

Investigating supply chain management in a local municipality

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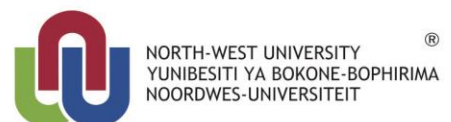
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It all starts here TM



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ABSTRACT

Supply Chain Management (SCM) is increasingly becoming an integral unit in the operations of local municipalities. The efficiency of this unit is paramount to the effective functioning of municipalities. Despite many attempts by management in various municipalities to improve the effectiveness of the SCM unit, challenges seem to prevail. This indicates that such persistent challenges cannot be entirely attributed to management alone, but would require a collective effort from all relevant employees, in ensuring a functional SCM unit. This therefore, has led to the desire to investigate the challenges and possible remediation strategies within SCM systems in local municipalities.

The goal of the study was to investigate SCM systems in a municipality, using Tlokwe Local Municipality as a reference point. A quantitative research method was adopted in executing the study, and as such, the study was exploratory and descriptive in its nature, and also described the challenges. The study was based on a survey design and, accordingly, self-administered questionnaires were used as a data collection tool. The study population consisted of employees from Tlokwe Local Municipality in managerial positions and specifically those who also deal directly with procurement and SCM system. Data was collected once due to the availability of the respondents and their busy work schedule. In executing the study, ethical considerations were taken into account, and they included avoidance of harm; voluntary participation; informed consent; non-deception of respondents; anonymity; and confidentiality as well as information about the publication of findings.

Data were analysed using descriptive statistics with the main goal of answering the research question which is as follows: Is there an effective SCM system in Tlokwe Local Municipality to deal with service delivery? The findings indicated that all respondents are familiar with the SCM unit, and its ineffectiveness, in particular, due to political interference, was highlighted. The relationship between SCM and service delivery was established from the findings. It was evident that an improvement in the SCM unit would result in improvement in service delivery. Other identified areas of concern within the SCM system included improper control measures as well as the delay in delivery of essential services.

Keywords: municipality, Tlokwe, SCM, service delivery, operations, procurement

ABBREVIATIONS

| | |
|--------|---|
| BTO: | Budget and Treasury Office |
| MFMA: | Municipal Finance Management Act 56 of 2003 |
| PFMA: | Public Finance Management Act 1 of 1999 |
| PPPFA: | Preferential Procurement Policy Framework Act 5 of 2000 |
| SCM: | Supply Chain Management |

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CHAPTER 1:

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

More recently, protests and demonstrations have been observed in South Africa and seem to be prompted by poor or slow service delivery, amongst other reasons. This may be due to various factors such as a lack of capability to perform and poor monitoring tools to monitor progress (Bizana, 2013:1). Procurement approaches are paramount in ensuring that the success of public organisations is increasingly becoming sought-after at a global level, as a possible means to improve the delivery of quality and effective services to communities (Heller, 2013:1). There is also a continuous need to deliver services at the most affordable value to service users (Odoom, 2012:1).

A huge uproar against government's vigilance to combat fraud and corruption to stimulate integrity-driven forms of governance at a global level has been noted. Taking this into account, it is, therefore, the responsibility of government and other public entities to assume exemplary leadership and serve service users in a manner that promotes and upholds decent standards of professionalism.

In South Africa, the Constitution (1996) advocates for three spheres of government, namely; national, provincial and local government, and these spheres were established to combat the inequities of the apartheid regime in the Republic of South Africa, and this is also supported by Bizana (2013:1). According to the Constitution (1996), this regime is said to have practiced the procurement systems. However it was not inclusive as it only focussed on lifting the standard of living of the white minority while the black majority was denied the opportunity to benefit and develop from such systems

The democratic government, therefore, established services of budgetary and financial reforms to revolutionise public systems to guarantee accessibility and inclusion to meet the needs of communities it attends to. Local government was initially developed to provide basic services to the communities in a sustainable manner and promote social and economic development (Bizana, 2013:1; The Constitution of the

Republic of South Africa, 1996). However, the recent service delivery protests experienced in South Africa are a clear indication that communities are not entirely satisfied with service delivery and illustrate a lack of confidence in government.

The legislation provided for the creation of Supply Chain Management Departments in local government (municipalities) as means through which services could be procured from private service providers (Bizana, 2013:1). Supply Chain Management (SCM) had an inseparable link to long-term quality service delivery, human capital development and associated socio-economic growth (Boateng, 2009:2). Despite such efforts by the government, there are still challenges facing the local government emanating from the procurement system.

In this study, SCM in the local government, in particular, the Tlokwe Local Municipality will be discussed. Furthermore, the challenges presented by the current SCM and possible solutions to the said challenges will be identified.

1.2 BACKGROUND OF THE STUDY AND THE SCM POLICY

In the South African context, SCM was formally introduced in the public sector in 2003 in an attempt to divert from functioning under the procurement system to an integrated SCM system (Ambe & Badenhorst-Weiss, 2012b:11003). This was achieved through the adoption of an SCM policy by the South African cabinet (Ambe & Badenhorst-Weiss, 2012b:11003). The aim of the policy was to implement an SCM function across all spheres of government which would serve as an integral part of financial management and would conform to international best practices (National Treasury, 2005:15).

The adoption of this policy followed studies that were undertaken to assess the procurement practices within the public sector which revealed deficiencies in the practices relating to governance, interpretation, and implementation of the Preferential Procurement Policy Framework Act (PPPFA) 5 of 2000 (Ambe, 2009:428). Consequent to it, there are rigorous reform initiatives to cure the deficiencies which were developed by introducing best procurement practices that were efficient and effective (Van Greunen *et al.*, 2010:3656). As a result, SCM was introduced in the South African public sector in 2003 (National Treasury, 2005:8).

An SCM system is required by legislation and is thus regulated regarding the legislation (Ambe & Badenhorst-Weiss, 2012b:11005; National Treasury, 2005). Section 217 of the Constitution of the Republic South Africa (1996) provides that when the government contracts for goods or services, it must do so in a way that is fair, equitable, transparent, competitive and cost-effective (Van Greunen *et al.*, 2010:3658). SCM is further regulated in terms of the Public Finance Management Act (PFMA) 1 of 1999, which promotes objectives of good financial management to maximise service delivery through the effective and efficient use of limited resources (Ambe & Badenhorst-Weiss, 2012b:11004).

The Municipal Finance Management Act (MFMA) 56 of 2003 (SA, 2003a) is aimed at modernising budget and financial management practices to ultimately maximise the capacity of local government to deliver the necessary goods and services to the public (National Treasury, 2004). The MFMA provides for the establishment of SCM units in local governments. The Preferential Procurement Policy Framework Act (No. 5 of 2000) (PPPFA) which is considered as a step forward in the process of procurement reforms, applies to all the public sector procurement systems in all three spheres of government (Ambe & Badenhorst-Weiss, 2012b:11004).

1.3 PRELIMINARY LITERATURE REVIEW

1.3.1 Supply Chain Management

SCM is a phenomenon in the business arena that has attracted substantial attention in recent times (Ghaderi *et al.*, 2010:1759; Miao *et al.*, 2010:36). SCM can be defined as a structured strategy which is directed at dealing and facilitating the whole process from the supply of raw material until it reaches the recipient. Other authors are of the opinion that SCM is a systematic technique to facilitate the transmission of information, resources as well as amenities throughout the manufacturing or production processes until it reaches the end user (Ambe & Badenhorst-Weiss, 2012b:11005). In South Africa, SCM is said to be centering the context of the ongoing financial management reforms process in the public sector (Mkhize, 2004:11).

SCM can further be defined as a philosophy aimed at assimilating systems of upstream and downstream linkages within an organisation in executing precise practices and tasks that will eventually establish and augment value to meet the

immediate needs of the end user through delivering the service for which it desired (Hugo *et al.*, 2004:3). It can further be described as a unified administration of coordinated and value-adding tasks that service rendering necessitates as they progress through a value chain direction to the service user (Boateng, 2009:2).

From the discussions above, it can be concluded, therefore, that SCM is concerned with the process which is followed in the supply chain as it affects the rendering of services in a positive or negative way, depending on the effectiveness and efficiency of the followed process. SCM is, moreover, concerned with the satisfaction of the service recipient, thus placing a burden on the government to put in extra effort to ensure satisfaction by enhancing their service delivery techniques.

1.3.2 Public sector supply chain management

Public sector SCM can be defined as the strategy used by public sector organisations to acquire goods, services and development and construction projects suppliers (Ambe & Badenhorst-Weiss, 2012b:11009). Goods and services ought to be procured precisely and by the principles as enshrined in section 217 of the Constitution (Ambe & Badenhorst-Weiss, 2012b:11009). Thus, SCM is considered to be central to the government service delivery system as it encompasses critical activities that support service delivery (Cane, 2004:3).

In the public sector, SCM is perceived as a narrow notion, mainly a component of procurement rather than a notion that includes various practical areas (Larson, 2009:223). Ambe and Badenhorst-Weiss (2011:11009) suggests that public sector SCM is more focused on the integration of all stakeholders playing roles in rendering a blended fashion of inputs, outputs or outcomes to maximise the satisfaction of a specific sector as per requirements. Therefore the SCM in the public sector poses as an integral sphere in promoting the rendering of quality and effective services to the communities and is perceived as an important mechanism in enabling the government to implement policies (Bizana, 2013:5; National Treasury, 2015:1).

The Framework for Supply Chain Management incorporates six elements (National Treasury 2003:19). These elements are also applicable in the South African government SCM and they are as follows:

- (a) demand management;
- (b) acquisition management;
- (c) logistics management;
- (d) disposal management;
- (e) risk management; and
- (f) performance management.

1.4 PROBLEM STATEMENT

Since the advent of SCM in 2003 in South Africa, skills development programmes have been introduced within several domains of government to equip practitioners with appropriate skills and knowledge (Ambe & Badenhorst-Weiss, 2012b:11010). That notwithstanding, execution of SCM remains a challenge, and these challenges originate from defiance from policies and regulations, peccadilloes, fraud and exploitation, deficiency in ability, scanty monitoring and evaluation as well as the conflict of interest (Ambe & Badenhorst-Weiss, 2012b:11010).

The National Treasury (2015:4) stated that SCM in the public sector in South Africa is flawed due to the continuous allegations of exploitation and inefficiency. It is evident that service delivery protests are indicative that communities are not satisfied with service delivery and that the quality and quantity they expect to meet their needs are not met (National Treasury, 2015:4). According to the National Treasury Department, SCM in the public sector is faced with several issues that hinders it from performing effectively and efficiently (National Treasury, 2015:4). Firstly, the significance of SCM is misinterpreted and not well understood by those working in the system. Secondly, the organisational structures and systems within which SCM takes place are often not ideal, with inexperienced or under-skilled leadership and lack of capacity. Thirdly, the policies and regulations are often confusing and cumbersome (National Treasury 2015:5). Furthermore, there are few noticeable consequences for those who fail to perform at their required level and according to prescribed performance standards.

Although the procurement system is covered mainly on the Municipal Finance Management Act 56 of 2003 (SA, 2003a) it has previously been reported that several municipalities countrywide have been hit with service delivery protests that are mostly caused by bigoted tendering systems (SA, 2003a). Other barriers hindering sound SCM are a conflict of interest in the structure of tender committees and the complexity of the PPPFA Act (Act no. 5 of 2000) (SA, 2000).

It is evident that the current public sector SCM falls short of the requirements of section 217 of the Constitution and other legislative requirements and presents several undesired challenges. Furthermore, an efficient and intelligent public sector SCM system can help to overcome the challenges above presented by the current SCM system.

1.5 RESEARCH QUESTIONS

The main research question for the study is to determine whether there is an effective SCM system in Tlokwe Local Municipality to deal with service delivery.

To answer this question, sub-questions have been formulated and are as follows:

- Is there an effective SCM unit within the Budget and Treasury Office (BTO) as stipulated in Municipal Finance Management Act (No. 56 of 2003a) within Tlokwe Local Municipality?
- Is there an effective SCM system in Tlokwe Local Municipality?
- What are the SCM challenges in Tlokwe Local Municipality?
- Are there effective control measures in place?
- Does Tlokwe Local Municipality have enough capacity to deal with the procurement and SCM challenges?
- Does poor SCM negatively affect service delivery?

1.6 RESEARCH OBJECTIVES

1.6.1 The main objective of this research is to:

- Investigate the SCM system within Tlokwe Local Municipality.

1.6.2 Literature objectives

- To conceptualize SCM in a broader context;
- To conceptualize SCM in the public sector;
- To conceptualize SCM in a local municipality;
- To identify and contextualize the challenges of the SCM in the public sector, and
- To identify and contextualize the challenges of the SCM in a local municipality.

1.6.3 Empirical objectives

- To determine whether Tlokwe Local Municipality has an established SCM unit;
- To determine whether the leadership of the SCM unit is effective;
- To determine whether the employees are skilled enough to understand the SCM system;
- To determine whether there are control systems in place;
- To determine the challenges within the SCM unit in the Tlokwe Local Municipality;
- To determine whether there are effective human resources in terms of capacity, leadership, skills and training, and
- To determine how public service delivery protests are linked with poor SCM systems.

1.7 RESEARCH METHODOLOGY

The quantitative research method is said to be a method of research which assists the researcher in interpreting data of findings using numbers (Wilgenbus, 2014:24).

Babbie (2011:354) is of the view that quantitative research is rather focused on statistics rather than qualitative data. As can be seen from both authors, quantitative data is more focused on numbers than the quality of the findings. In this study, the quantitative research method will be used to ensure that more information is obtained through the involvement of many participants.

1.8 EMPIRICAL RESEARCH

The scope of the empirical investigation is limited to employees of Tlokwe Local Municipality. The participants will be volunteers with specific criteria but will not interfere with gender, class, race and any other aspects that may render the study as discriminatory or biased. The target group will be individuals from various departments within the municipality. The criteria are as follows:

- Respondents should be in lower, middle and senior managerial positions in their respective departments;
- Respondents should be directly involved in the purchasing and sourcing of goods and services, and
- Respondents should be willing and voluntarily participate in the study after understanding the details of the study and have signed the informed consent form.

The feedback from the questionnaires will be interpreted according to the participant's opinions based on their experience and knowledge of issues and challenges faced regarding SCM processes. The raw data will be captured on a spreadsheet for analysis. The findings from the semi-structured interviews will be transferred into a transcript for further analysis.

1.8.1 Limitations

- The study is limited to the Tlokwe Local Municipality and its employees, but the findings thereof may apply to all other municipalities in South Africa.
- The criteria focused on the employees that are in managerial positions and SCM officials in the organisation which then deprived the other employees, who do not have a direct link to the SCM, the opportunity to contribute their opinions.

- The study focused on one municipality, and for this reason, the findings cannot be generalised.

1.8.2 Chapter Outline

Chapter 1: Introduction and background of the study

This chapter provides a brief introduction and the background of the study. Furthermore, the chapter discusses the current problems within the municipalities and the public sector at large with regards the SCM.

Chapter 2: Literature Review

This chapter provides a review of the literature on both primary and secondary sources relating to SCM and the public sector SCM in the municipality. The chapter will further discuss the legal framework regulating the public sector SCM.

Chapter 3: Research design and methodology

This chapter discusses the research design and methods that will be employed during the study to find answers to the research question and achieve the research objectives to analyse the supply chain management challenges of the Tlokwe Local Municipality.

Chapter 4: Data analysis and interpretation of results

In this chapter, the outcome of the survey which was conducted through questionnaires will be analysed by a professional statistician and interpreted by the researcher.

Chapter 5: Conclusions and recommendations

The chapter shall provide the conclusions of the research based on the research outcomes. Furthermore, the chapter will provide detailed recommendations to address the challenges in the Tlokwe Local Municipality.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

Section 40 of the Constitution of the Republic of South Africa (1996) indicates that the South African government comprises three spheres namely, national, provincial and local spheres, which are separate but interrelated. Each sphere of government is entrusted with specific constitutional duties that must be carried out, and the Constitution outlines the pattern or route to follow in executing those duties. Procurement falls within some of the duties which ought to be performed or executed and is often referred to as SCM.

The local government, which is made up of municipalities, is the sphere of government that is in direct contact with the communities and is delegated the task for service delivery. In executing the delegated duty of service delivery as well as its various developmental obligations, the municipalities may obtain goods and services from suppliers. The process of obtaining goods and services leads to the discussion of the notion of SCM as a phenomenon. SCM is coordinated by numerous sections of legislation in the South African context. However, despite the plethora of legislation, public sector SCM is still faced with various and complex challenges.

Therefore this chapter seeks to address the notion of SCM to contextualise the phenomenon. To achieve this, the concept of the local government and its duties will be discussed. The notion of SCM in the general context will be defined in this chapter as provided by various authors. The chapter further defines SCM in the context of the public sector and in South Africa, to be precise. Furthermore, the chapter will discuss the notion of SCM in the municipalities and the legitimate approach that regulates SCM in South Africa. Elements of public sector SCM in South Africa are discussed as well as the general challenges facing the South African public SCM.

2.2 DEFINITIONS OF SUPPLY CHAIN MANAGEMENT (SCM)

It is said that, despite SCM having gained recognition in recent decades, the central dilemma caused by lack of consensus regarding its definition remains a challenge

(Motuba, 2014:9; Naslund & Williamson, 2010:11). However, it is advocated that several authors have made efforts to define this notion (Mentzer *et al.*, 2001:5). According to Moeti *et al.* (2007:123) SCM is an integration of procurement, acquiring of goods and managing records, the upkeeping of appropriate storage and accounting systems for acquired goods, establishing the quantity of goods and services to preserve the inventory and establishing the capacity of inventory which absolute the placement of orders and disposals into one unified process.

SCM is defined as the methodical, planned synchronisation of basic business purposes and strategies across these business functions within a specific company and across businesses within the supply chain, to refine the continuing performance of the different companies (Mentzer *et al.*, 2001:18). Supply chain refers to clusters of organisations that pass the goods from one organisation to the next (Mentzer *et al.*, 2001:3). Supply chain, as opposed to SCM, is said to be a collection of firms connected by one or more of the up- and downstream flows of goods and services as well as information (Bizana *et al.*, 2015:667).

SCM can also be defined as a philosophy of management intended to integrate a system of upstream connections in an organisation and downstream connections in implementing precise procedures and duties that will eventually generate and maximise satisfaction for the consumer through goods and services (Hugo *et al.*, 2004:5). According to Boateng (cited by Bizana, 2013:3), SCM is the unified management of relevant value-adding tasks that the rendering of goods and services necessitates as they navigate the value chain en route to the end user. SCM assimilates supply and demand management in organisations and upholds the principle of value for money, transparent and effective competition, standards and just dealings, accountability and equity.

SCM has also been defined as a strategy for facilitating supply and demand, obtaining and sourcing raw material and parts, manufacturing and assembling, warehousing and record keeping, order entry and management, distribution channels and delivery to customers (Council of Supply Chain Management Professionals, 2005:7). Various activities are involved in the SCM process, and they may include, but are not limited to, planning for future demands, obtaining, record management, information and value, and customer service (Heizer & Render, 2008:434). According to Lamb *et al.*

(2007:371), SCM synchronises and integrates all activities achieved by supply chain affiliated as a unified process, from the foundation to the consumption phase which results in advanced customer and economic value. The preceding definition of SCM reflects some of the aims of SCM which include improved customer service and economic value.

According to Hugos (2006:4), SCM refers to the integration of production means, record keeping, and exchange among role-players in the supply chain to attain the best combination of receptiveness and competence for the target group. SCM is perceived as a process consisting of five stages namely: identifying goods or services required to gratify the needs of the organisation; identifying the most apposite service provider to satisfy that need; establishing fair and reasonable prices for the good or service to be purchased; enforcing the agreement for the purchase and managing the relationship to ensure that there is not only timely delivery but that the delivery is of agreed upon standard (Burt *et al.*, 2010:6).

SCM promotes the well-organised and simplified flow of goods, services, information, and finances from providers through various intermediary associations to the consumer (Coyle *et al.*, 2009:17).

In the context of this study, SCM can be defined as an attempt to understand the process that is involved in the identification of item(s) or service(s) required, identifying the suitable service provider(s) and determining the optimal price for acquiring the item or service and the management of the entire process to ensure efficiency and cost-effective acquisition of such item or service from the supplier to communities. SCM is aimed at "adding value at each phase of the procurement process from the demand of goods or services to their acquisition, managing the logistics process, and finally, after use, to the disposal" (Ambe & Badenhorst-Weiss, 2012a:246). Having discussed SCM in the general context, it is imperative to discuss SCM in the public sector in the section below.

2.3 PUBLIC SECTOR SCM

Public sector SCM executes the leading role in the successful management of public resources and its significance in combating mismanagement has been recognised worldwide (Ambe & Badenhorst-Weiss, 2012a:245). The SCM applicable in the

spheres of government is often referred to as public sector SCM. Public sector SCM instigates from the judiciary responsibility of government managements to provide services (Ambe & Badenhorst-Weiss, 2012a:244).

According to Arrowsmith and Tillipman (2010:1), public sector SCM refers to the government's engagement in acquiring goods and services which are essential in favouring the effective execution of its functions. It involves the procurement of items and contracting for construction tenders and amenities if such purchasing is achieved by resources from the financial plan of the government, local authority funds, national funds, internal loans or external loans assured by the national, external assistance and income obtained from the pecuniary activity of the municipality (Ambe & Badenhorst-Weiss, 201a2:244).

Matolong (2015:11) stated that public sector SCM or procurement plays a crucial role in enabling the government to implement its set mandate for service delivery to the public. It has further been asserted that the preceding can be achieved through compelling frameworks which are facilitated by capable officials (Matolong, 2015:11). The public sector SCM is a practice that is administered by judicial bodies, various laws, rules, policies and processes to secure effective and efficient expenditure of state resources (Dobler & Burt, 1996:747). Public sector SCM requires accountability and transparency seeing that it serves wider a range of stakeholders (Larson, 2009:224).

In the public sector, SCM is said to be focused on the partnership(s) of all role-players involved in rendering an integration of inputs and outputs which are aimed at satisfying specific requirements (Ambe & Badenhorst-Weiss, 2011:1102). Public sector SCM proposes a reference outline for the arrangement of its supply chain and multi-sectorial networks in which role-players are private entities and accepts directives from public sector representatives, municipal managers and policy developers (Bizana *et al.*, 2015:667; Migiro & Ambe, 2008:232).

According to Larson (2009:224), public sector SCM is more of a narrow notion which forms a fundamental component of procurement and that it is a concept that incorporates numerous functional areas. On the contrary, it is considered to be one of the elements of the supply chain which are primarily concentrating on the acquiring of

products and services within the supplied value chain (Boateng, 2009:1). Therefore, it becomes apparent that public sector SCM and procurement are intertwined.

Public sector SCM is further said to be a vital part of a financial administration that intends to introduce a globally recognised practice that covers the differences between basic approaches to acquiring products and services, and the stability of supply chain while attending to supply-related subjects which are of strategic significance (National Treasury, 2003:19). In most states, South Africa (SA) included, SCM is considered an instrument for managing public procurement (Ambe & Badenhorst-Weiss, 2012a:246). In light of this background, it is of paramount importance to discuss public sector SCM within the SA context.

2.4 PUBLIC SECTOR SCM IN SOUTH AFRICA

2.4.1 Historical background

Public sector SCM in SA has faced transformation which facilitated the introduction of procurement reform in 1995 (Ambe & Badenhorst-Weiss, 2012b:11005). These reforms were aimed at promoting the core values of effective governance and the phasing in of preference system to deal with certain social and economic objectives (Ambe & Badenhorst-Weiss, 2012a:245). This aim of reforms coincides with the definition of SCM that is reflected in the SCM policy referred to in the preceding paragraph.

The Country Procurement Assessment Review (CPAR) which was finalised by the National Treasury in collaboration with the World Bank, exposed insufficiencies in conducts that relate to leadership, understanding and application of PPPFA and all related regulations (Ambe & Badenhorst-Weiss, 2012b:11005; Van Zyl, 2006:38). Furthermore, it became apparent that procurement and provisioning systems were incoherent due to the involvement of tender boards in the procurement processes while provisioning remained predominantly regulated by the logistics system from National Treasury (Ambe & Badenhorst-Weiss, 2012a:246).

In 2003, South Africa witnessed the advent of the SCM policy which is named the Policy to Guide Uniformity in Procurement Reform Processes in Government and it was meant to do away with the outdated procurement as well as provisional duties in

municipalities (Ambe & Badenhorst-Weiss, 2012a:246). The aim of this framework was to uphold consistency in the implementation of SCM procedures throughout the government (Bizana *et al.*, 2015:668). The policy framework was also aimed at facilitating the calibration and fixed understanding of government's special procurement regulation and policies (Bizana *et al.*, 2015:667).

The SCM system framework consists of demand management, disposal management, logistics management, disposal management, risk and performance management (Ambe & Badenhorst-Weiss, 2012b:11005). The preceding is usually referred to like elements of the SCM system. These elements are enshrined in regulation 9 of 2005 of Supply Chain Management Regulations of the MFMA. These elements are also enshrined in the PPPFA and are referred to as the components of SCM that make up the framework of the SCM system. They are further provided for in regulation 16A(3.2) of the 2005 Treasury Regulations for Departments, Trading Entities, Constitutional Entities and Public Entities (Bizana *et al.*, 2015:670).

Furthermore, they are supported by the ideologies of justice, equitability, transparency, value for money and competitiveness (Bizana *et al.*, 2015:670). These principles that underpin the elements of SCM are protected in the Constitution of the Republic of South Africa. Therefore, in SA, public sector SCM is guided by the principles enshrined in the Constitution and other pieces of legislation.

Following from the definition of public sector SCM and the preceding discussions on public sector SCM in SA, it becomes apparent that SCM in public sector revolves around municipalities since they are charged with the duty of service delivery. Although the Constitution provides for the principles relevant across all spheres of government, for the purpose of this study, the focus will be placed in the local sphere of government, otherwise referred to as municipalities.

2.5 THE LOCAL GOVERNMENT

Section 151 of the Constitution of the Republic of South Africa (SA, 1996) advocates that local government comprise municipalities. Forming part of its objectives, municipalities must guarantee the provision of services to the communities in a sustainable manner, and they must uphold and advocate for social and economic development (SA, 1996:s151). The Constitution further indicated that municipalities

bear the developmental duty of organising and executing its mandatory duties, including strategic planning for the primary needs of the public, and promoting socio-economic empowerment of the public.

Three categories of municipalities have been developed in South Africa, and they are as follows (SA, 1996:s155):

- (a) Category A municipality is one which has an exclusive municipal executive and legislative jurisdiction in its domain;
- (b) Category B municipality is one that shares a municipal executive and judicial authority in its domain with a category C municipality, basically it is one which functions in partnership with a category C Municipality; and
- (c) Category C municipality possesses a municipal executive and judicial authority over more than one municipality.

In executing the objectives of the different categories as outlined above, municipalities are usually persuaded to acquire products and services from various entities and this process is called procurement. In acquiring the goods and services, these municipalities are required to abide by specific and prescribed procedures and processes as detailed in the legislation regulating the procurement process. In the South African context, the term procurement has been used interchangeably with SCM.

Having discussed local government known as municipalities, a discussion regarding the six elements of SCM as obligatory by and outlined in the 2005 Supply Chain Management Regulations of the MFMA which provides that the SCM policy of every municipality must contain an effective system of the six elements as mentioned above.

2.6 THE ELEMENTS OF SUPPLY CHAIN MANAGEMENT IN MUNICIPALITIES

2.6.1 Demand management

Demand management refers to the decisive process which enables departments to effectively and efficiently obtain accurate resources and/or materials (Ambe & Badenhorst-Weiss, 2011:251). Demand management guarantees that resources

essential for supporting all obligations of the municipality or its entity are delivered at the most accurate time and place as needed and that they are of the required quality and quantity and also cost-effective (SA, 2005: Regulation 10). This marks the commencement of the supply chain in which various activities occur namely: determining needs, assessment dealing with issues such as understanding future needs, identifying crucial delivery dates and the frequency of needs (Policy to Guide Uniformity in Procurement Reform Process in Government, 2003:21).

Demand management emanates from the adoption of the Integrated Development Plan (IDP) which identifies the operational duties and strategic aims of a municipality (Bizana *et al.*, 2015:670). At this stage, resources necessary to satisfy the needs acknowledged in the IDP are analysed and planned. This precedes the implementation of SCM, and it is aimed at ensuring that products and services distributed conform to provisions of the identified needs (Ambe & Badenhorst-Weiss, 2012b:11005).

According to Burt *et al.* (2003:625), this is an important element since it controls, coordinates, stabilises and influences the demand and supply for the entity's items and services in an attempt to cut down on total costs for the entity and its supply chain. The Preferential Procurement Regulations imposes a duty on the municipalities to effectively and accurately plan for the estimated costs of the goods and services which they seek to procure (Bizana, 2013:42). Thus, this is a crucial stage of SCM which symbolises the beginning of the SCM process.

2.6.2 Acquisition management

Acquisition management has been defined as the purchasing of resources by the government or public entities, and it is also defined as the management of procurement (Ambe & Badenhorst-Weiss, 2012b:11005; Bizana *et al.*, 2015:671). According to the SCM policy, this is where the preferential procurement policy objectives that can be met through a specified contract, are identified (Policy to Guide Uniformity in Procurement Reform Process in Government, 2003:22). Therefore, it is considered as an important part of preferential procurement policy (Bizana *et al.*, 2015:671). It is the duty of the acquisition management to ensure that procurement by

the municipalities is executed by the set procedures and that expenditure on resources is incurred according to an approved budget (SA, 2005: Regulation 11).

The acquisition management is also aimed at ensuring that the proposal documentation, assessment and judgement criteria, and over-all conditions of a contract adhere to the applicable legislation (SA, 2005: regulation 11). The 2005 Municipal SCM regulations prescribes methods to be used to source the needs for municipalities which may include that:

- (a) Petty cash purchases are transactions which are of the value of up to R2,000.00;
- (b) There must be an oral or written quotation for the transaction with the value of R2, 000.00 but which does not exceed R10, 000.00;
- (c) There must be a formal written price quotation that is needed for the procurement of a transaction exceeding R10,000.00 but not exceeding R200,000.00; and
- (d) A competitive bidding process is required for procurement above transactions of a value of R200, 000.00 and for long-term contracts.

A tendering process for goods above R200, 000.00 is governed by the three bid committees established regarding the legislation, and they are as follows (Bizana *et al.*, 2015:671) namely;

- (a) Bid specification committee (BSC)

This committee comprises one official, who may be the manager, accounting officer or delegated official to appoint a chairperson and compiles technical specifications, requirements, conditions of contracts and governing the goals as outlined in the PPPFA and describes the evaluation criteria (National Treasury, 2005:22).

- (b) Bid evaluation committee (BEC)

This committee consists of an SCM practitioner or a technical expert from the division requiring the goods or services, and it employs functionality to measure and evaluate providers who satisfy the least requirements. The bids of the suppliers are evaluated in line with the requirements of PPPFA and the outcome from that place is forwarded

to the adjudication committee (discussed below) for approval (National Treasury, 2005:22).

(c) Bid adjudication committee (BAC)

This committee consists of at least four senior managers, a minimum of one senior SCM practitioner to guarantee compliance as well as a technical expert. The committee considers suppliers that have been short listed by the BEC and makes a determination subject to provisions of relevant legislation (National Treasury, 2005:22). The BAC employs a comparative value programme which uses two pointers, namely; price and formula, provided for in the Broad-Based Black Economic Empowerment Act for awarding contracts (No. 53 of 2003) (SA, 2003b:20).

The processes therein are regulated in terms of the PPPFA and its regulations, the Broad-Based Black Economic Empowerment Act (53 of 2003) (SA, 2003b) and MFMA (Bizana *et al.*, 2015:671). However, Ambe and Badenhorst-Weiss (2012b:11006) state that every government entity makes its own determination regarding the market approach, establishing total cost of ownership of assets, ensuring that bids documentations are complete, evaluating bids and ensuring that proper documents are signed.

2.6.3 Logistics management

Logistics involve the process of handling procurement, movement and preserving resources within the organisation and marketing its network strategically in a manner which maximises profitability through the cost-effective fulfillment of orders (Ambe & Badenhorst-Weiss, 2012b:11006). This element deals with such issues as labeling items, establishing inventory level, order placement, delivery and distribution of resources, management of stores and warehouses, expediting orders and transport management (Policy to Guide Uniformity in Procurement Reform Process in Government, 2003:19). This forms part of SCM that applies, monitors and guarantees an operative movement of stored products and services (Ambe & Badenhorst-Weiss, 2012b:11006).

2.6.4 Disposal management

Disposal management deals with the clearance or removal of assets including, but not limited to, unserviceable, malfunctioning or outdated assets (SA, 2005: Regulation 40). It deals with the formulation of records of malfunctioning material, reviewing material for potential future reuse, identifying clearance tactics and implementing the actual clearance process (Ambe & Badenhorst-Weiss, 2012b:11006). The SCM policy provides that a similar set of procedures set out in 2005 Municipal SCM regulations are relevant to the immovable assets stock such as devaluation, up-keeping, and replacement scheduling and expenditure (Policy to Guide Uniformity in Procurement Reform Process in Government, 2003:23).

This part of SCM must also specify the manner of disposal of assets which may include transferring the assets from one state institution to another at a market-related value, or where appropriate, at no cost at all pursuant to relevant legislation, selling assets or destroying the assets (SA, 2005: Regulation 40).

Disposal management also deals with the selling of the immovable property at market-related prices apart from when the best interest of the public or the dilemma of the poor dictates otherwise (SA, 2005: Regulation 40(2)(b)(i)). Disposal management also dictates that the movable assets, on the other hand, be traded either through written price quotations, competitive bidding processes and auction or market-related prices, whichever is most favourable to the municipality (Ambe & Badenhorst-Weiss, 2012b:11006).

The South African Local Government Association (SALGA), Supply Chain Management Policy (SCMP) (2013:24) contends that to ensure the fairness of the disposal process, decision-making in this regard must be strategic and not rely on one individual to prevent biases in the process. This also suggests that the disposal process should be systematic, with committees in place, which will be a responsible bid adjudication (South African Local Government Association, Supply Chain Management Policy (2013:24).

2.6.5 Risk management

Risk management relates to the unplanned outcome or unforeseen results of the decision and it caters for the identification of hazards on case-by-case basis. The distribution of hazards to the most suitable party to handle such hazards, the acknowledgement of the cost of the hazard in the event that the hazard of shifting the cost is higher than that of retaining it, the prevention of hazards in a pro-active fashion, and the provision of suitable cover for remaining hazards otherwise (Ambe & Badenhorst-Weiss, 2012b:11006; SA, 2005: Regulation 41). This is the route for understanding, assessing and facilitating hazards with the aim of maximising the chance of objectivity being achieved (Matolong, 2015:27).

2.6.6 Performance management

Every SCM system ought to cater for operative internal monitoring measures to establish, on the grounds of reviewing analysis, whether all prescribed procedures are being adhered to and whether the objectives are being attained (SA, 2005: Regulation 42). This is important since the constant checking and proper planning of SCM processes are very important as indicated by the MFMA.

National Treasury has established a recording template that provincial treasuries employ to track SCM implementation methods at applicable municipalities (Ambe & Badenhorst-Weiss, 2012b:11006). Municipalities are expected to assume the format to augment their supply chain effectiveness with the aim of continuously improving the supply chain performance (Ambe & Badenhorst-Weiss, 2012b:11006).

Amongst the issues that may be revised are the attainment of goals, obedience to customs and values, funds accumulated, supplies competence, breach of contract and cost efficiency of the procurement process (Policy to Guide Uniformity in Procurement Reform Process in Government, 2003:23). This element of SCM also includes contract management (Ambe & Badenhorst-Weiss, 2011:14). Contract management is considered as a key component that has an impact on service delivery (Bizana *et al.*, 2015:671).

These elements of SCM which constitute the framework of SCM are the components or processes that are found in the definition that has been assumed for the purpose of

this study. The said definition provides that public sector SCM involves the identification of the item or service required, which fall under demand management. It further includes identification of the suitable service provider and determining the optimal price for acquiring the item or service which is acquisition management. Further, the definition includes management of the entire process to ensure efficiency and cost-effective acquisition of such items or services from the supplier to communities which relates to performance management.

2.7 LEGAL FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT IN THE MUNICIPALITIES

Public sector SCM in SA, precisely in the municipalities, is regulated regarding the legislation. Various pieces of legislation make provisions for different aspects of the SCM in the municipalities. These pieces of legislation are discussed below.

2.7.1 The Constitution of South Africa

The Constitution (SA, 1996) provides for basis of procurement in SA and states that in the event that goods and services are contracted for by a state organ at any sphere of governance or from any institution as recognised by the national legislation, it must be done in accordance with systems which are fair, equitable, transparent, competitive and cost-effective (SA, 1996:s217(1)).

These are considered as the principles underlying SCM. These principles are also considered as fundamental to good procurement conduct (Bolton, 2009:59). According to Bolton (2009:59), the inclusion of these principles is commendable since organs of state are supposed to adhere to the indispensable rudiments of a good procurement system whenever they contract for products or services.

The Constitution (SA, 1996) further provides that this does not prohibit state departments or institutions referred to in section 271 from executing a procurement policy that provides for classifications of preference in distributing contracts and protecting the public (SA, 1996:217(2)). Therefore, this provision employs procurement as a policy or empowerment instrument (Bolton, 2009:59).

The Constitution also reinforces some of the principles in section 271 such as transparency (Constitution of South Africa, 1996:s32). Section 32 provides for the

privilege to obtain any information detained by the state and/or any other person and that is obligatory for the exercise or protection of all rights. This entitles any member of the community whose rights may be affected by the procurement process or SCM to require access to information.

The Constitution also supports the principle of fairness in the procurement process by municipalities, and it also provides that each person is privileged with the right to administrative action (SA, 1996: s32(1)). An administrative action can be understood as any conclusion reached, or the fiasco thereof to reach a decision by a state department when acting within the power vested in it by the Constitution or provincial constitution or exercising public power pursuant to any legislation (Promotion of Administrative Justice, 2000:s1). Therefore, this section requires that whenever the municipalities take active administrative action in procurement, it must be subject to the dictates of Section 33.

2.7.2 Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)

South African parliament promulgated the PPPFA in 2000 with the aim of giving effect to section 217(3) of the Constitution that provides an outline for the application of the procurement policy under section 217(2) of the Constitution (Bizana, 2013:56). The Act is considered as progress in the process of procurement (Ambe & Badenhorst-Weiss, 2012:11008). The PPPFA provides that any state department must establish its preferential procurement policy and execute it within the framework outlined by the Act (PPPFA, 2000:s2(1)).

This Act is aimed at promoting previously disadvantaged people that could not access the economy mainstream (Matolong, 2015:15). The municipalities are permitted to establish its threshold quantities concerning obtaining approaches when it uses its petty cash, quotations, three quotation systems and open tenders (Matolong, 2015:15). The PPPFA is supported by the Preferential Procurement Regulations of 2001 which provide for the preference point system, assessment of tenders, giving out of tenders not possessing high points, withdrawal, and re-invitation of tenders. The regulations also make provisions for responsibility to plan basic conditions, standards, declarations, forfeits, tax clearances and tender goals. Thus, in terms of PPPFA, the

municipality is mandated to adopt its own preferential procurement policy which should be executed in line with the framework outlined in PPPFA.

2.7.3 Municipal Finance Management Act 56 of 2003 (MFMA)

The MFMA has been promulgated to maintain comprehensive and viable management of financial matters, and to develop treasury customs and values for the local sphere of government (Bolton, 2009:61). According to Ambe and Badenhorst-Weiss (2012:11008), the Act is intended to improve budget and financial management practices with the aim of maximising the capacity of municipalities to render services.

The MFMA further provides for a sound financial framework, stipulating the tasks and responsibilities of the mayor, councilors (executive and non-executive) and officials (Ambe & Badenhorst-Weiss, 2012:11008). The Act also provides for SCM and states that an individual municipality or entity must have and execute the SCM policy which must give effect to the provisions of the Act (Municipal Finance Management Act, 2003a:s111). The SCM system must also adhere to the prescribed regulatory framework for municipal SCM which must at the very least cover matters specified in section 112(1) of the MFMA (Bolton, 2009:61).

Pursuant to Section 168 of the Municipal Finance Management Act (SA, 2003a), the said regulations provide the framework for an SCM policy (Bolton, 2009:61). The regulations provide that the SCM policy must provide for the six elements of SCM as discussed earlier in the chapter. Therefore, the MFMA with its regulations, to a large extent, regulate the SCM framework in that they lay down what it should entail.

2.7.4 Broad-Based Black Economic Empowerment Act No. 53 of 2003 (BBBEEA)

This Act is designed to establish the legislative framework for the promotion of black economic empowerment. The Broad-based Black Economic Empowerment Act No. 53 of 2003 (SA, 2003b:s1) defines B-BBEE as the feasible economic empowerment of all black people, in particular, the marginalised and vulnerable groups in rural areas, through diverse but integrated socio-economic strategies that include, but are not limited to:

- (a) Increasing the number of black people that manage, own and control enterprises and productive assets;
- (b) Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
- (c) Human resource and skills development;
- (d) Achieving equitable representation in all occupational categories and levels in the workforce;
- (e) Preferential procurement from enterprises that are owned or managed by black people, and
- (f) Investment in enterprises that are owned or managed by black people.

The Act authorises the Minister of Trade and Industry to set out codes of adequate conduct which will assist in giving effect to the Act. The codes may contain pointers to measure qualification criteria for preferential purposes and procurement, and other economic activities and broad-based black economic empowerment (SA, 2003:s9). The Act also empowers the Minister to set out a strategy for BBBEE which must provide for an integrated, coordinated and uniform approach to BBBEE by all state departments, public entities, the private sector, non-governmental organisations, local communities and other stakeholders (SA, 2003b:s11).

The strategy should also cater for funding BBBEE and the formation of incentive systems to effectively support black owned and managed enterprises (SA, 2003b:s11). Therefore, the municipalities shall adhere the codes of practice and strategies set in place in terms of this Act in their procurement transactions or their activities of SCM at the municipal sphere of government.

2.7.5 Promotion of Access to Information Act No. 2 of 2000 (PAIA)

This preamble of PAIA asserts that the Act is intended on giving effect to the constitutional right to obtain any information detained by the State that is essential for the exercise or protection of any right (Promotion of Access to Information Act 2 of 2000) (SA, 2000a). Therefore, the municipality, as an organ of state is mandated to

give access to information held by it, which amongst other things may relate to its SCM process, to anybody whose rights may be affected. PAIA gives effect to Section 32 of the Constitution, which has been referred to in the preceding paragraph.

The Act is also sanctioned to promote transparency and accountability in public and private entities thereby giving access to information. The public body, for the purposes of PAIA, refers to the various departments of state or administration in the national or provincial sphere of government or any municipality in the local sphere of government (SA, 2000a:s1). This preceding aim of the Act incorporates and gives effect to the principle of transparency that is enshrined in Section 217 of the Constitution (SA, 1996:s217). PAIA prescribes the manner in which one may request information from the municipalities.

Therefore, in terms of PAIA, the service providers or bidders and any other person who may form a view that their rights are detrimentally affected or are likely to be affected, may request information about procurement process from the municipality to protect the said right.

2.7.6 Promotion of Administrative Justice Act No. 3 of 2000 (PAJA)

PAJA is intended to give effect to the right to administrative action that is lawful, reasonable and procedurally fair and the right to written reasons for administrative action as contemplated in Section 33 of the Constitution of the Republic of South Africa (SA, 1996). The government of SA has enacted PAJA with the aim of promoting a well-organised administration and adequate governance. Further, the Act was promulgated with the intention to establish a tendency of responsibility, honesty and transparency in public management or in the execution of a public authority or public function thereby affording the right to just administrative action (SA, 2000b).

This Act requires that each whose rights have been affected by the managerial action, in any way, should be issued with written explanations for the decision by the concerned administrator within the prescribed periods (SA, 2000b:s5). The Act also gives rights to any person whose rights have been affected to institute a proceeding for judicial analysis of an administrative action, and the court or tribunal may review the administrative action (SA, 2000b:s6). PAJA provides for the procedures for judicial review that an aggrieved party may follow (SA, 2000:7).

Therefore, it is apparent from the foregoing that PAJA reinforces and gives effect to principles of fairness and transparency outlined in section 217 of the Constitution. Following from the definition of administrative action in terms of PAJA, it also becomes evident that when the municipality undertakes any activity that is related to SCM, and procurement, in particular, that conduct is tantamount to administrative action. Thus, the provisions of PAJA are applicable.

The preceding are the pieces of legislation that regulate public sector SCM in municipalities. Each piece of legislation portrays a specific role in the regulation of public sector SCM, and municipalities are expected to adhere to the provisions of the said pieces of legislation. However, despite this plethora of pieces of legislation that regulate the public SCM, public sector SCM in South Africa is surrounded by various challenges. Therefore, it is imperative to discuss the general challenges that surround public sector SCM in SA.

2.8 CHALLENGES OF PUBLIC SECTOR SUPPLY CHAIN MANAGEMENT IN SOUTH AFRICA

According to Ambe and Badenhorst-Weiss (2012a:249), SCM is an essential element of procurement in the public sector of SA, and it is employed as an instrument for the administration of public procurement approaches. Although SCM has been employed as a strategic tool, public procurement is still faced with several challenges (Ambe & Badenhorst-Weiss, 2012a:249). These challenges faced by municipalities are detrimental to their ability to execute their constitutional objective of providing effective service delivery to the communities (Bizana, 2013:8).

2.8.1 Non-compliance with SCM legislation

SCM is regulated by several pieces of legislation as have been discussed above (NT, 2005). However, despite this plethora of legislation, there is still non-compliance. For instance, in the period of 2012-2013, 90% of the auditees had findings of non-compliance with legislation which greater portion related to SCM (Auditor General, 2014:19). Some of the non-compliance incidents can be exemplified by the predisposition of not employing an advantageous process for quotations and bids and ineffective employment of the preference points system (Ambe & Badenhorst-Weiss 2012:250).

According to the Auditor General (AG) in the 2016 media release, there has been little improvement in the past four years in addressing uncompetitive or unfair procurement processes which are required by legislation (Auditor General, 2016:6). The AG further added that there is little progress with regards to ensuring compliance with the legislation on awarding tenders to close family members of employees and councillors (Auditor General, 2016:6). This demonstrates clear contravention of the section of 217 of the Constitution and other pieces of legislation that seek to give effect to the said section.

Although the legislation has prescribed three different bidding committees with specific duties, there are insufficient bid committees (Ambe and Badenhorst-Weiss 2012:250). Furthermore, other factors that demonstrate non-compliance are the utilisation of novice suppliers, passing over of bids for inappropriate reasons, applying improper procurement procedures and improper usage of the limited bidding process (Ambe and Badenhorst-Weiss, 2012a:250). Non-compliance with the SCM legislation has also lead to irregular expenditure (Auditor General, 2016:7). Irregular spending is spending that was not experienced in the method as mandated by legislation (Auditor General, 2016:47).

2.8.2 Lack of proper knowledge, skills and capacity

Matolong (2015:33) asserts that officials who possess the knowledge, who are well vested with skills and empowered can play a central part in the application of an SCM strategic plan. The AG stated that the competency levels of key officials such as those in managerial positions affects the financial performance of municipalities (Auditor General, 2016:9). Although SCM officials have received capacity building in the past years, municipalities endure bad audit critics and outcomes from the office of the AG (Migiro & Ambe, 2008:241).

Inadequate skills and capacity are considered as a prevalent obstacle to the success of public sector SCM in SA (Ambe & Badenhorst-Weiss, 2012:250). The National Treasury also renders assistance to the SCM officials thereby helping with the development of training materials to government departments and municipalities (Ambe & Badenhorst-Weiss, 2012:250).

The foregoing position becomes evident in the media release of the AG which indicated the disappointing audit outcomes from municipalities in three provinces, namely; Limpopo, North West and the Northern Cape (Auditor General, 2016:4). The AG further added that lack of the planning and appointment processes, performance management and monitoring, and transferring of skills was identified at some municipalities that used consultancy services. Therefore, based on the said assertion by the AG, it becomes apparent that lack of capacity remains a challenge in the municipalities and negatively affects the SCM.

2.8.3 Inadequate planning and linking demand to budget

This relates to the demand management. Demand management is a crucial element of the SCM procedure through which departments should procure effectively and efficiently (Ambe & Badenhorst-Weiss 2012a:251). For the preceding to happen, there must be proper scheduling through integrating the demand to financial planning (Ambe and Badenhorst-Weiss 2012b:11010). However, certain departments continue to face the problem of lack of proper scheduling and prioritisation of the needs to the budget (Ambe & Badenhorst-Weiss, 2012b:11010).

2.8.4 Fraud, Corruption, inefficiency and political interference

According to the National Treasury, it is an obvious fact that the South African public sector SCM faces challenges and there are always allegations of corruption and inefficiency ascribed to it (National Treasury, 2015:4). Despite the comprehensive legislation that regulates SCM, misappropriation of funds, fraud and corruption remain a great problem in South African SCM processes (Ambe and Badenhorst-Weiss, 2011:85). Fraud and corruption and other administrative malpractices within government hamper with SCM (Ambe and Badenhorst-Weiss, 2012b:110110).

According to Mahlaba (cited by Ambe and Badenhorst-Weiss, 2012:251), fraudulent expenditures and corruption cost South African taxpayers a lot of money. Consequently, this led to the enactment of legislation that provided for the establishment of fraud fighting institutions such as Director of Special Operations (Scorpions), the Assets Forfeiture Unit, the Public Protector office, Commercial Crime Unit but to name a few. According to De Lange (cited by Ambe & Badenhorst-Weiss, 2012a:251), about 20% of the government's procurement budget was wasted because

the officials fraudulently and corruptly utilise state funds through over-spending on products and services or failure to monitor expenditure.

Interference by politicians is among the challenges that SCM is faced with as SCM officials are forced to deviate from procurement processes and legislation (Bizana, 2013:35). Tshamaano (2012:49) further states that politicians do interfere with procurement process because they offer officials kickbacks to award tenders in their favour.

This problem is exacerbated by the failure of the local government audit committee to perform its functions. It is required of each municipality to have an independent audit committee, which shall serve as the advisory body to the accounting officer with regards to the financial management regulations (Matolong, 2015:30). However, the audit committees do not meet as regularly as they are expected to, and do not review the accuracy of the financial information. Therefore, the AG discovered corruption, irregular procurement processes and weak internal controls in some municipalities (Dlamini, 2015:4).

2.8.5 Inadequate monitoring and evaluation

As has been stated, every supply chain management ought to cater for an operative internal control strategy to determine, based on retrospective analysis, whether all the prescribed processes are being adhered to (SA, 2005: Regulation 42). According to Ambe and Badenhorst-Weiss, (2012b:11012), monitoring and evaluation is a vital part of the SCM application. This is directly linked to performance management.

Ineffective monitoring and evaluation instruments are linked to the lack of control mechanisms (Ambe & Badenhorst-Weiss, 2012a:251). The poor control mechanisms and inadequate application of appropriate consequences for breach of legislation lead to other problems such as irregular expenditure (Auditor General 2014:19). The AG further stated that the significance of control mechanisms cannot be stressed enough as they are important tools to reduce the abuse of public resources (Auditor General, 2016:19).

The AG has also stated that due to a lack of appropriate control mechanisms, municipalities have entered into transactions that were contrary to the provisions of

the necessarily applicable legislation that are referred to as irregular expenditure (Auditor General, 2014:19). The municipalities should have the mechanisms to also detect fruitless and wasteful expenditure (Auditor General, 2016:49). According to the office of AG, unnecessary expenditure is that which could not have been avoided and had to be executed even though it was not going to yield any positive results (Auditor General, 2014:19). Fruitless and wasteful expenditure over the period of 2014/15 was more than R1 billion higher than expenditure from 2010/11, and this was incurred in a number of municipalities (Auditor General, 2016:7). This demonstrates that there are inadequate control measures to detect irregularities in the SCM process.

Lack of monitoring and evaluation also results in failure to procure goods and provide services on time, and this will have an impact both internal and external operations in the municipality (Motuba, 2014:62).

2.8.6 Lack of enforcement

The office of the AG has identified poor corrective measures for under performance and transgression as one of the root causes of poor audit feedback (Auditor General, 2014:80). Furthermore, the AG has noted that a lack of consequences became manifest in the findings which revealed that investigations into fruitless and wasteful expenditure were not done for a high number of auditees (Auditor General, 2016:80). The office of the AG also alleged that ineffective responses pertaining to the increased levels of non-compliance, poor audit reports, SCM transgressions and unauthorised, irregular as well as fruitless and wasteful expenditure demonstrate a lack of consequences in local government for poor performance and transgressions (Auditor General, 2016:9). Therefore, it is apparent that failure to take enforcement measures against those who violate the SCM legislation remains a challenge in local municipalities.

The lack of effecting enforcement measures on the officials who fails to comply with the SCM legislation may encourage other officials to intentionally disregard the legislative requirement with the knowledge that no investigations will be conducted and there will be no consequences for their conduct.

2.9 CONCLUSION

This chapter has provided literature of the notion of SCM. Firstly, the chapter gave a general overview of the South African structure of government that consist of three spheres of government. It was indicated that, for this study, the focus has been placed on the local sphere of government which is made up of municipalities. Furthermore, the discussion revealed that due to the constitutional objectives of the municipalities, SCM is undertaken in the municipalities.

Although there is no universally accepted definition for SCM, definitions by different authors have been discussed and paved the way to understand SCM as a concept. It also helped in revealing some components of the SCM processes.

The definition of public sector SCM, in general, has been deliberated on. The chapter further focused on public sector SCM in the SA context wherein the historical background of public sector SCM was discussed. Further, it was highlighted that the SA public sector is based on section 217 of the Constitution which provides for the principles underpinning the public sector SCM. South African public sector SCM system is made up six elements, namely, demand management; acquisition management; logistic management; disposal management; risk management and performance management. This chapter further discussed the South African legal framework that regulates the public sector SCM in the municipalities. Lastly, it has been observed that despite the plethora of literature on the public sector SCM and the comprehensive legislation, there are several challenges that remain in the South African public sector SCM.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

The goal of the research study was to investigate the SCM system within Tlokwe Local Municipality in light of numerous service delivery protests that have been prevalent in the media, with main problems emanating from supply chain processes. It was deemed to be of paramount importance to determine if there is an effective SCM system within the municipality and to perform a literature study on the subject discipline of SCM, with the aim of addressing the identified main objective of the research. An in-depth literature review assisted in paving the way to execute the secondary objectives of the study.

Social research is said to be one that seeks to enhance understanding in an absorbed and planned fashion (De Vos *et al.*, 2011:10). It is further argued that findings from a research study are often, more accurate than general knowledge found elsewhere (De Vos *et al.*, 2011:10). It can, therefore, be comprehended that social research is aimed at unmasking a phenomenon with the purpose of finding solutions that are more likely to be undisputable seeing that the findings are more likely to be valid and reliable.

Research can be described as the phenomena of using specialised techniques and processes whereby researchers focus on achieving study objectives using systematic and formalised techniques (Thomas, 2004:14). However, Volsoo (2014:299) sustains that research methods should provide a plan or blueprint. The researcher should also plan and anticipate a proper research design to ensure that the results of the study are valid (Cooper & Schindler, 2014:36). Nevertheless, it is significant that the research methodology is discussed and different views are considered and analysed in the study.

3.2 RESEARCH METHODOLOGY AND PROCESS

It is widely believed and agreed that there are two commonly utilised and effective methods of research, namely qualitative and quantitative research methods. There is, however, the third method of research which combines the two as indicated above

and it is called mixed methods, although it is used minimally in social research (Fouché & Delpont, 2011:63). After a thorough consideration of various aspects such as validity and reliability, it was concluded that this study would follow a quantitative method as the preferred research approach. This method will allow, in this section, for a discussion about the study population and sampling, data collection and analysis, pilot study and ethical considerations about the research study as proposed.

According to Leedy and Ormrod (2010:12), research methodology can be described as the method which is adopted in conducting the research project. Quantitative research is concerned with producing relatively precise findings which can be generalised to the larger population (Rubin & Babbie, 2010:34). Fouché and Delpont (2011:63) raise the point that a quantitative research method is more focussed on the existence of relationships among variables. The method is suitable for this study as it seeks to understand the relationship that exists between challenges within the municipality and the SCM unit within the municipality of Tlokwe.

Seeing that the study will involve numerical data, the method is further proven to be applicable (Welman *et al.*, 2012:8). This method also allows for the study to be kept stable as the focus is mostly on behaviour and the gathering of facts that are undisputable (Welman *et al.*, 2012:9). Research is said to be recursive in nature due to its process which includes formulating the research question, finding answers to the question, returning to answer the initially formulated research question (Du Plooy-Cilliers, 2014:10). The author describes the research process as a cycle illustrated in figure 3.1 below.

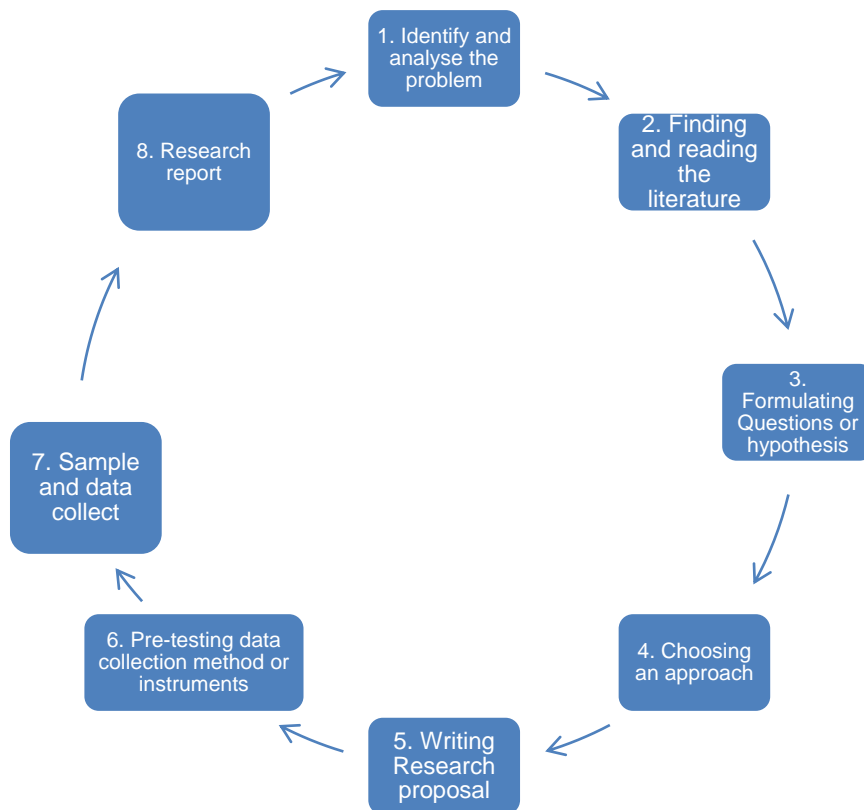


Figure 3-1: Research Process

Source: Du Plooy-Cilliers *et al.* (2014:14)

As can be seen in the diagram above, the process consists of eight steps, and they are interdependent and interrelated on each other, meaning that one cannot pursue one of them without addressing the previous one. From the contribution of all the authors above, it is evident that the first step has to do with identifying the problem of concern which is, in most instances, the research question(s) or problem statement.

3.2.1 Research design

A research design is understood as the tool that combines various but specific research methods to obtain the most accurate data regarding reliability and validity, and it provides a more concise and distinct framework for a study research (Vosloo, 2014:316). There are various research designs that a study can adopt in conducting a research such as an experimental and non-experimental design. For the purpose of this study, a non-experimental design was adopted (Fouché *et al.*, 2011:156).

This type of design is adopted in the case where the study is descriptive and variables are measured at a specific time, and also, no influence is involved on those variables. (Fouché *et al.*, 2011:155). It, therefore, renders a research design as an ultimate structure for which a potential research sample is selected as well as the selection of the suitable data collection method (Vosloo, 2014:316).

To achieve the set research goal, a self-administered/individually administered questionnaire was utilised to collect data. These type of questionnaires are usually given to the respondents complete, and the person conducting the study is only present to address any concerns that may arise pertaining the questionnaires, but with limited interference with the data collection (Delport & Roestenburg, 2011:188). This means that questionnaires were distributed to the respondents to allow them to complete it on their own, with the researcher willing to clarify any uncertainties.

3.2.2 Study population and sampling

As the study focused on investigating the SCM system of Tlokwe Local Municipality, the employees at the municipality formed part of the study population. Non-probability sampling was used for the purpose of the study. A sample is made up of components that represent the larger population of the target group (Strydom, 2011:223). When using non-probability sampling, the chances of selecting a particular individual are equal because, in most instances, the researcher does not know the population (Strydom, 2011:223). Using this type of sampling, accidental/availability sampling was used in the sense that the respondents were on duty at the time of data collection and they deal directly with procurement (Strydom, 2011:232; Welman *et al.*, 2012:69).

The research study will use one method of data collection, namely questionnaires. The respondents in this study will be selected based on set criteria as outlined below:

- Respondents were in a managerial position in their respective departments;
- Respondents were directly involved in the purchasing and sourcing of goods and services, and
- Respondents were willing and voluntarily participated in the study after understanding the details of the study.

The study comprised 57 respondents from Tlokwe City Council and this sample was viewed as a representation of the larger population of the employees in the council as the sample was diverse regarding its composition.

3.3 DATA COLLECTION

Data was collected by using questionnaires and the respondents were targeted when they were in their offices going about their daily work and depending on their willingness to participate in the study; they were requested to complete the questionnaires. The self-administered questionnaires were developed by the researcher concerning principal researchers on the same phenomenon.

The questionnaire comprised Likert-scale questions to obtain the necessary information for the study. The questionnaire provided the respondents with four options to choose from when answering each of the asked questions on the questionnaire. The questionnaire comprised two sections namely, Section I: Biographical and general information, and Section II: The existence of SCM within the Budget and Treasury Office (BTO).

3.4 DATA ANALYSIS

This study features a descriptive analysis. Descriptive analysis is concerned with analysing the data and numerically giving the frequency (Fouché & Bartley, 2011:255). It is used to describe data using numbers to indicate prevalence and/or extent. The collected data was captured onto a spreadsheet for statistical analysis. To ensure that correct and accurate data were collected, attention was placed on the validity and reliability of the measuring tool. Validity is concerned with the ability of the adopted measuring tool to produce correct results or findings, while reliability is concerned with whether or not the results found in one study would be found in another study performed in a different setting, following the same process (Delpont & Roestenburg, 2011:177).

3.5 VALIDITY AND RELIABILITY

Validity refers to whether a data collection instrument measures what the researcher intended to measure (Delpont & Roestenburg, 2011:172). It is further indicated that

validity can be assessed in various ways such as assessing content validity, face validity, criterion validity and construct validity (Delpont & Roestenburg, 2011:173).

Reliability refers to the ability of the measuring tool selected for the study to produce the same results if the same study is undertaken in a different setting, following the same procedure (Delpont & Roestenburg, 2011:177). Thus, the measuring tool in this regard should be able to yield the same results when used to investigate the SCM system among a different sample, provided the study follows the same procedure.

3.6 PILOT STUDY

A pilot study enables researchers to acquaint themselves with the study they are embarking on, and it is used to test the effectiveness of the proposed measuring tool and if need be, adjust it to fit the purpose (Strydom, 2011b:236). For the purpose of this study, a pilot study with three respondents to test the questionnaire was undertaken within Tlokwe Local Municipality. The findings of the pilot study indicated that the measuring tool that was proposed for the study was effective and relevant as the pilot study respondents were able to participate without any presented difficulties.

3.7 ETHICAL CONSIDERATIONS

Research ought to be rooted in collaboration, trust, promises, acknowledgment and well-constructed conventions and expectations (Strydom, 2011:113). With the aforesaid in mind, in this section, the study will engage the reader in the discussion of the ethical aspects which were taken into consideration throughout the research study.

3.7.1 Avoidance of harm

For this study, avoidance of harm emphasised the safety of the respondents by protecting their physical and emotional beings (Strydom, 2011:115). The study did not contain any potential harm on the side of both the respondents and the researcher. Should it have happened that any emotional harm is encountered by the respondents as a direct result of the study, the affected respondents as individuals are referred to the Employees Assistant Programme (EAP) within the Tlokwe Local Municipality and specifically to Ms. Ntaopane, the EAP manager. After the completion of the study,

none of the respondents indicated the need for the EAP services which indicated that the respondents did not encounter any harm.

3.7.2 Voluntary participation

Voluntary participation in this study refers to the respondents' willingness to participate in the study and the avoidance of coercive measures. The ultimate decision to participate was entire of the respondents (Strydom, 2011:116). Only volunteering respondents were able to participate after they demonstrated their willingness to complete the questionnaires. The respondents were also informed of their rights to participate in the study, and it was also clarified that if any of the respondents did not wish to proceed with the study, the collected data on the questionnaire would be discarded and regarded as void.

3.7.3 Informed consent

The overall goal of the study and procedure that was to be followed by the execution of the study was made known to the respondents well in advance and prior their participation, and this was done using verbal communication (Strydom, 2011:117). The working environment was acknowledged which led to the conclusion that the use of a written informed consent may jeopardise the successful completion of the study, as the respondents were more likely to decline and reserve their participation due to fear of being exposed. The respondents were also informed on the storage of the completed questionnaires in a secured space for archival purposes for some time before it is destroyed. The respondents were also informed of their right to withdraw at any point, should they encounter any uncomfortable experience. If a respondent chose to, they would not be disadvantaged in any way, and they did not have to state any reason for their withdrawal.

3.7.4 No deception of respondents

The concept of deception can be understood as luring the respondents by misinforming them about the research study, either to acquire their acquiescence or to gain additional data (Strydom, 2011:118). In upholding this aspect in this study, deception of respondents was avoided by ensuring that they were fully and correctly

informed about the study and the goal it aimed to achieve. It is worth noting that deception of the respondents would render the study as non-credible.

3.7.5 Anonymity and confidentiality

The fortification of privacy and discretion was guaranteed. Confidentiality is concerned with the upholding of privacy in a research study (Strydom, 2011:119). Meanwhile, on the other hand, anonymity requires that no link should be available to connect respondents to their responses (Strydom, 2011:120). In this study, respondents did not have to provide any identifying particulars on the questionnaires.

3.7.6 Publication of findings

It is of paramount importance to note that the findings from the study are to be made available to the public (Strydom, 2011:126). In light of this, all findings from this study should be presented in the report. In the event that the findings are to be presented in either a journal article or an academic conference, the author will be referred to as a field worker not identifying any particulars of the respondents.

3.8 SUMMARY

In this chapter, the research methodology and process was analysed for relevance. Questionnaires as the selected method for data collection were developed from the research objectives as well as from literature review. The data collection tool was verified for reliability and validity after conducting a pilot study. The study population and sampling were identified and selected according to the criteria as outlined in chapter 1. Ethical considerations were taken into account while collecting data. In chapter 4, the study will analyse the collected data and interpret the findings.

CHAPTER 4:

DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

In this chapter, the data as captured from the study was analysed and the findings interpreted. The study was conducted to investigate supply chain management in Tlokwe Local Municipality in Potchefstroom, the North West Province. Self-administered questionnaires were espoused as the data collection instrument. The reliability of the questionnaires was endorsed by the research supervisor from the North-West University. The instrument allowed for participants to give their perceptions of the SCM system. The study population comprised individuals from various managerial posts in the municipality and this was done in an attempt to diversify the study to get various responses and perceptions.

The research study employed the quantitative method. This method was selected because it allowed for the use of the selected tool for data collection as indicated above. The study considered and upheld many aspects related to the principles of a research study in general.

4.2 STATISTICAL ANALYSIS OF DATA

Data was collected using questionnaires and the North-West University Statistical Consultation Services analysed the data using the Statistical Analysis System (SAS Institute, 2005). The questionnaires were divided into two sections, namely; Section I: Biographic and general information, and Section II: The existence of SCM within the budget and treasury office.

4.3 RESPONSES TO THE QUESTIONNAIRES

Respondents were identified from managerial positions to form part of the population. The study population was made up of 70 respondents. Table 4.1 will give an indication of the number of questionnaires that were issued out and those that were received back.

Table 4.1: Responses to the survey

| Response type | Frequency | Percentage |
|--------------------------------------|------------------|-------------------|
| Number of questionnaires distributed | 70 | 100% |
| Number of questionnaires returned | 57 | 81% |
| Number of questionnaires discarded | 0 | 0% |
| Number of questionnaires analysed | 57 | 81% |

As indicated in Table 4.1 above, 70 questionnaires were distributed, and 57 questionnaires were returned. All the 57 received questionnaires were analysed by the researcher, and no questionnaires were discarded by the researcher. The analysis will focus on the 57 questionnaires returned. It is worth noting that these questionnaires were hand-delivered to the respondents and some of the questionnaires were not returned due to respondents taking leave. After collecting the data, the results are discussed below.

4.4 SECTION I: BIOGRAPHIC AND GENERAL INFORMATION OF RESPONDENTS

In this section, the researcher aimed at gathering information relating to the biographical aspects of the respondents. These included gender, age group, highest qualification, position/role/job title, and the domain in which the positions are.

4.4.1 Gender

The study sample was heterogeneous as it was made up of both males and females. Figure 4.1 below indicates the gender composition of the respondents.

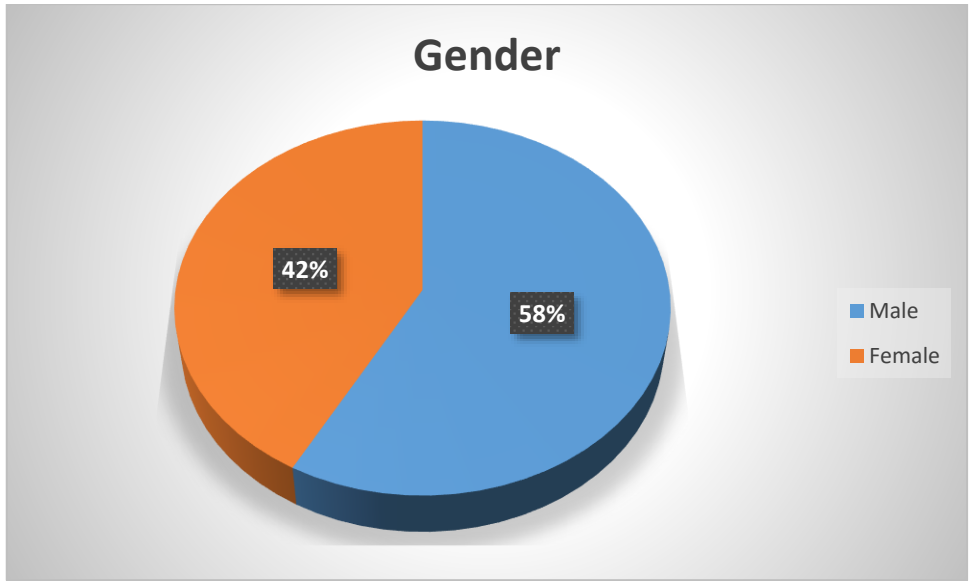


Figure 4-1: Gender

As can be seen in Figure 4.1, the sample was made up of 58% females and 42% males. This was required to understand the gender composition of the respondents.

4.4.2 Age group

Respondents were also asked to indicate their age groups. This ensured that the different age groups of the respondents involved were identified. The findings are indicated in Figure 4.2 below.

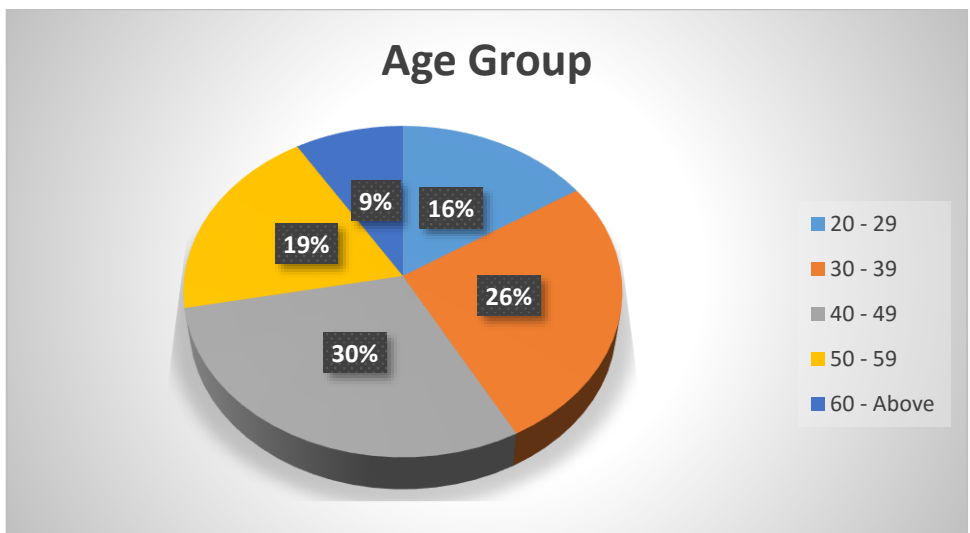


Figure 4-2: Age group

Figure 4.2 above indicates the different age groups amongst the respondents. Respondents between the ages of 40 – 49 years old were found to contribute 30%. Those that indicated that they are between the ages of 30 – 39 years old made up 26% of the respondents.

4.4.3 Highest qualification

The researcher also sought to understand the education level of the respondents, thus enquiring about their highest qualification. Figure 4.3 below indicates the findings in this regard.

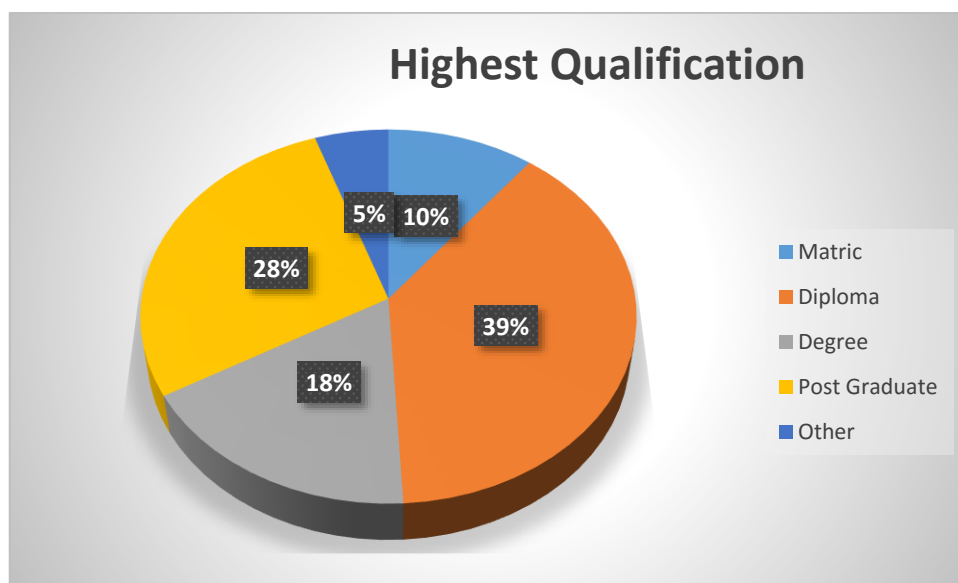


Figure 4-3: Highest qualification

As indicated in Figure 4.3 above, 39% of the respondents are in possession of a diploma qualification in their respective areas of employment. Respondents that reported to be in possession of a post-graduate qualification made 28% while 18% of the respondents indicated that they hold a degree. 10% and 5% of the respondents reported being in possession of matric and other qualifications.

4.4.4 Position

The positions, roles and job titles of the respondents were explored to confirm that they are actually in the managerial positions as outlined in the criteria. Figure 4.4 below depicts the findings.

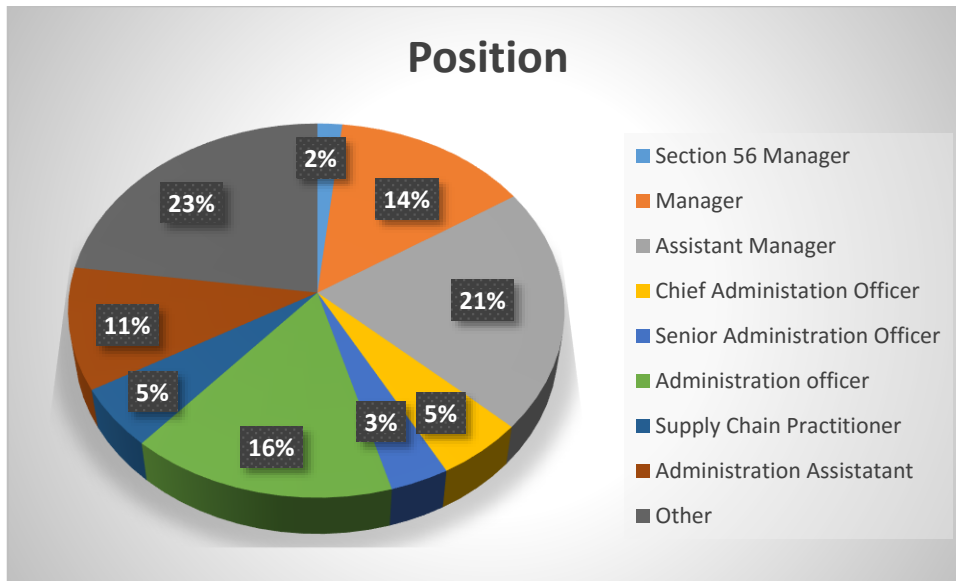


Figure 4-4: Position

Figure 4.4 indicates the various positions, roles and job titles that are held by the different respondents in the municipality. From the findings, it can be concluded that 23% of the respondent are in other management positions while 21% of the respondents reported that they are in assistant management positions. Those that are employed as administration officers constituted 16% while 14% are managers. Those that serve as administration assistants made up 11%, and those in chief administration officer and supply chain practitioner positions stood at 5% each. Senior administration officer and section 56 managers made up 3% and 2% respectively.

4.4.5 Domain

Respondents were also required to indicate their domains in the municipality. Figure 4.5 below illustrates the findings.

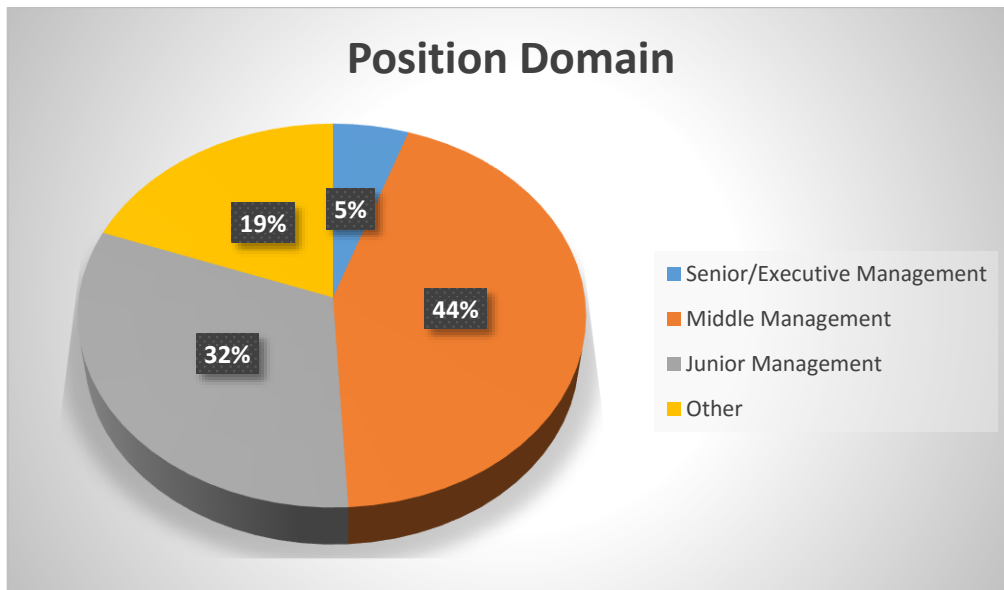


Figure 4-5: Domain

Figure 4-5 above indicates that 44% of the respondents are within the middle management domain and those in junior management made up to 32%. In the next section, the reliability of the questionnaire is discussed.

4.5 RELIABILITY OF THE QUESTIONNAIRE

The internal consistency, as well as the reliability, between the constructs in the questionnaire. The Cronbach Alpha coefficients were calculated because of its focus on the average correlation between variables in a study (Struwig & Stead, 2004:132). This means that as the value the Cronbach Alpha coefficient increases, so does the value of internal consistency and this also increases the reliability of the constructs in the questionnaire (Struwig & Stead, 2004:133).

Table 4.2 below illustrates constructs in the questionnaire against coefficients of the Cronbach Alpha.

Table 4.2: Cronbach Alpha coefficients of the constructs

| No. | Construct | Cronbach Alpha Coefficients |
|-----|-------------------------------------|-----------------------------|
| 1 | Effectiveness of SCM elements | 0.91 |
| 2 | Challenges within the SCM unit | 0.82 |
| 3 | Human Resources within the SCM unit | 0.74 |

As can be seen in the results, the reliability and internal consistency of the data collection instrument for the study was assessed. The figures depicted are above 0.7 thus advocating the inclusion of the constructs in the questionnaire and the research as reliable (Nunnally & Bernstein, 1994:265). In the next section, the focus will be on the existence of SCM within the BTO in Tlokwe Local Municipality.

4.6 SECTION II: THE EXISTENCE OF SCM WITHIN THE BUDGET AND TREASURY OFFICE IN TLOKWE LOCAL MUNICIPALITY

In this section, investigating SCM in Tlokwe Local Municipality, the respondents were expected to rate each given statement on a Likert scale ranging from 1 to 4 as their responses.

4.6.1 The SCM unit

This construct aimed to determine the overall effectiveness of the SCM unit in Tlokwe Local Municipality.

Table 4.3: The SCM unit

| 4 | The SCM unit | Likert Scale & Frequency (%) | | | | Mean | STD |
|-----|--|------------------------------|------|------|-----------|------|------|
| | | Very poor | Poor | Good | Very good | | |
| | | 1 | 2 | 3 | 4 | | |
| 4.1 | How would you rate the overall effectiveness of the SCM unit in Tlokwe Local Municipality? | 19 | 53 | 23 | 5 | 2.14 | 0.78 |

Table 4.3 above depicts the respondents' perceptions regarding the effectiveness of the SCM unit within the municipality. A fair number of respondents indicated that the

effectiveness of the SCM unit is poor and very poor with 53% and 19% respectively. The mean score of (\bar{x}) 2.14 was established and the standard deviation was $s=0.78$.

4.6.2 The effectiveness of elements in the SCM

In this section, the aim was to establish the effectiveness of various elements within SCM in the municipality. There were six elements, and the findings are as follows:

Table 4.4: The effectiveness of elements in the SCM

| 5 | The effectiveness of elements in the SCM system | Likert Scale & Frequency (%) | | | | Mean | STD |
|-----|---|------------------------------|------|------|-----------|------|------|
| | | Very poor | Poor | Good | Very good | | |
| | | 1 | 2 | 3 | 4 | | |
| 5.1 | Demand management? | 12 | 53 | 33 | 2 | 2.24 | 0,68 |
| 5.2 | Acquisition management? | 12 | 51 | 30 | 7 | 2.31 | 0.78 |
| 5.3 | Logistics management? | 12 | 42 | 39 | 7 | 2.40 | 0.79 |
| 5.4 | Disposal management? | 12 | 47 | 35 | 5 | 2.33 | 0.76 |
| 5.5 | Risk management? | 10 | 53 | 30 | 7 | 2.33 | 0.76 |
| 5.6 | Performance management? | 21 | 49 | 21 | 9 | 2.17 | 0.86 |

The findings indicate that the effectiveness of demand management was not on standard as 53% of the respondents rated it as poor, 33% rated it as good. A mean score that amounts to $\bar{x}=2.24$ and a standard deviation of 0.68 were indicated. On the second element which focused on acquisition management 51% of the respondents stated that it was poor while 30% indicated that it was good. Respondents that rated

the latter as very poor made up to 12% while the remaining 2% is of the opinion that the element is very good. The acquisition management element created a mean score of $\bar{x}=2.31$ and a standard deviation of 0.78.

The logistics management element was said to be poor and very poor by 64% of respondents. The created mean score is $\bar{x}=2.40$ while the standard deviation is 0.79. The respondents were further asked to rate the element of disposal management as witnessed or practiced within the municipality. It was discovered that 47% of respondents indicated that the element is poor, and 12% indicated that it is very poor. A mean score of $\bar{x}=2.33$ and a standard deviation of 0.76 was found.

When questioned about risk management a combined 63% of the respondents indicated that the element in question was poor and very poor, while 30% of the respondents were of the opinion that the element is good. Performance management was the element with a lowest mean score of 2.17. This indicates that it is the least effective element within the SCM system. A combined 70% of respondents indicated this element as poor and very poor.

4.6.3 Control measures

The objective was to explore whether there are effective control measures within the SCM system in the municipality. The findings are depicted in Table 4.5 below.

Table 4.5: Control measures

| 6 | Control measures | Strongly disagree | Disagree | Agree | Strongly agree | Mean | STD |
|-----|--|-------------------|----------|-------|----------------|------|------|
| | | 1 | 2 | 3 | 4 | | |
| 6.1 | Are there effective control measures in place? | 11 | 47 | 37 | 5 | 2.36 | 0.74 |

Table 4.5 above indicates that a combined 47% of the respondents disagrees and strongly disagrees that there are effective control measures in place while 37% of the respondents agree that there are effective control measures.

4.6.4 Challenges within the SCM unit

This construct was aimed at understanding the challenges that are faced by the SCM unit in the municipality and the findings are depicted in Table 4.6 below. The figures are analysed in numerical order in the interpretation.

Table 4.6: Challenges

| 7 | Challenges | Strongly disagree | Disagree | Agree | Strongly agree | Mean | STD |
|-----|--|-------------------|----------|-------|----------------|------|------|
| | | 1 | 2 | 3 | 4 | | |
| 7.1 | Does political interference affect the functioning of the SCM unit? | 9 | 19 | 46 | 26 | 2.89 | 0.90 |
| 7.2 | Do employees show professionalism in the SCM unit? | 25 | 49 | 17 | 9 | 2.10 | 0.88 |
| 7.3 | Do employees adhere to policies, rules and regulations as stipulated in the MFMA (Municipal Finance Management Act)? | 16 | 38 | 37 | 9 | 2.38 | 0.86 |
| 7.4 | Does the SCM unit deliver services on time? | 40 | 40 | 12 | 7 | 1.85 | 0.89 |
| 7.5 | Does the unit promote transparency in procurement? | 24 | 49 | 18 | 9 | 2.10 | 0.88 |
| 7.6 | Does the SCM unit promote accountability? | 25 | 37 | 32 | 5 | 2.15 | 0.88 |

Table 4.5 above summarises the challenges experienced within the SCM system in the municipality. When enquiring about the effects of political interference in the functioning of the SCM unit 46% and 26% of the respondents indicated that they agree

and strongly agree, that political interference affects the unit with a mean score of $\bar{x}=2.89$ and a standard deviation of 0.90.

When enquiring about the professionalism of employees in the SCM unit, the findings recorded that 49% disagrees and 25% strongly disagrees that employees portray any traits of professionalism. A mean score of $\bar{x}=2.10$ and standard deviation of 0.88 was recorded.

There was a mixed response with regards to whether employees' adherence to policies, rules and regulations as stipulated in the MFMA as 38% and 37% indicated that the disagree and agree, respectively. The mean score which is $\bar{x}=2.38$ also depicts the notion of a mixed reaction and the standard deviation was 0.86. The study further questioned whether the SCM unit delivered services on time. The findings were rather intriguing as a combined 80% of the respondents disagree and strongly disagree to the notion that SCM unit does not deliver services on time. A lowest mean score of $\bar{x}=1.85$ was calculated, indicating that delivering services on time is the biggest challenge within the SCM unit.

Transparency within the unit was also questioned, and a significant 73% of the respondents indicated that they disagree and strongly disagree that there is transparency in the procurement process. The calculated mean score is $\bar{x}=2.10$, and the standard deviation is 0.88.

The study went on to understand whether the SCM unit promoted accountability. Respondents that reported their disagreement regarding the promotion of accountability made up 37% and 25% reported that they disagree and strongly disagree. A mean score of $\bar{x}=2.15$ and standard deviation of 0.88 were calculated.

4.6.5 Human resources

In this section, the researcher sought to understand the capability of the human resources within the SCM unit to adequately perform their delegated tasks as required by their job specifications. The findings are depicted in Table 4.7 below.

Table 4.7: Human resource

| 8 | Human resources | Strongly disagree | Disagree | Agree | Strongly agree | Mean | STD |
|-----|--|-------------------|----------|-------|----------------|------|------|
| | | 1 | 2 | 3 | 4 | | |
| 8.1 | Is there adequate capacity in Tlokwe Local Municipality to deal with SCM? | 23 | 37 | 30 | 10 | 2.28 | 0.94 |
| 8.2 | Is there effective leadership within the SCM unit? | 32 | 40 | 24 | 3 | 2 | 0.84 |
| 8.3 | Are there employees within the SCM unit skilled enough? | 9 | 33 | 49 | 9 | 2.57 | 0.77 |
| 8.4 | Are the SCM practitioners/ employees dealing directly with procurement adequately trained? | 9 | 42 | 44 | 5 | 2.45 | 0.73 |

To question whether there is adequate capacity to deal with SCM within the municipality, a combined 60% of the respondents indicated that they disagree and strongly disagree that there is adequate capacity in the municipality. A mean score as $\bar{x}=2.28$ and a standard deviation of 0.94 was calculated.

On the effectiveness of the leadership within the SCM unit, a combined 72% of the respondents indicated that they do not perceive the leadership as effective. A lowest mean score of $\bar{x}=2$ was calculated within the human resource construct.

When asking whether the employees within the unit are skilled enough 49% of the respondents indicated that they agree that the employees are skilled while 33% disagreed. The calculated mean score is $\bar{x}=2.57$ and the standard deviation is 0.77.

The study required that the respondents comment on the training of those employees that are directly dealing with procurement. On this question, a combined 51% of the respondents indicated that they disagree that the employees are adequately trained while a considerable 49% indicated that they agree that the employees are adequately trained. The mean score is $\bar{x}=2.45$, and the standard deviation is 0.73.

4.6.6 Service delivery

Service delivery was explored to understand the relationship that exists between poor SCM systems and service delivery. Respondents had to indicate whether poor SCM systems impact negatively on service delivery. Table 4.8 below depicts the findings in this regard.

Table 4.8: Service Delivery

| 9 | Service delivery | Strongly disagree | Disagree | Agree | Strongly agree | Mean | STD |
|-----|---|-------------------|----------|-------|----------------|------|------|
| | | 1 | 2 | 3 | 4 | | |
| 9.1 | Do poor SCM systems have a negative impact on service delivery? | 5 | 3 | 30 | 61 | 3.47 | 0.80 |

As depicted in Table 4.7 above, a noticeable 91% of the respondents indicated that they agree and strongly agree that poor SCM systems result in poor service delivery. A mean score of $\bar{x}=3.47$ and standard deviation is 0.80 were recorded. In essence the data depicts that there are problems within the SCM unit.

Majority of respondents rated the effectiveness of SCM unit as poor, furthermore the elements were also rated as ineffective. Most respondents indicated that poor SCM results in poor service delivery.

4.7 CORRELATIONS

Correlation is concerned with positive relationship that is established between variables and not the effects the variables have on each other (Fouché *et al.*, 2011:96).

Table 4.9 below shows the correlation between variables from the findings.

Table 4.9: Correlations

| Guidelines | |
|------------|--------------------|
| 0.1 | Small Correlation |
| 0.3 | Medium Correlation |
| 0.5 | Large Correlation |

Correlations

| | | | Q4.1 | Q6.1 | Q9.1 | Sec5 | Sec7 | Sec8 |
|----------------|--|-------------------------|--------|--------|-------|--------|--------|--------|
| Spearman's rho | Q4.1 <i>Overall effectiveness</i> | Correlation Coefficient | 1.000 | .602** | -.226 | .556** | .647** | .546** |
| | | Sig. (2-tailed) | | .000 | .091 | .000 | .000 | .000 |
| | | N | 57 | 57 | 57 | 57 | 57 | 57 |
| | Q6.1 <i>Effective control measures in place</i> | Correlation Coefficient | .602** | 1.000 | -.179 | .619** | .415** | .484** |
| | | Sig. (2-tailed) | .000 | | .182 | .000 | .001 | .000 |
| | | N | 57 | 57 | 57 | 57 | 57 | 57 |
| | Q9.1 <i>Does poor SCM system impact on Service delivery</i> | Correlation Coefficient | -.226 | -.179 | 1.000 | -.169 | -.098 | -.092 |
| | | Sig. (2-tailed) | .091 | .182 | | .208 | .466 | .498 |
| | | N | 57 | 57 | 57 | 57 | 57 | 57 |
| | Sec5 <i>SCM elements</i> | Correlation Coefficient | .556** | .619** | -.169 | 1.000 | .589** | .624** |
| | | Sig. (2-tailed) | .000 | .000 | .208 | | .000 | .000 |
| | | N | 57 | 57 | 57 | 57 | 57 | 57 |
| | Sec7 <i>Challenges within the SCM unit</i> | Correlation Coefficient | .647** | .415** | -.098 | .589** | 1.000 | .701** |
| | | Sig. (2-tailed) | .000 | .001 | .466 | .000 | | .000 |
| | | N | 57 | 57 | 57 | 57 | 57 | 57 |
| | Sec8 <i>Human Resources</i> | Correlation Coefficient | .546** | .484** | -.092 | .624** | .701** | 1.000 |
| | | Sig. (2-tailed) | .000 | .000 | .498 | .000 | .000 | |
| | | N | 57 | 57 | 57 | 57 | 57 | 57 |

The most important correlations from Table 4.9 above indicate that an improvement on control measures (question 6.1) is more likely to improve the effectiveness of the unit (question 4.1) as there is a high correlation between the two variables. Likewise, an improvement on the constructs of human resources (question 8) will improve the effectiveness of elements of the SCM system (question 5).

4.8 CONCLUSION

The required data was collected, and upon its analysis and interpretation, it came to light that most of the respondents were of the perception that the SCM unit is ineffective within Tlokwe Local Municipality. The SCM unit was found to be ineffective, and control measures were also found to be not as effective as it should be. It remains of high importance to note that these findings represent the views of respondents from Tlokwe Local Municipality and as such, cannot be generalised to other municipalities.

CHAPTER 5:

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In the previous chapter, the interpretation of the empirical findings obtained through a quantitative study was presented. This chapter seeks to determine whether or not the goals and objectives set out in chapter one were met. This discussion will then be followed by the conclusions for the chapter thereby highlighting important aspects of the findings. Recommendations will be outlined, which will provide an outline on how to improve the effectiveness of SCM. The chapter concludes with highlighting aspects for future research.

5.2 ATTAINMENT OF GOALS AND OBJECTIVES

In this section, the achievement of the research objectives will be discussed. The objectives are divided into literature and empirical objectives. For this reason, in this chapter, they will be discussed separately, and the discussion is as follows.

5.2.1 Literature objectives

Objective 1: To conceptualise SCM in a broader context

SCM was defined in general terms according to various authors. Ultimately, a clearer idea as to what is meant by SCM, and how it operates was obtained. This enabled the researcher to tackle the phenomenon with a broader understanding of SCM.

Objective 2: To conceptualise SCM in the public sector

To understand the process of SCM in the public sector, some relevant studies were reviewed. This was carried out to understand the dynamics of SCM within the public sector by investigating its role and significance in the sector.

Objective 3: To conceptualise SCM in a local municipality

In executing this objective, the different elements of SCM in local government and how those elements contribute to the effectiveness of SCM were explored. The manner in which executive authority is experienced within the municipality at this level was also explored.

Objective 4: To identify and conceptualise the challenges of the SCM in the public sector

The challenges facing SCM were identified by considering various studies to understand the common challenges that were observed by other authors. This provided a broader understanding regarding the most prevalent challenges facing SCM in the public sector.

Objective 5: To identify and conceptualise the challenges of the SCM in a local municipality

It became apparent that both the public sector and local municipality face similar challenges.

5.2.2 Empirical objectives

Objective 1: To determine whether Tlokwe Local Municipality has an established SCM unit

Tlokwe Local Municipality has an established SCM unit. This objective was achieved seeing that the SCM unit was established and exists.

Objective 2: To determine whether the leadership of the SCM unit is effective

Various responses were received and the overall mean score for the effectiveness was found to be 2.14. This suggests that the leadership is not good, thus rendering it ineffective.

Objective 3: To determine the effectiveness of SCM elements within Tlokwe municipality

Six elements were identified, the worst rated element was performance management which obtained the lowest mean score of 2.17. This could be due to various factors such as poor management in the municipality and more precisely in the SCM unit.

Objective 4: To determine whether the employees are skilled enough to understand the SCM system

Employees do not seem to understand the SCM system as they do not show professionalism and there is a lack of transparency. These may be indicators of a bigger problem within the unit, and this is indicated by a low mean score for both professionalism and transparency at 2.10.

Objective 5: To determine whether there are control systems in place

The analysis shows that 58% of the respondents rated the control measures as insufficient, thus control measures within SCM are not adequate. However, there could be many reasons for these findings such as respondents comparing the control measures with those from their previous workplaces or with what they have seen elsewhere.

Objective 6: To determine the challenges within the SCM unit in the Tlokwe Local Municipality

This aspect was explored, and it was found that various factors affect SCM within the municipality. From all the challenges that were found, 72% of respondents agreed that political interference affects the functioning of the SCM system. 80% contested that service delivery was not on time, these findings could be attributed to many reasons, such as ineffective SCM systems and poor management of the unit.

Objective 7: To determine whether there are effective human resources regarding capacity, leadership, skills and training

Regarding human resources, it was found that there is no adequate capacity to deal with SCM in the municipality. It was further found that there is no effective leadership, although it was found that most employees within the SCM unit were skilled enough to function. Employees dealing directly with procurement in SCM are not adequately trained.

Objective 8: To determine how public service delivery protests are linked with a poor SCM system

From the analysis, over 90% of the respondents believed that poor SCM has a negative impact on service delivery. With such a high percentage, it can be concluded that poor or ineffective SCM systems will have a negative impact on service delivery which could lead to service delivery protests. This illustrates the importance of effective SCM systems.

In light of the above-discussed objectives, the research question should be answered. The research question was as follows: "Is there an effective SCM system in Tlokwe Local Municipality to deal with service delivery?" This research question was attained through the development of sub-research questions, and they are listed in chapter 1. After analysing the findings, it was found that there is an SCM system within Tlokwe Local Municipality. It was, however, also found that the unit is not effective. It was found to be embedded with many challenges, with the major one being political interference and delivering services on time. It was further found that service delivery is directly linked to SCM as poor SCM affects service delivery. Therefore, it is the researcher's opinion from the findings that the research question was answered.

5.3 CONCLUSIONS

The study was conducted at Tlokwe Local Municipality within the North West province, and it targeted individuals from managerial positions within the municipality, specifically those directly involved in SCM. Various data collecting methods were contemplated. However, a self-administered questionnaire was selected as the best method for data collection. The questionnaires comprised questions that would help answer the research question as highlighted above. All data was collected within one week from the 5th to the 9th of November 2016 and the researcher personally delivered the questionnaires to respondents after doing a pilot study on the questionnaires.

The analysis of the findings revealed that an SCM unit does exist in Tlokwe Local Municipality. Its effectiveness was, however, questionable as most respondents indicated that it was inadequate. The management elements were mostly found to be average with performance management being the one that appears to be neglected. It was also captured that the employees do understand the functioning of SCM.

However, they lack professionalism, as revealed by the findings. It was also revealed that, among the presented challenges, political interference and delivering services on time was most significant.

There seem to be many challenges within the SCM unit in the municipality. Service delivery relies mostly on the effectiveness and good coordination of the SCM unit. Thus ineffectiveness on the unit appears to result in service delivery protests, as this seems to be the case in many municipalities. The researcher has noted the following:

- Majority of the respondents were females;
- Most of the respondents were aged between 30 – 39 and 40 – 49;
- The highest qualification that majority of the respondents hold a diploma with only a few who possess post-graduate qualifications;
- Amongst those who were part of the respondents, the majority hold other managerial positions while a considerable number of the respondents are in assistant managerial positions. A significant 44% of respondents are in the middle management domain;
- The overall effectiveness of the SCM unit in Tlokwe Local Municipality is not good as rated by the respondents who also happen to be directly involved with SCM;
- Performance management was found to be the most neglected management element with logistics management found to be the least neglected element. According to Bizana (2013:50), performance element is concerned with ensuring that proper channels were followed when procuring goods. If this element is neglected, it may result in dysfunctions within the system;
- Control measures are lacking as most respondents rated it as ineffective;
- Various challenges were identified, and political interference was found to be the most contributing factor to poor service delivery and functioning of the SCM unit. Although Matolong (2015:35) indicates that lack of political leadership results in failure to comply with policies, regulations, and laws, the findings from this study,

however, suggests that political interference may negatively affect the SCM systems;

- Most respondents indicated that service delivery is not on time and that transparency and accountability are not promoted in the municipality. Accountability, fraud, and corruption are said to be more common in SCM systems (Motuba, 2014:27), which can be contributing factors that can hamper service delivery negatively;
- Human resource was also explored with the majority of the respondents indicating that the municipality does not have adequate capacity to deal with the SCM unit. Motuba (2014:25) and Matolong (2015: 33) outlined the dangers that may come with lack of proper knowledge, skills, and capacity. An improvement in these could provide for a more effective SCM system;
- In contrast, a majority of the participants believed that the employees within the SCM were adequately skilled;
- The leadership in the SCM unit was found to be ineffective with over 70% of the participants attesting to this effect, and
- The majority of the respondents reported that poor SCM systems would have a negative impact on service delivery.

5.4 RECOMMENDATIONS

As indicated earlier in this chapter, the recommendations will be given under two separate subheadings. The first subheading will contain recommendations for the SCM unit within Tlokwe Local Municipality and the second subheading will contain suggestions for future research. Below are recommendations for the SCM unit in Tlokwe Local Municipality.

5.4.1 Recommendations for SCM unit in Tlokwe Local Municipality

Various issues have been raised with regards to SCM and its functioning. From these arising issues the following recommendations, which may assist in improving the unit and its functioning:

- Improve on existing control measures as that will ensure the effectiveness of the unit. This will also help minimise corruption and fraud;
- The six elements of management need to be improved on, in particular, the performance and demand management elements;
- The SCM unit needs to function independently but in line with policies, rules, and regulations. Motuba (2014:26) emphasises the importance of compliance with policies and regulations;
- Employees need to be sent for training to improve their capabilities which will, in turn, improve the functioning of the SCM and ultimately, service delivery;
- Employees need to be well trained regarding professional conduct, and its importance should be emphasised and monitored to ensure that they exercise professionalism as stipulated;
- Employees need to be trained on the policies, rules and regulations that guide SCM and its functioning;
- Since political interference was found to be a major contributing factor to the dysfunction of the SCM systems, it is therefore recommended that politicians be sufficiently inducted with regards to their role in local government, which in essence is to provide political leadership and play an oversight role, so as to minimize interference in the SCM systems;
- The unit needs to improve and work on delivering services on time and that the delivered services are to the benefit of the community and population they serve;
- Accountability needs to be advocated within the municipality as that will ensure that employees pay attention to their job as they know that they have to account for their work;
- The SCM unit could develop a means to appraise and recognise those who are doing exceptionally well. This will improve performance and motivate other employees to work harder;

- The municipality must ensure that they have adequate capacity to deal with SCM ensuring that they support employees by providing them with all the resources they need to execute their duties as expected;
- The leadership within the SCM unit needs to be capacitated with knowledge, skills and tools to guide the unit into the right direction as this would be in the best interest of the unit, and for the municipality, and
- Policies, rules, and regulations guiding SCM should be reviewed and scrutinised for any loopholes which may be contributing in any way on the effectiveness of SCM.

5.4.2 Suggestions for future research

These suggestions are suggested to ensure that future researchers and/or studies could improve on their findings. It will also enlighten new researchers to pay attention to specific matters or aspects to enrich their findings. The suggestions are outlined as follows:

- Other studies could seek to explore SCM in various municipalities so that the findings can be compared to one another;
- The criteria for selecting respondents could be broadened to cater for employees in other positions in the SCM unit provided that they are directly involved with SCM;
- The study could include those that are affected by service delivery, to obtain their views on the functioning and effectiveness of SCM, and
- The researcher could utilise more data collection tools, such as interviews.

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APPENDIX 1: QUESTIONNAIRE

Research Questionnaire is to investigate challenges facing the Supply Chain Management system of Tlokwe Local Municipality.

Dear participant

I am an MBA final year Student at the NWU School of Business and Governance. Thank you for sparing your precious time to complete this questionnaire. This questionnaire is being distributed to you purely for academic purpose with the intent to explore the challenges facing the Supply Chain Management system of Tlokwe Local Municipality.

It will only take you ten minutes to complete the questionnaire. Completed questionnaires will be kept confidential by the NWU for some time before they are destroyed. Your unbiased choices will be highly appreciated and makes a valuable contribution to this research. If you need any clarity please feel free to contact my supervisor Mr MJ Botha at Martin.Botha@nwu.ac.za or on 018 285 2500.

Thank you

Thapelo Mokotedi

MBA - Student

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INVESTIGATING CHALLENGES FACING THE SUPPLY CHAIN MANAGEMENT SYSTEM OF TLOKWE LOCAL MUNICIPALITY

SECTION I: BIOGRAPHICAL AND GENERAL INFORMATION

1. BIOGRAPHICAL (Please indicate by making an X in the relevant column).

| | | | | |
|---------------|------|---|--------|---|
| Gender | Male | 1 | Female | 2 |
|---------------|------|---|--------|---|

| | | | | | | | | | | | | |
|------------------|------|---|---------|---|--------|---|--------|---|---------|---|------------|---|
| Age Group | < 20 | 1 | 20 – 29 | 2 | 30 -39 | 3 | 40 -49 | 4 | 50 - 59 | 5 | 60 - above | 6 |
|------------------|------|---|---------|---|--------|---|--------|---|---------|---|------------|---|

| | | | | | | | | | | |
|------------------------------|--------|---|---------|---|--------|---|---------------|---|-------|---|
| Highest Qualification | Matric | 1 | Diploma | 2 | Degree | 3 | Post Graduate | 4 | Other | 5 |
|------------------------------|--------|---|---------|---|--------|---|---------------|---|-------|---|

2. POSITION / ROLE / JOB TITLE (Please mark only one)

| | |
|-------------------------------|----|
| Section 56 Manager | 1 |
| Manager | 2 |
| Assistant Manager | 3 |
| Chief Administration Officer | 4 |
| Senior Administration Officer | 5 |
| Administration Officer | 6 |
| Personal Assistant | 7 |
| Supply Chain Practitioner | 8 |
| Administration Assistant | 9 |
| Other | 10 |

3. IN WHICH DOMAIN IS YOUR POSITION? (Please mark only one)

| | |
|-----------------------------|---|
| Senior/Executive Management | 1 |
| Middle Management | 2 |
| Junior Management | 3 |
| Other | 4 |

SECTION II: THE EXISTANCE OF SCM WITHIN THE BUDGET AND TRESURY OFFICE.

Please rate the SCM unit as follows:

| | |
|---|-----------|
| 1 | Very Poor |
| 2 | Poor |
| 3 | Good |
| 4 | Very Good |

4. THE SCM UNIT

| | | Very Poor | Poor | Good | Very Good |
|-----|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | | [1] | [2] | [3] | [4] |
| 4.1 | How would you rate the overall effectiveness of the SCM unit in Tlokwe Local Municipality? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |

5. HOW WOULD YOU RATE THE EFFECTIVENESS OF EACH OF THE FOLLOWING ELEMENTS IN THE SCM SYSTEM, WITH REGARDS TO THE FOLLOWING:

| | | Very Poor | Poor | Good | Very Good |
|-----|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | | [1] | [2] | [3] | [4] |
| 5.1 | Demand management? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 5.2 | Acquisition management? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 5.3 | Logistics management? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 5.4 | Disposal management? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 5.5 | Risk management? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 5.6 | Performance management? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |

Please rate the following question as follows:

| | |
|---|-------------------|
| 1 | Strongly Disagree |
| 2 | Disagree |
| 3 | Agree |
| 4 | Strongly Agree |

6. CONTROL MEASURES? (Please indicate by making an **X** in the relevant column)

| | | Strongly disagree | Disagree | Agree | Strongly agree |
|-----|--|--------------------------|----------------------------|----------------------------|----------------------------|
| | | [1] | [2] | [3] | [4] |
| 6.1 | Are there effective control measures in place? | <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |

7. CHALLENGES WITHIN THE SCM UNIT. (Please indicate by making an **X** in the relevant column)

| | | Strongly disagree | Disagree | Agree | Strongly agree |
|-----|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | | [1] | [2] | [3] | [4] |
| 7.1 | Does political interference affect the functioning of the SCM unit? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 7.2 | Do employees show professionalism in the SCM unit? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 7.3 | Do employees adhere to policies, rules and regulations as stipulated in the MFMA (Municipal Finance Management Act)? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 7.4 | Does the SCM unit deliver services on time? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 7.5 | Does the unit promote transparency in procurement? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 7.6 | Does the SCM unit promote accountability? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |

8. HUMAN RESOURCES (Please indicate by making an **X** in the relevant column)

| | | Strongly disagree | Disagree | Agree | Strongly agree |
|-----|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | | [1] | [2] | [3] | [4] |
| 8.1 | Is there adequate capacity in Tlokwe Local Municipality to deal with SCM? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 8.2 | Is there effective leadership within the SCM unit? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 8.3 | Are there employees within the SCM unit skilled enough? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |
| 8.4 | Are the SCM practitioners/employees dealing directly with procurement adequately trained? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |

9. SERVICE DELIVERY (Please indicate by making an **X** in the relevant column)

| | | Strongly disagree | Disagree | Agree | Strongly agree |
|-----|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | | [1] | [2] | [3] | [4] |
| 9.1 | Does poor SCM systems have a negative impact Service delivery? | 1 <input type="checkbox"/> | 2 <input type="checkbox"/> | 3 <input type="checkbox"/> | 4 <input type="checkbox"/> |

APPENDIX 2: LETTER OF APPROVAL

4153 Mohlalabane Street
IKAGENG
2631

Dr NE Blaai-Mokgethi
Municipal Manager
Tlokwe Local Municipality
PO BOX 1000
2631

Dear Dr Blaai-Mokgethi

REQUEST FOR PERMISSION TO USE TLOKWE LOCAL MUNICIPALITY AS A STUDY AREA

My name is Thapelo Mokotedi, a registered Master's student in Business Administration at the North West University (NWU). As part of the Master's programme I have to compile and submit a mini-dissertation (Research Project) with a study area. My research topic is "INVESTIGATING SUPPLY CHAIN MANAGEMENT IN A LOCAL MUNICIPALITY".

I decided to choose Tlokwe City Council as my study area for the research project and therefore, request your approval.

The reason to use the municipality is because of the following:

- I am a young academic born in the North West Province and would like to contribute to the changing and building of Tlokwe to be a better and sustainable city.
- My research can assist the municipality in achieving its mandate.
- To use my ideas to contribute to the Supply Chain Management System of the municipality.

As part of the research data will be collected and I will require the following:

- Circulate questionnaires to SCM Managers/practitioners.
- Circulate questionnaires to employees who deal directly with procurement matters.

Upon completion of the research, I undertake to provide the Municipal Manager with a bound copy of the full research report.

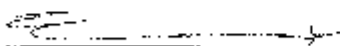
I hope to hear from you soon.

Many thanks.



APPLICANT (THAPELO MOKOTEDI)

PERMISSION GRANTED / NOT GRANTED:



DR NE BLAAI-MOKGETHI
MUNICIPAL MANAGER

APPENDIX 3: LANGUAGE EDITOR'S LETTER



Dynamic Language &
Translation Specialists

Antoinette Bisschoff
71 Esselen Street, Potchefstroom
Tel: 018 293 3046
Cell: 082 878 5183
antoinettebisschoff@mweb.co.za
CC No: 1995/017794/23

Wednesday, 11 January 2017

To whom it may concern,

Re: Letter of confirmation of language editing

The dissertation: **Investigating supply chain management in a local municipality** by **Thapelo Mokotedi (20811357)** was language, technically and typographically edited. The citations, sources and referencing technique applied were also checked to comply with NWU guidelines. Final corrections as suggested remain the responsibility of the student.

Yours sincerely,

Antoinette Bisschoff

Officially approved language editor of the NWU since 1998
Member of SA Translators Institute (no. 100181)

Precision ... to the last letter