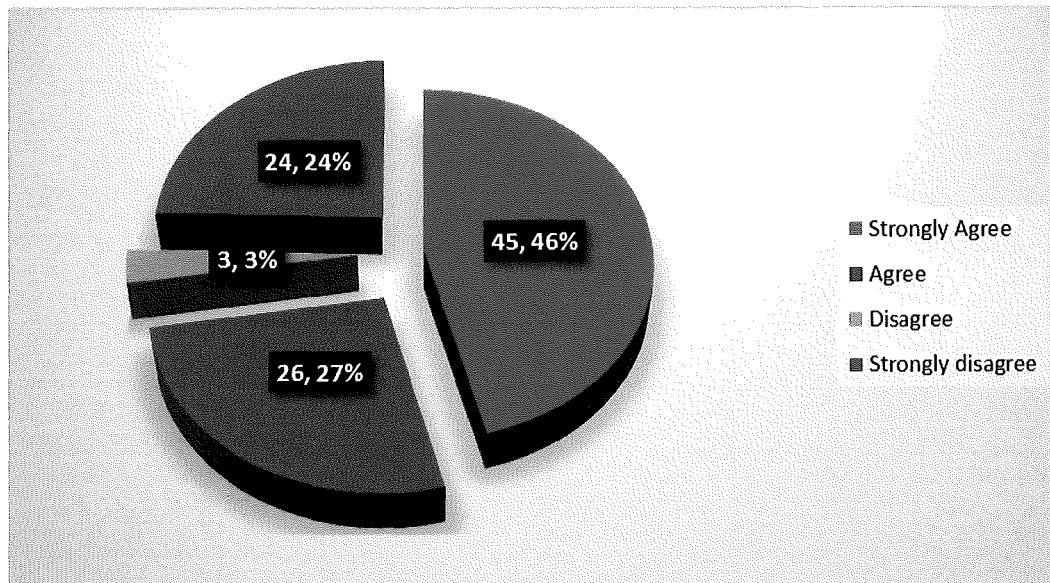
Figure 4. 8 Impact of poor SCM systems on service delivery



Sixty seven percent (67%) of the respondents believe that poor SCM processes affect service delivery to a large extent. This is indeed correct for the Dr RSM district municipality because most of the municipal budget goes to service delivery projects. While 6% of the respondents say that the poor supply chain management has no bearing on service delivery.

The researcher believes that one of the variables that contribute to supply chain management problems is the level of skills of supply chain management officials. The relevant and necessary skills will have an effect on how the supply chain management processes are implemented in a business environment. To assess whether the level of skills within the SCM officials in the municipality the following diagram gives a summary of the opinions of the respondents.

Figure 4.9 SCM and Skills



Twenty four percent (24%) of the respondents strongly disagree that the level of skills of the SCM officials counts a lot in contributing to the proper functioning of the SCM unit and the scm processes as a whole. On the other hand 45% of the respondents strongly agree that the level of skills in the scm component is very vital in contributing to high class supply chain management.

In questioning the importance of having an SCM policy. The respondents opinions are summarised below:

Figure 4.10 The importance of the SCM Policy

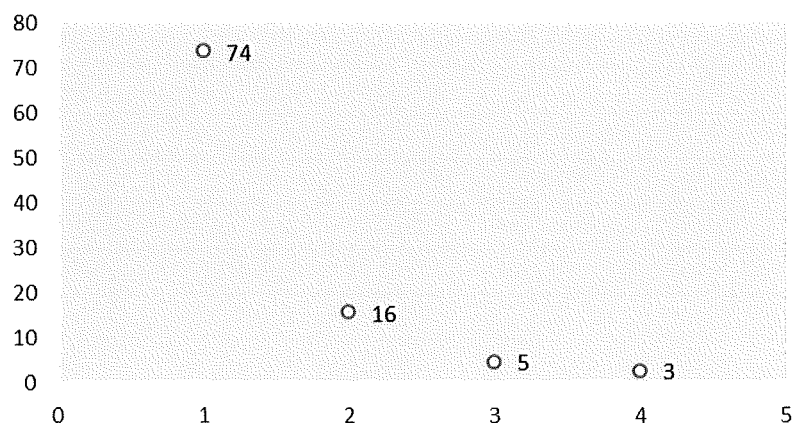


Figure 4.10 shows that (74%) of the total respondents indicated that the Supply Chain Management of their municipalities were realistic and implementable while four (16%) said their policy were not realistic. The majority (8%) of the respondents indicated that they were not sure or non-

committal of whether their municipal policy were realistic and implementable.

4.3 Conclusion

This chapter analysed the findings of the investigation conducted in the analysis of the challenges of supply chain management within the Dr Ruth Segomotsi Mompati District Municipality. The results of the study show that, the respondents know what SCM and their importance thereof even though there is a high level of uncertainty about what the SCM is about.

The next chapter presents the recommendations and conclusion categorised in their relevance to stakeholders. The discussions were based on how the tools identified in chapter two (2) can be employed to add value and improve the challenges faced by the Dr RSM district municipality in as far as supply chain management is concerned. The purpose is to make sure that the readers and users of this research understand the recommendations in order to add value to existing literature and also identify gap areas where new or further research can still be conducted

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarises the study, connecting the aims and the objectives of the study, as well as empirical assessment and theoretical assessment. In this chapter, the researcher summarises the conclusions of the study, and makes some recommendations on issues raised.

The main purpose of the study was to analyse the challenges facing supply chain management systems in municipalities, with specific reference to the Dr Ruth Segomotsi Mompati District Municipality. The main objectives for the study as indicated in chapter one were as follows:

- To establish whether the supply chain management system and whether the supply chain management unit exists within the Dr Ruth Segomotsi Mompati District Municipality in terms of the framework on Supply Chain Management and in terms of the MFMA.
- To examine whether the municipality has the Supply Chain Management Policy in place and whether there is compliance to such a policy and procedures.
- To explore the level of understanding of supply chain management in the district municipality on matters of procuring goods and services.
- To assess the impact of supply chain management policies in the district municipality on service delivery and on municipal management as a whole.

The study is further summarised as follows:

Chapter One

This chapter presented the conceptual framework and introduction to the study background of the study, statement of the problem, objectives of the study, research methodology and organisation of the study. The researcher explains the real reasons for this research and the research questions in this chapter.

Chapter two

This chapter set out the research design and methodology that were used to look into the research questions and to find answers thereto. It also explains the rationale behind the methodology used and demonstrates how the research design and methodology were applied to analyse the supply chain management shortcomings and challenges of the Dr Ruth Segomotsi Mompati District Municipality.

Chapter three

This chapter outlined the research design and methodology that were followed in the research process in order to investigate the problem identified in chapter one. The chapter also identified the target group, sampling method, size of the population and finally the research techniques.

Chapter four

This chapter analysed the findings of the investigation conducted in the analysis of the challenges of supply chain management within the Dr Ruth Segomotsi Mompati District Municipality. The results of the study showed that, the respondents slightly knew what SCM and the importance thereof even though there is a high level of uncertainty about what the SCM is about.

Chapter five

This is the final chapter of the research study. The chapter summarised the study, connecting the aims and the objectives of the study, as well as empirical assessment and theoretical assessment. In this chapter, the researcher summarised the conclusions of the study, and made some recommendations on issues raised.

5.2 Theoretical Findings

The main purpose of the study was to investigate the challenges of supply chain management faced by municipalities in the North West Province, with a particular reference to Dr Ruth Segomotsi Mompati District Municipality.

Different exploration methods were used in the study in order to clarify the situation in the municipality. Structured interviews using a pre developed questionnaire were done in order to seek information from the employees and councilors of the district municipality, who happen to be the role players of the SCM also. The interviews were conducted from May 2013 to August 2013 and the targeted audience was from all components of the organization structure of the municipality.

The data analysed revealed that, there is a minimum understanding of the principles of supply chain management within the majority of the people that were interviewed, however, there is some eagerness and interest to understand what the supply chain management is all about. The municipality does not have a fully functional supply chain unit as prescribed by the national treasury, but that some functions of supply chain management are in place.

The Dr Ruth Segomotsi Mompati District municipality like any other business environment is not immune to problems within their operations. There are challenges which were identified to exist within in the municipality in as far as supply chain management is concerned. Firstly, the elements of supply chain management are not well defined and they are not separately established within the supply chain management unit, therefore this means that the unit is not fully established. The demand management as an element of supply chain is not implemented. The planning, budgeting and supply chain management planning is not aligned, in fact there is no supply chain management planning in the municipality. Lack of supply chain management contributes a lot to slow performance of

Acquisition management as an element of supply chain management exists and the principles of acquisition management are implemented to a large extent. There are three bid committees in place; however the establishment of these bid committees has challenges as they are not constituted according to the law. There acquisition of goods and services is done by whoever is available and that no segregation of duties exist. This then also affects the accountablitiy and

reporting lines, and also opens a gap to corruption and colluding in the acquisition of goods and services.

Logistics Management as an element of supply chain is also not coordinated. There is an ordering function within the budget and treasury department. But the logistics management subunit is not formally established in the supply chain management unit. This also poses a threat of increasing corruption and collusion. This area of operation needs special attention because failure to order goods and services on time at the required levels will affect the services and operation of the municipality both internally and externally.

The researcher observed that, there are common challenges of SCM in the Dr Ruth Mompoti District Municipality like in any other SCM environment. The common challenges as summarised in table 4.6. Above include amongst others, corruption, fronting, collusion, conflict of interest, cover quoting and others. This shows that the district municipality is not immune to these challenges also, however much stricter and tighter controls are of importance to react to these challenges.

5.3 Empirical Findings

The key empirical findings emanate from the researcher's observations, and analysis of data gathered from the main data collection tool that was used that is the questionnaire.

Several findings were discovered to support the objectives of the study about the supply chain management challenges facing municipalities in the North West Province, with particular reference to Dr Ruth Segomotsi Mompoti District Municipality. These empirical findings are summarised here below:

Even though the functions of supply chain management are performed within the Dr Ruth Segomotsi Mompoti District Municipality, the unit is not formally established to include all the elements of supply chain as defined in the SCM framework of the national treasury.

Lack of a coordinated approach to SCM affects service delivery and slows down production in the municipality.

The SCM policy exists but it is not reviewed annually and therefore that has a bearing on the continuous legislative updates relating to SCM.

There is no SCM planning in the municipality, and no alignment of the supply chain management to the service delivery and budget implementation plan of the municipality.

People were still not comfortable for expressing their opinions freely due to being scared of victimisation, they still refer to the supply chain management function as a sensitive topic to discuss. However, some of the respondents only felt relieved after they were given a detailed explanation of what the real purpose of the study is.

The level of skills of the SCM officials within the municipality is not in accordance with the competency levels requirements as set out by

5.4 Theoretical and Empirical findings

The theoretical and empirical research findings in the study both indicate that the municipality has not fully implemented the SCM management unit as prescribed. The findings also revealed that there are some points of concern in the supply chain activities of the municipality. One of the areas of concern about the supply chain management function of the municipality is that there is minimum understanding of what is required from the SCM unit by the officials that are currently handling the function; there is lack of capacity also in terms of the staff within the unit and skills on the existing staff.

There is extensive literature available about supply chain management challenges was reviewed, The literature revealed that there is still a gap between the supply chain management processes in the private and the public sector particularly in the local government.

5.5 Conclusion

This chapter analysed the findings of the investigation conducted in the analysis of the challenges of supply chain management within Dr Ruth Segomotsi Mompati District Municipality. The empirical findings and theoretical findings were also summarised and were found to be agreeing with each other. The

recommendations as well as limitations of the study as well as motivations for further research are also discussed.

5.6 Recommendations

Based on the critical issues raised, the following recommendations are made to assist the Dr Ruth Segomotsi Mompati District Municipality and other municipalities to achieve excellence in their supply chain systems:

- 5.2.1 Establishment of the Supply Chain Management Unit is pivotal to ensuring effective and efficient supply chain management systems within a municipality.

Ensuring that there is a centralised, fully-fledged, independent supply chain management unit under the budget and treasury department headed by the Chief Financial Officer unit must be established in a way such that segregation of duties is achieved at all times i.e. officials who do the ordering or who issue orders should report to the manager supply chain, while the officials responsible for expenditure management should report to manager finance. The organisation structure of the BTO needs to be revised to cater for the staffing needs of supply chain management unit. The establishment of the SCM Unit in the BTO is a legislative requirement and therefore failure to do that amounts to non-compliance to legislation.

- 5.2.2 It is important that each and every municipality has a supply chain management policy.

This policy needs to be reviewed at least annually to ensure that all possible policy updates are addressed in the SCM processes. Compliance to these policies and other legislative framework is extremely crucial as well as continuous monitoring to ensure compliance. Dr Ruth Mompati District Municipality has an SCM Policy in place, but this policy has since been reviewed in the year 2011. This means that all the legislative updates that happened in 2012 and 2013 are not taken into consideration. For

example, the reviewed Preferential Procurement Policy Framework Act updates of 2011 December could be omitted in the current policy should it happen that the policy was reviewed before December 2011. This can be a huge threat to the operations of the municipality depending on what the issues for updates are and the cost which can come with the non-compliance to such. Therefore an annual review of the SCM policy is recommended as well as the timeous planning on a continuous monitoring of the policy to ensure compliance to the MFMA and other legislative requirements.

5.2.3 Creating awareness about supply chain management as well as capacitation of the SCM role players.

It is important to ensure that awareness of the supply chain management policy requirements is maximized. So that every role player into the SCM environment is fully aware of their roles and responsibilities. Continuous supply chain management training for both officials and councillors is vital, to ensure that there is no contravention with the legislative prescripts.

5.2.4 Implementing stricter supply chain management internal controls to ensure that the objectives of SCM are achieved and that continuous monitoring and continuous legislative compliance is achieved.

5.2.5 It is important for the municipality to ensure that the legislative requirements are always achieved and that there is always adherence to the policies relating to supply chain.

5.2.6 The municipality must ensure that the capacitation of SCM staff is done on a continuous basis and that conflict of interest is avoided at all times.

5.7 Limitations of the Research

All research studies have some amount of limitations caused by either time or budgetary constraints or other constraints. The following limitations were encountered during the research study:

- Exposure to the subject matter - The researcher has never worked in a fully fledged supply chain management unit of a municipality. Therefore some of the matters referred to in the research have not been explored physically before.
- The researcher was limited to the Dr Ruth Segomotsi Mompati District Municipality due to the sensitive nature of the topic.
- Non availability of enough material on the subject of research was also a critical limitation. However, the private sector literature which is readily available was used, though on some instances it could not give a thorough demonstration of the true picture at local government level.

5.8 Benefits of the study for future research

This research study could be beneficial to the following individuals and bodies:

Academics

Academics could use this research as a point of reference if they wish to expand their research on the topic. Both key theoretical and empirical principles of this research can be availed on prior arrangement due to the nature and sensitivity of the topic.

SCM Officials

SCM officials can use this for self empowerment and may also use the recommendations made in this research for self empowerment and for operational improvement.

Municipalities

Management teams of municipalities can use this research also to make inputs in their SCM establishments and as a benchmark with the Dr RSM district municipality.

National and Provincial Treasuries

These stakeholders can use the information on this research to guide and provide further support to this particular municipality and to other municipalities based on the recommendations made in this study.

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APPENDIX CONTENT

APPENDIX A

38 Springbok Road
Vryburg
8600
19 March 2013

Municipal Manager
Dr Ruth S Mompoti District Municipality
P.O. Box 21
Vryburg
8600

REQUEST FOR PERMISSION TO CONDUCT A RESEARCH STUDY

I am currently studying for the Masters in Business Administration with North – West University, and I am expected to conduct a research study as a requirement for the degree. May I therefore, request your permission to conduct this study in Dr Ruth S Mompoti District Municipality.

The Topic for my research is - Challenge facing the supply chain management systems in Dr Ruth S Mompoti District Municipality

This is a Quantitative, descriptive study as it involves the use of a structured questionnaire to collect data to identify Supply Chain Challenges of Dr Ruth S Mompoti District Municipality.

Thanking you in Anticipation

Yours Truly



Lesedi Motuba
Senior Accountant