



**IMPACT OF STRATEGIC SOURCING IN PUBLIC SECTOR PROCUREMENT:
OFFICE OF THE PREMIER, KWAZULU-NATAL**

by

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Declaration

I, Ephraim Siphephelo Sifiso Ndlovu, declare that:

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Ephraim Siphephelo Sifiso Ndlovu

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Abstract

The largest amount of monies budgeted in the Office of the Premier in KwaZulu-Natal, apart from salaries, is accounted for through procurement activities. In the public sector the procurement function can be seen as a strategic attempt to evaluate judicious financial management by government institutions. It is therefore, regarded as a value-added function in the Office of the Premier. Evidence points to that in the public sector rarely departments adopt strategic sourcing, though proper functional strategic sourcing has the ability to produce savings for government of up to twenty per cent of the cost of services and goods procured. In this regard, the Office of the Premier is experiencing a number of procurement challenges, such as ineffective utilisation of procurement plans for goods and services, long lead times when procuring items, high volume of deviations from Supply Chain Management processes and lack of understanding and employment of strategic sourcing when procuring goods and services. It is against this background that this study has focused on determining the impact of strategic sourcing in public sector procurement. The investigation of the problem was done in two stages. Stage one encompassed of the literature study, whereas the stage two involved an empirical investigation. Focus groups interviews, using semi-structured questions were used. Some participants pointed out that procurement plans are not followed; others noted that there are numerous deviations such as poor planning by departmental components, and a lack of clear processes in the supply chain management unit. The research addressed the hypothesis that effective strategic sourcing in the public sector procurement, particularly in the Office of the Premier could help improve service delivery to its internal clients, compliance with necessary regulations, policy and legislative frameworks that govern public financial management. Recommendations included implementing a strategic sourcing model and staff training linked to supply chain-public sector procurement aligned to performance plans. Unfunded mandates, *ad hoc* directives, poor planning and political effect makes it difficult for the organisation to accomplish a clean audit. The study concluded that strategic sourcing and compliance to procurement policies and legislation are prominent strategic platforms that play a vital role in ensuring that procurement in the public sector is effective and efficient, with improved and sustainable service delivery to internal clients resulting in prudent management of state funds.

KEY WORDS: procurement, strategic sourcing, Office of the Premier, public sector procurement.

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ACRONYMS

AGSA	Auditor-General South Africa
APP	Annual Performance Plans
BAT	Bids Appeal Tribunal
BBBEE	Broad-Based Black Economic Empowerment
GDP	Gross Domestic Product
HDI	Historical Disadvantaged Individuals
NT	National Treasury
OSS	Operation Sukuma Sakhe
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
PT	Provincial Treasury
SCM	Supply Chain Management
TCE	Transaction Cost Economics

CHAPTER ONE

INTRODUCTION AND OVERVIEW

1.1 INTRODUCTION

The necessity for strategic approaches to procurement processes are recommended by the National Development Plan, 2030 (NDP) Republic of South Africa (RSA). For example, the procedures required to purchase stationery vary markedly from the procedures required to purchase specialised medical equipment. It is imperative that the public sector Supply Chain Management (SCM) systems are transparent, effective, and intelligent to enable correct procurement processes, especially where there are potential conflicts relating to the procurement processes (National Treasury, 2015a).

Strategic sourcing that is properly functional has the ability to produce savings on the costs of services and goods procured. According to the 2014/15 budget, in this regard, at two of the three government levels, provincial and national in S.A, the cost of procurement spending was and surpass R346 billion and this rose to R354 billion in the years 2015 and 2016 and it is now R363 billion for R2016-17. Savings therefore, during the course of strategic sourcing, on amounts of this magnitude could be significant. Strategic sourcing which is effectively executed might result in better understanding of spending in government arrangements; this would help in augmenting the planning and budgeting process and allow sourcing or commissioning practitioners and decision architects to make well informed judgements (National Treasury, 2015a). Thus, it is important to find more insightful methods to implement procurement in the Office of the Premier, KwaZulu-Natal, in particular, to realise maximum potential and value in this regard.

1.2 BACKGROUND OF THE STUDY

The RSA's public sector procurement system was transformed through the introduction of a spate of procurement changes. The improvements in procurement began in 1995 and were focused on two wide-ranging parts, such as: the introduction of a partiality system to deal with socio-economic objectives and the advancement of principles of good governance. An essential component of prudent financial management is procurement in RSA's public sector because it encompasses internationally influenced and recognised best practice principles.

The table below highlights the difference between the traditional procurement system and the strategic sourcing procurement system, in order to clarify the requirement to move to commercial decision-making, away from a transactional buying model in the Office of the Premier. See the table below for a summary of the differences between these two systems.

Table 1.1: Differences between traditional and strategic procurement

Traditional Procurement System	Strategic Procurement System
Focus only on cost	Focus on inclusivity of the product from the manufacturing to consumption, including customer requirements, organisational goals and market conditions
Receiving the cheapest goods or services	Getting the paramount product and service at the best price
Ad hoc activities involving only purchasing	Activities driven by rigorous and collective approaches
Focus on beating up suppliers	Addresses all areas for savings
Decisions based on opinion, unjustified preferences	Decisions grounded on facts, on analysis and on market intelligence
A one-time project or decision	A continuous process

Source: University of Michigan Administrative Services Transformation (2016).

Strategic sourcing, in the table above, is clearly not the purchasing of services and goods on a daily basis and transactional or spot buying. The logical process that directs the government to design, improve and manage the source base in accordance with strategic goals is planned sourcing. It depends on a more probing focus on the types of services and goods, what they are projected to be used for and related supply markets grounded in rigorous analysis to recognise the leverage elements (Chartered Institute of Procurement and Supply [CIPS], 2016).

1.3 PROBLEM STATEMENT

The main problem statement of this study is concerned with whether or not the strategic sourcing in the public sector procurement, particularly in the KZN Office of the Premier, could

improve procurement management practices and compliance with procurement policies and legislative frameworks.

Sub-problems following from the main problem statement are five-fold as outlined below:

- Ineffective utilisation of procurement plans when procuring services and goods in the KZN Office of the Premier.
- Long lead times when procuring services and goods in the KZN Office of the Premier.
- High volume of deviations from SCM processes in the KZN Office of the Premier.
- Inadequate planning and connecting demand to the budget in the KZN Office of the Premier; and
- Lack of understanding and employment of strategic sourcing when procuring services and goods in the KZN Office of the Premier.

1.4 RESEARCH QUESTIONS

This research is an attempt to offer responses to the following identified questions:

- How is strategic sourcing, which is part of procurement, understood by officials in the KZN Office of the Premier?
- What causes the high volume of deviations from Supply Chain Management (SCM) processes when buying services and goods in the KZN Office of the Premier?
- What kind of influence does the procurement plan have on the KZN Office of the Premier's business unit performance evaluation?
- How could the KZN Office of the Premier be assisted to accomplish clean audits?
- What recommendations can be provided to the KZN Office of the Premier with regard to procurement challenges?

1.5 RESEARCH OBJECTIVES

This research was aimed at employing strategic sourcing in the Office of the Premier to enhance service delivery to internal clients, procurement policies and legislation, which was to:

- Explore and understand the conceptual and operational meaning of strategic sourcing in the context of the Office of the Premier;

- Recommend ways that can assist the KZN Office of the Premier to accomplish clean audits;
- Investigate the influence of the procurement plan on the performance of the Department's business unit;
- Explore the causes of high volume of deviations from SCM processes when procuring services and goods; and
- Recommend possible solutions to procurement challenges in the KZN Office of the Premier.

1.6 HYPOTHESIS

According to Du Plooy-Cilliers, Davis and Bezuidenhout (2014), a hypothesis is a statement that a researcher creates in order to assist him or her to predict a certain outcome. It is therefore, aimed at a predicted outcome. This research suggests that effective strategic sourcing in public sector procurement, particularly in the Office of the Premier, could improve service delivery to internal clients, compliance with regulations, policy and legislative frameworks.

1.7. LITERATURE REVIEW

A literature review, according to Du Plooy-Cilliers *et al.* (2014), has to do with searching for, reading, summarising and evaluating the available literature, as much as possible, that is related both directly and indirectly to a research topic. This includes all kinds of published information, including textbooks, journal articles and material available online. In this research, the literature review is concentrated on public procurement and strategic sourcing.

1.7.1 Public procurement

Van Weele (2010: 95) defined “procurement as including all activities necessary to acquire a service or a product from a supplier to its consumer”. This includes, then, the buying function, stores and quality assurance.

1.7.2 Strategic sourcing in the public procurement process

According to Monczka *et al.* (2011: 103), sourcing is fundamentally a cross-functional method and it is meant to develop and assimilate with the supplier competences to attain a competitive

advantage, In this context, Van Weele (2010: 99) is of the view that a sourcing strategy is what provides a direction as to the number of service providers to purchase from, the kind of contract to reach a deal on, and whether or not to source domestically or internationally.

Strategic sourcing, if appropriately structured, can effectively combine the skills and competences of the supplier with that of a firm to yield a volume of quantifiable and non-quantifiable benefits. (Kausik and Mahadevan 2011: 3) further stated that strategic sourcing comprises of planning, evaluating, executing and controlling all sourcing events assumed by an organisation to realise its short, mid-term and long-term goals. The literature also revealed that all businesses managing critical commodities strategically derive a model to serve as a recommendation.

According to Van Weele (2010: 87), service provider selection involves all events that are essential to choose the best potential service provider. This approach also comprises of sub-contracting, the primary requirement of dealers and drawing up the bidders' list, arranging invitations for quotations, examination of the bids taken, delivery and selection of the provider. To achieve large and justifiable cost reductions, long-term supply stability and minimisation of supply risk are inclusive objectives of strategic sourcing. Deloitte (2014) noted that the approaches to realise such objectives can be as extensive as rationalising the supplier base, corporate units, leveraging spending across departments and reconfiguring supply specifications, geographical regions, and or developing strategic partnerships with chosen suppliers.

The effective implementation of strategic sourcing may lead to a better understanding of how government spending is designed which would help in optimising the planning and budgeting process and allow decision-makers and sourcing-practitioners to make well informed decisions. Additionally, the implementation of strategic sourcing ethics would present other ways to reduce administrative costs and advance services.

Strategic sourcing can be understood as a joint and structured method used in analysing the way in which government's spend, utilising the data from such an analysis to attain supplies and services efficiently, hence maintaining government's service delivery goals and objectives. As a result, for SCM managers, strategic sourcing helps to design, manage and develop the supply base which corresponds with these goals and also creates an awareness of the groups of

goods and services in public institutions portfolio of spending, the sources of supply and their intended use. This facilitates the identification of the leverage points, develops proper sourcing strategies, decreases costs, amplifies, benefits and the value of a product or service to a public institution (National Treasury, 2015b).

Strategic sourcing encompasses understanding the impact of purchasing decisions on society and therefore needs an alert and well-versed group of procurement professionals who can apply this flexible, market-aware methodology (National Treasury, 2015b). The procedure and shape of any procurement strategy adopted by public institutions will differ from organisation to organisation and, therefore, it is not possible to be prescriptive. Nevertheless, any strategy which is accepted should reflect the requirements of public procurement and achieve value for money, cost-effectiveness, transparency, fairness and equity as enshrined in Section 217 of the Constitution of the RSA (1996). The approach followed by government organisations in procuring services and goods should be linked to the overall strategic ideas of the organisation and to the business planning process (National Treasury, 2015a).

1.8. THEORETICAL FRAMEWORK OF PUBLIC SECTOR PROCUREMENT

Public sector procurement is progressively recognised as an essential concept that is key and plays a substantial component in the effective managing of public financial resources. As a result, numerous states have turned out to be more conscious of the notoriety of procurement of services and goods as an area susceptible to corruption and mismanagement and have accordingly introduced endeavors to incorporate the purchasing for services and goods in a strategic position of state efforts. Most countries, according to Mahmood (2010: 9), “as part of the requirement to approve future and strategic view of their management and procurement, have referred back to their yearly procurement plans as a possible problem-solver”.

1.8.1 Constitutional imperatives governing public procurement

According to Section 217 of the Constitution of the RSA (1996), public procurement predominantly intends to be transparent, equitable, just and cost-effective. According to Ambe and Badenhorst-Weiss (2011a), owing to the enormous difficulties faced in South Africa, particularly because of the state's past inequality, public procurement is very important and has been conferred constitutional status.

The public procurement system in South Africa has been undergoing numerous reforms, some informed by political, social and economic trends, which have led to the introduction of Preferential Procurement Policy Framework Act (PPPFA) and Broad-Based Black Economic Empowerment (B-BBEE).

1.8.2 Procurement and good financial governance

Crucial to the procurement process is demand management. This involves the decision-making process which allow state departments to procure at the right place, time, and cost. Nonetheless, numerous government departments and entities remain confronted with the difficulties of inadequate planning and connecting demand to the budget (Ambe and Badenhorst-Weiss, 2011). Procurement that is cost-effective rests on a specialist's ability to guarantee that obligations to purchase are consistently resolute, proper contract strategies are settled, contracts are appropriately managed and opportunities are sought to procure the greatest deals at the right price and time.

The significance of creating detailed and practical strategic plans cannot be overvalued. At times, there intelligible plans are not available. According to Luyt (2008), some government entities such as departments cannot appropriately enumerate the needs in terms of public goods of those needing their services or correctly calculate approximately the costs, nor correctly track, report on or control expenditure. Thus, there is a prerequisite to scrutinise delivery of public goods in the form of services to make certain that uncommon resources are also effectively and efficiently bought (Luyt, 2008). Additionally, weak budgeting and planning too have influenced the application of SCM and it is for these reasons that it is important that SCM experts effectively conjoin demand-planning to budget.

Handling commodities through strategic sourcing principles should result in cost savings and/or cost evading, referred to as 'benefits'. Benefits are measures used for making judgements and therefore accurate reporting on them is important.

1.9. RATIONALE FOR THE STUDY

The purpose of this research project was to consider a theoretical and conceptual framework and inculcate this into the practice of public sector procurement. It is also expected that the findings of study could shed light on other measures and means of improving internal control

and financial performance accountability in the Office of the Premier, given current challenges experienced in this regard.

1.10. RESEARCH METHODOLOGY AND EMPIRICAL METHODS

1.10.1 Research methodology

This study was grounded in both primary and secondary research and a qualitative method of research has been utilised. Data and information collected from the secondary research studies were sourced from the following material: journals, monographs, periodicals, newspapers, research reports and government's official strategic documents, articles and books on the matter of procurement and SCM in the public sector. This was supplemented by primary research to capture information through individual interviews.

1.10.2 Research paradigm

There are several research paradigms when conducting exploratory research in the social sciences. These include epistemological, ontological, constructivist, post-constructivist, pragmatic world view and interpretivist, amongst others. The research paradigm of this study was premised on the interpretivist approach (Bryman, 2001). This approach is based on social reality and the description of the lived experience of human beings using interviews as methods of investigation to obtain feedback.

1.10.3 Population and sampling

The following elements of the population and sampling were elaborated on in detail.

1.10.3.1 Target population

A population can be defined as the total of all the possible participants or subjects that a researcher intends to study and the researcher can then generalise findings (Mouton, 2001: 118). According Du Plooy-Cilliers *et al.* (2014), the method to choose a portion of the population to represent a research project is a sample. In this research project, the target population was made up of all the officials of the Office of the Premier. A sample of these were interviewed.

1.10.3.2 Sampling frame

For this research, the sampling frame was the Office of the Premier officials, focusing on Supply Chain Management (SCM), Heritage unit, Operation Sukuma Sakhe (OSS), democracy support, and others, particularly those with a large number of projects.

1.10.3.3 Sampling technique

According to Du Plooy-Cilliers *et al.* (2014: 135), “simple random sampling techniques in which every element of the population has an equal chance” suitable for this study. The participants were randomly selected from the above-mentioned sample frame for in-depth focus group interviews.

1.10.3.4 Sample size

The sample for this study comprised of 20 participants of the probable population of 430 officials in the Office of the Premier.

Three categories of respondents participated in the research through in-depth focus group interviews. The respondents included: senior management (one group which consisted of five participants), administrative officers responsible for procurement (two groups which consisted of five participants each making a total of ten respondents), and procurement practitioners (one group of five participants). These selections are reflected in Table 1.2 below.

Table 1.2: Sample for this study

Category	Number of respondents	Total number of participants
Senior management	5	20
Administrative officers	10	
Procurement officials	5	

1.11 DATA COLLECTION INSTRUMENT AND DATA ANALYSIS STRATEGY

Following data collection, the researcher needs to consider data treatment, coding and processing. Data analysis involves working with the processed data and making informed inferences on the implication and meaning based on the principles of research which are elaborated below.

In this research, the first phase of analysis took place when the researcher examined the literature. Data analysis also took place after all the responses had been collected. Creswell (2014: 304) has argued that data analysis takes place throughout, from the beginning to the end of a research process. The data was subsequently recorded and transcripts were typed out and analysed using thematic and content analysis.

1.11.1 Data collection methods

The qualitative method were employed as the primary approach to collect information from identified respondents for this study. Secondary information was obtained from, inter alia, government documents, publications, Internet sources, journal articles and books.

1.12 RESEARCH ENVIRONMENT

An area where research takes place is often referred to as a research setting. This research was conducted in the Office of the Premier situated in Pietermaritzburg (PMB), which is capital of KwaZulu-Natal.

1.13 LIMITATIONS OF THE STUDY

There are two limitations of this study. Firstly, the study covers only one department of the twelve departments constituting the KwaZulu-Natal provincial government. Secondly, although the operations on procurement in departments could be similar, one should not generalise based on the practice of one department, namely the Office of the Premier.

1.14 DELIMITATIONS OF THE STUDY

The study was based on the Office of the Premier and investigated procurement functions as executed in the five units of the Office of the Premier, namely: Supply Chain Management (SCM), Heritage unit, Operation Sukuma Sakhe (OSS), Democracy Support and Priority Projects, as these units were deemed to have a high volume of projects channelled through procurement.

1.15 ETHICAL RESEARCH IMPERATIVES

According to Babbie and Mouton (2010: 5), participants should not be forced to be involved in a study; instead they should participate voluntarily. The researcher exercised strict confidentiality in dealing with the information from the participants. Permission to conduct the study was obtained in writing from the Acting Director-General in the Office of the Premier.

Letters of consent clearly indicating the participants' rights in relation to their participation in the study were signed by each participant. Participation in the study was voluntary. The data was collected through the use of interviews that was conducted with participants. Before interviews, participants were thoroughly briefed on the research objectives of the study and

informed about their rights. Their participation was conducted with strict confidentiality. An ethical process was maintained in keeping with University of KwaZulu-Natal's guidelines for postgraduate studies and research.

1.16 SUMMARY OUTLINE OF STUDY

The research project is comprised of five (5) chapters as outlined underneath:

The first, chapter, Chapter One was the introductory to the study that provides the orientation, motivation, problem statement, methodology, literature review, research objectives and questions and a run through of the research project. This study offers a rationale for the research that was undertaken.

Chapter Two presents the theoretical framework underpinning public procurement policy and legislative frameworks governing public procurement. The objective of this study was to locate the study within public financial management as a sub-field of public administration and enhancing of service delivery.

Chapter Three provides an overview and perspective on public sector procurement based on current literature in the field. Emphasis was placed on the critical factors underlying and necessary for effective and efficient procurement in the public sector.

This chapter presents the research methodology, approach and research design followed for the study. Furthermore, an interpretation of the results of the study is given and discussed in detail in Chapter Four.

Chapter Five provides the concluding aspects of the study and some key recommendations arising from the qualitative findings, which are presented in this final chapter.

CHAPTER TWO

THEORETICAL AND LEGISLATIVE FRAMEWORK IN RELATION TO PUBLIC SECTOR PROCUREMENT

2.1 INTRODUCTION

The theoretical framework of research refers to the philosophical basis guiding the research process as a whole. Links then need to be made between the theoretical aspect and practical components of the research. Good research should be grounded in theory (Hunja, 2011; Luhmann, 2010). The theoretical inquiry is significantly guided by the Institutional theory, System theory and Transaction Cost Economics Theory *albeit* within a public sector focus. The theoretical framework has implications for every step of the research process. In theorising this chapter, it can be significantly noted that the discussion on the public sector procurement is located within the paradigm of public financial management as a sub-field of public administration and enhancing of service delivery.

2.2 INTER-RELATIONSHIP BETWEEN PUBLIC SECTOR PROCUREMENT, PUBLIC FINANCIAL MANAGEMENT AND PUBLIC ADMINISTRATION

According to Madue (2007:306), the Public Finance Management Act (PFMA) underscores stresses accountability. Basically public financial management is located within a performance management framework. The *PFMA* creates a culture of accountability, openness and transparency in public administration, and advocates value-for-money in the procurement of goods and services by the public institutions.

As the advent of the Constitution of the Republic of South Africa, 1996 was adopted, many milestones have been reached in public financial management in the country. The Public Finance Management Act (PFMA) in 1999 was promulgation to improve financial management and accountability through increased financial oversight. It aimed to generate and encourage a culture of performance by public managers and at the same time be accountable for the utilisation of allocated resources in delivering services to the citizens. However, there are still many cases of poor financial management and many factors affecting public financial management and accountability in the South African context.

A brief discussion appropriating the relevant theories is provided in the discussion that follows.

2.3 INSTITUTIONAL THEORY

“Institutional theory is the traditional approach that has been used to examine elements of public sector procurement” (Luhmann, 2010: 102). Scott (2004) identified the three pillars of institutions as consisting of regulatory, normative and cultural cognitive. The regulatory pillar emphasises the use of laws and rules as enforcement mechanisms. Institutions are made up of cultural, cognitive and regulative elements that, together with associated activities and resources, give meaning to life. In South Africa, public sector procurement is guided by the supreme law, the Constitution of the Republic of South Africa (1996) as well as regulations and guidelines that are issued by National Treasury (NT) and Provincial Treasury (PT). These require all government departments and public entities to comply with public procurement regulations to ensure transparency, equity, efficiency, openness and cost effectiveness as enacted in the South African Constitution, Section 217.

2.4 SYSTEMS THEORY

According to Barrett (2010: 63), “systems theory is an inter-disciplinary theory about every system in nature, in society and in many scientific domains, as well as the framework by which one can investigate phenomena from a holistic approach”. South Africa’s public procurement system in has been undergoing a number of reforms, some informed by political, social and economic trends, which has led to the introduction of Preferential Procurement Policy Framework Act (PPPFA) and Broad-Based Black Economic Empowerment (B-BBEE) which originates from the Constitution (1996) with particular reference to Section 217. Before these reforms, the framework governing public sector procurement was relatively formless, providing a conducive environment for the perpetration of various kinds of maladministration in the public sector procurement. In the context of the KwaZulu-Natal Provincial Treasury has put in place the Bids Appeal Tribunal (BAT) as a means of improving transparency in the whole system of procurement and to deal with tendering disputes.

2.5 TRANSACTION COST ECONOMICS (TCE) THEORY

This theory addresses questions as to why companies exist in the first place and how they ought to govern operations (to minimise transaction costs). According to Patrick (2010), TCE was originally developed to assist in determining the efficiency and efficacy of governance structures in the private sphere. Bidders have to bid for the right quality of services and goods

and the award has to go highest points scoring bidder as per Preferential Procurement Policy Framework Act (PPPFA) and Broad Based Black Economic Empowerment (BBBEE) which is determined by lowest price and socio-economic contributions of the company.

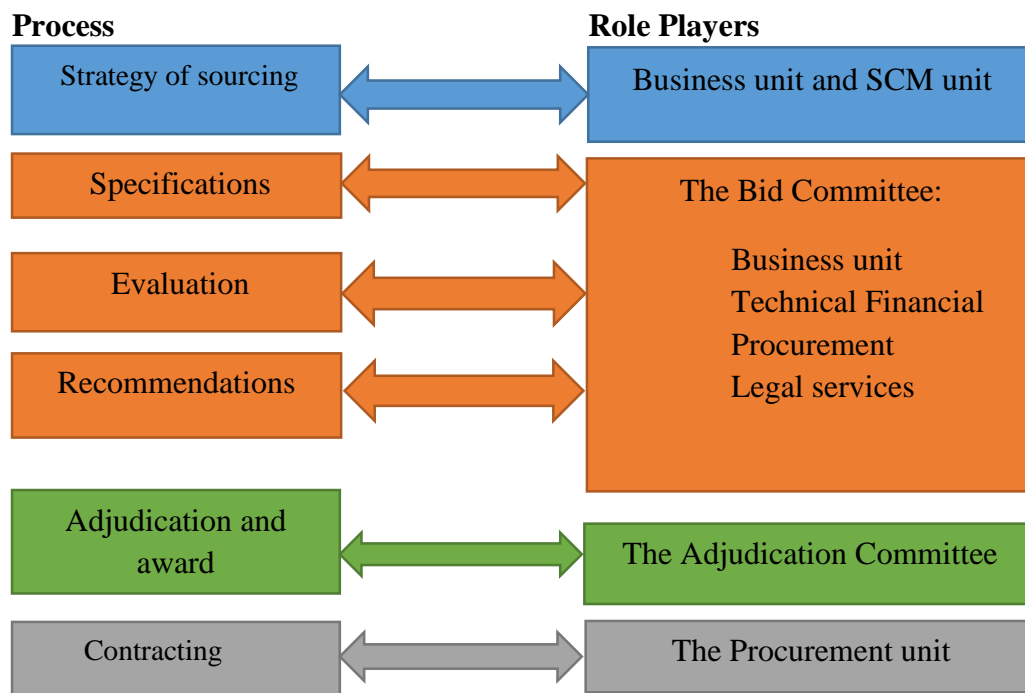
Cronbach (2010: 117) argued that “the problems associated with contracting solutions in the public utility are likely to be difficult to deal with because, where competitive bidding can indeed be an effective way of determining the lowest cost supplier when the price of goods and service is the only concern of the procurer, it works less well for complex goods and services where the procurer is concerned about quality, reliability and other factors of the procurement.” Furthermore, because supplying government requires large, durable investments in production and distribution facilities that are specialised to a particular market e.g. printing and distribution of government newspapers (Simama) to the entire Province of KwaZulu-Natal, the efficient governance of public utility transactions is likely to require long-term contracts to eliminate the risks of continual bargaining over the terms of trade once those investments have been made. Lastly, uncertainty about cost and demand conditions over such long periods of time and the increasing complexity of public utility services will likely leave contracts with long term horizons inevitably incomplete (Tukamuhambwa, 2012).

This study has revolved round the aforementioned three important and appropriate theories. The Institutional Theory, emphasises that public sector purchasing of services and goods is regulated by a variety of legislation, procurement policies and practice notes. The Systems Theory focusses more on reforms in public sector procurement such as Preferential Procurement Policy Framework Act (PPPFA), Broad Based Black Economic Empowerment (B-BBEE) (reforms audited to ensure compliance). Finally, the Transaction Cost Economics Theory which concentrates on reducing any cost in the procurement process such as lead time, leveraging cost in the bidding documents and crafting of clear, evaluable specifications.

2.6 ACQUISITION FRAMEWORK

Figure 2.1 that follows highlights South Africa’s public procurement process and this process is characterised by an array of guidelines, procedures and policies that clearly stipulate how public procurement activities ought to usually done (Dzuke and Naude, 2015). This framework briefly explains the activities which take place in the acquisition section within the Procurement Department, and the study revolved around this framework.

Figure 2.1: Public Procurement Process in South Africa

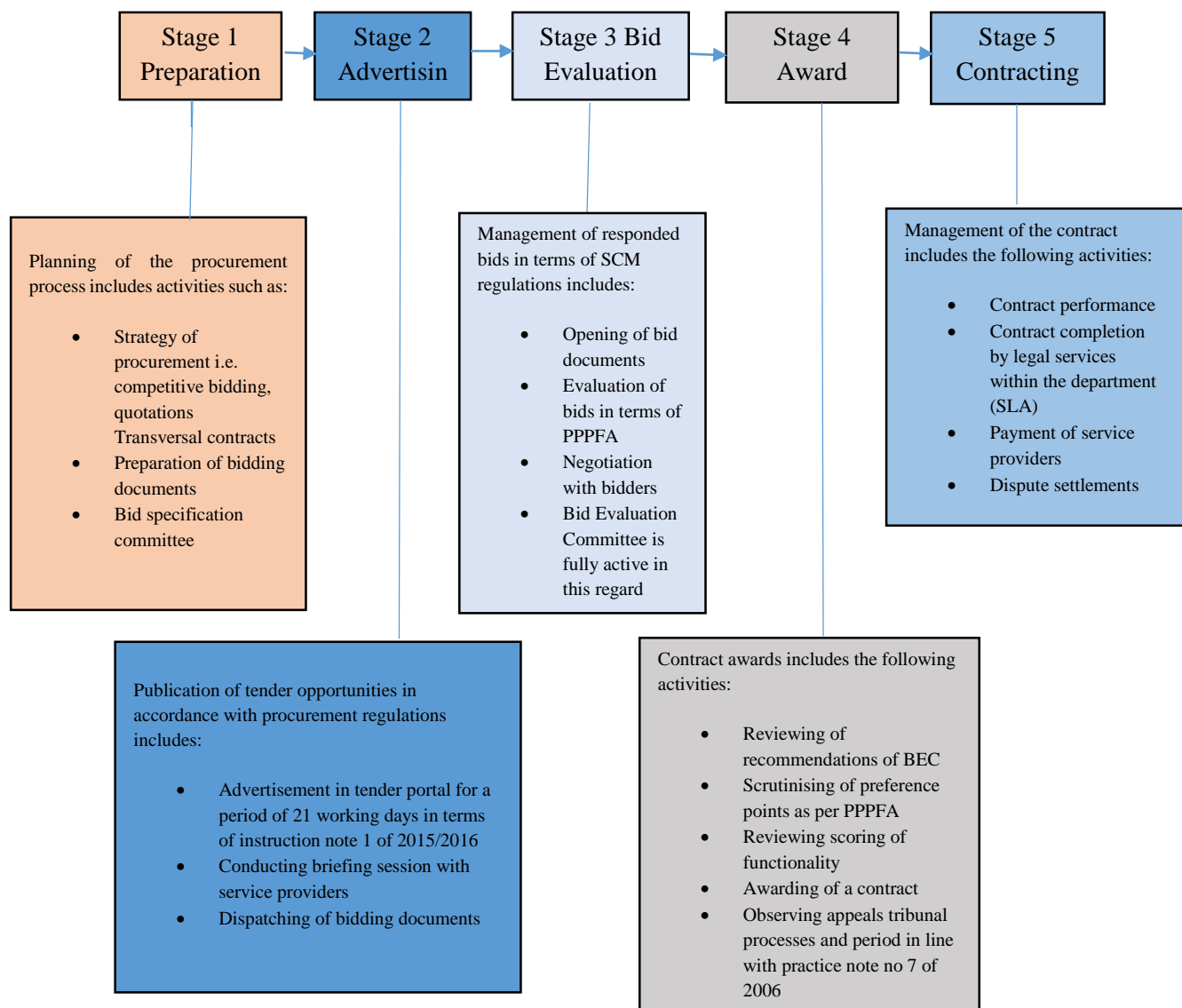


Source: Author's perspective

According to the SCM policy, each government unit should adopt the SCM policy that will essentially suit its specific needs. The structures for management of supply chain activities within South Africa are unique to the country. The SCM guide for Government Departments describes the role players of SCM, and what is required of them in terms of their duties and roles (National Treasury, 2015b).

Figure 2.2 thereafter provides an overview of a public sector procurement process reflecting activities which are taking place at each stage of procurement following from the aforementioned discussion.

Figure 2.2: Overview of a public sector procurement process showing activities



Source: Dzuke and Naude (2015).

The acquisition process is utilised to identify the end-user's wants, to effectively and efficiently evaluate the user's needs, to ascertain service providers who can deliver those needs, to come to agreements with their suppliers, improve the purchasing process and ensure payment happens on time.

For each step in the process, the managers are required to ensure that end-users are sufficiently pleased both with process, and the end result (Monczka *et al.*, 2011).

The table that follows presents structures that provide guidance and monitoring on the above activities.

Table 2.1: Main role players and their functions

Key role players	Functions
National Treasury	Present and administer the implementation of SCM, Develop Treasury guidelines, Issue rules, general conditions of contract and bid documents to Accounting Officer, Set reporting standards and monitor policy outcomes.
Provincial Treasury	Support departments with the execution of SCM, Assist departments by providing guidance and build of capacity, Co-ordinate training in the province.
Accounting Officer/Chief executive Officers	Establish a SCM unit under the direct supervision of the Chief Financial Officer, Develop internal procedures and processes, Ensure that officials are trained and adequately skilled, Report to National Treasury and Comply with ethical standards.
Chief Financial Officer/ SCM Units	Employing, selecting, developing and managing skills to build and maintain an effective SCM unit, Training skills and resources to develop managers and supervisors to work and manage varieties of SCM activities, facilities and networks.

Source: KZN Office of the Premier procurement policy (2015:28)

The SCM policy necessitates the establishment of bid committees. Committees comprise the follow: bid specification committee, bid evaluation committee and the adjudication committee. Each committee has a unique role, and there are prescribed guidelines to be followed when executing their mandates. According to the Accounting Officers Guide (2001), all those involved in bid committees need to be appointed by the Director-General in writing. The Auditor-General and internal auditors audit the formation of the committee and processes followed when discharging their duties. Should the Auditor-General find that some processes had not been followed, this will be reported as a transgression of the regulations. Table 2.2 summarises the committee structures and their functions.

Table 2.2: Key committee structures in public sector procurement

Bid committees	Constituent of the committee and functions
Bid Specification Committee	May involve one or more official, preferably manager responsible for function including external specialist advisors (cross functional principle), Accounting Officer or delegated official to appoint chair person. ROLES: Gather technical specifications, terms of reference, requirements, conditions of contract, evaluation criteria, determine goals and indicate method of procurement.
Bid Evaluation Committee	Comprises of a SCM practitioner, technical expert from department requiring the good/service. ROLES: Accounting officer must appoint the chairperson and members, evaluate bids accordance with the criteria (PPPFA), Evaluate bidders tax matters, Submit a report for recommendation regarding the award check list for restricted bidders, consult the register for tender defaulters.
Bid Adjudication Committee	Comprises of at least 4 senior managers which include: the CFO, at least one senior SCM practitioner to ensure compliance and a technical expert who is an official to ensure compliance to the specification. ROLES: Accounting officer must appoint the chairperson and members; A member of the bid evaluation committee may presents its case to the bid adjudication committee.

Source: KZN Office of the Premier procurement delegations (2015: 2)

2.7 LEGISLATIVE FRAMEWORK FOR PUBLIC SECTOR PROCUREMENT

A legislative framework encompasses the laws, regulations and policies that are put in place to govern the organisation or any activity within that particular organisation. The public sector procurement legislative framework clearly covers the whole scope of public procurement and all parts of the procurement process.

It is vital to ensure the enforcement of compliance with legislative requirements. Enforcement can be described as an action by regulators to ensure compliance (Zubcic and Sims, 2011). According to Zubcic and Sims (2011), enforcement action and increased penalties lead to a greater level of compliance with laws. The weak enforcement of the rule of law has shown to be related to corruption among government procurement officials in developing countries (Raymond, 2008). In countries with effective compliant and review mechanisms in place, bidders are allowed to view and ascertain whether procurement processes comply with stipulated procedures. This is an effective mechanism in ensuring procurement officials follow the rules (Hui *et al.*, 2011). The regulation of public sector procurement is perceived by many

as one way to usher in transparency and integrity in the utilisation of public funds. The aim of the Constitution of the Republic of South Africa (1996) Section 217 is to promote fairness, openness, transparency, equitability, cost effectiveness and non-discrimination of any form in public institution procurement with an aim of ensuring efficient and prudent use of public funds.

All officials employed by the KwaZulu-Natal Office of the Premier need to comply with legislative requirements that the Department is bound and guided by, as outlined in the Table 2.3 below.

Table 2.3: Legislative requirements

No.	Legal prescript	Applicability	Conditions
1.	Constitution of RSA (Act 108 of 1996) Section 217(1)	Provides that all procurement of goods and services must be done in accordance with a system that is fair, equitable, transparent, competitive and cost effective	1. The nomination of suppliers must be fair, equitable and transparent. 2. In ensuring competitiveness, the vender database must provide a minimum of five to ten suppliers that should be afforded the opportunity to quote for goods or services so that department can also comply to SCM requirement in that a minimum of three quotations are received in order to do informed judgement.
2	Constitution of RSA (Act 108 of 1996) Section 217(2)	Provision is made for categories of preference in the allocation of contracts and the protection and advancements of persons or categories of persons disadvantaged by unfair discrimination	The AO and his/her delegate must endure strict compliance with the provision of the following legislation. <ul style="list-style-type: none"> ✓ Preferential Procurement Policy Framework Act no 5 of 2000 (PPPFA) ✓ Broad Based Black Economic Empowerment Act No 53 of 2003 ✓ Preferential Procurement Regulations, 2011
3.	Constitution of RSA (Act 108	Confers an obligation for national legislation	

	of 1996) Section 217(3)	to recommend a framework providing for preferential procurement to address the social and economic imbalances of the past	
4.	Public Finance Management Act No. 1 of 1999 and its accompanying Treasury regulations	Considerable powers are assigned to AOs to enable them to manage their financial affairs within the perimeters outlined by the prescribed norms and standards	The Accounting Officer should delegate his/her responsibilities in terms of Section 38 of the PFMA to the Chief Financial Officer and officials within Supply Chain Management and bid committees
5.	Preferential Procurement Policy Framework Act No. 5 of 2000	Bids or quotation with a value equal to R30 000 and above are to be evaluated on the basis of a preferential point system which include points for price as well as achievement on specified preferential procurement goals	The Act and its Regulations provides for the following preference points system: Bids/ Quotations with an estimated value equal to or above R30 000 and up to R500 000 will use the 80/20 preferential point system. Bids/ Quotations with an estimated value above R500 000 will use the 90/10 preferential point system.

Source: KZN Office of the Premier procurement policy (2015: 5-9)

The major challenge, however, is the failure of procurement officials to abide by these regulations and prescripts (Lisa, 2010: 709). According to Auditor-General Management report of 2015, goods and services of a transaction value above R500 000 were procured without welcoming competitive bids in terms of treasury regulation 16 A.6.1.

Therefore, deviations were approved by the Accounting Officer even though he was supposed to invite competitive bids, and thus violated treasury regulation 16 A.6.4.

Furthermore, contracts were given to bidders who failed to submit a declaration of past supply chain practices such as fraud, abuse of the SCM system and non-performance, thus

contravening treasury regulation 16 A 9.2. This is due to that fact that when procurement is not well planned, it leads to negative opinions by auditing agencies, such as the Auditor-General and Internal Audits which culminates in unclean audits and often qualified reports.

2.8 PROCUREMENT POLICY

It follows then that public procurement policy is meant to guide the actions taken by administrative executives, in a way that is consistent with law and institutional customs. In fact, constitutional laws and regulations are the very foundation of public policy.

The Office of the Premier procurement policy provides guidance within the department, with regards to related laws, framework, policies and practices, thereby enabling the procurement systems to operate in an efficient and effective way (KZN Office of the Premier procurement policy, 2015).

The procurement policy also dictates that supply chain management must be executed in a fair, transparent, cost effective, equitable and ethical manner as stated in Section 217 of the Constitution. The Office of the Premier procurement policy (2015) also requires that procurement be executed according to various financial thresholds as summarised as follows.

Table 2.4: Financial thresholds for procurement

Procurement Limits/ Thresholds	Method of procurement	Required procedure by procurement unit
LEVEL 1 R1 to R2000	Quotations	<ul style="list-style-type: none"> a) Requisition for supplies required b) Verbal quotations can be obtained and the cheapest to confirm in writing. c) Market related prices to be ascertained.
LEVEL 2 R2000 to R30 000	Quotations	<ul style="list-style-type: none"> a) Requisition for supplies required b) At least three written or faxed price quotations on company letter head and or departmental official quotation form to be received. c) Order placed on a successful bidder.
LEVEL 3 R30 000 to R500 000	Quotations	<ul style="list-style-type: none"> a) Requisition for supplies required b) At least three written or faxed price quotations on company letter head and or departmental official quotation form to be received. c) Quotations are evaluated by applying the preferential procurement policy framework as per practice note number 6 d) Award is made to the highest points scoring bidder.
LEVEL 3 R500 000 to unlimited monetary value	Bids	<ul style="list-style-type: none"> a) Requisition for supplies required b) Specification to be approved by specification committee. c) Invitation of bids to place on government bulletin and print media. d) Bids received are evaluated and adjudicated by departmental bid committees. e) Intention to award advertised in tender bulletin and print media. f) Once the appeals procedure is finalized, then the order is placed to a successful bidder.

Source: KZN Office of the Premier procurement delegations (2015: 7)

The policy states that the KZN Office of the Premier will execute procurement in accord with the SCM policy framework and the other appropriate Financial Practice Notes; released by the KZN Provincial Treasury. The following are the significant SCM Practice Notes of adherence:

- a) SCM Practice Note number 01 – Provincial Supplier Database;
- b) SCM Practice Note number 02 – Delegation Framework;
- c) SCM Practice Note number 03 – Procedures in respect of bid committees;
- d) SCM Practice Note number 04 – Code of Conduct for SCM Practitioners;
- e) SCM Practice Note number 05 – Appointment of consultants;
- f) SCM Practice Note number 06 – Preferential Procurement system;
- g) SCM Practice Note number 07 – Bid Appeals Tribunal;
- h) SCM Practice Note number 08 – Uniform Bidding Documents;
- i) SCM Practice Note number 09 – Period contracts;
- j) SCM Practice Note number 10 – Reporting of SCM information;
- k) SCM Practice Note number 11 – Prohibition of set asides and use of cost estimations as a benchmark and measurable devoted to specific purposes for which preference points are awarded;
- l) SCM Practice Note number 12 – Tax clearance certificates; and
- m) SCM Practice Note number 13 – National Treasury Database: List of restricted Suppliers (KZN Office of the Premier procurement policy, 2015).

These practice notes serve as a guide in the process of procurement and are intended to re-enforce the legislative framework and give clear guidance as to how to execute procurement to ensure the high level of compliance.

The Preferential Procurement Policy Framework regulations (2001) dictate the implementation of PPPFA and also provide a points system for evaluating bidders. The preference point system of 80/20 or 90/10 applies to all public sector procurement bids (PPPFA Implementation Guide, 2011). Contracts that are all valued from R30 000 up to R1 million, 80 points are given to a price and 20 points are allocated for the supplier's preferential procurement compliance with BBBEE. For contracts above R1 million, 90 points are allocated for price and 10 points for BBBEE rating. The total scores for price and BBBEE preference are added to give an overall score in the bid evaluation process (PPPFA implementation guide, 2011).

To validate their B-BBEE rating entitlements, bidders are expected to submit original and valid B-BBEE Status Level Verification Certificates or certified copies together with their tenders.

The RSA National Accreditation System (SANAS) has been assigned with accrediting BEE Verification Agencies, to ensure consistency (PPPFA implementation guide, 2011).

Provincial departments have consequently established specific Preferential Procurement policies, which are aligned with the National PPPFA and develop targets for provincial government departments customised to the socio-economic environment of the province. What is important to note here is that the PPPFA builds space for municipalities and provinces to develop records of pre-qualified service providers.

Table 2.5: Allocation of preference points as per PPPFA regulations

Tenders under R1million (80/20)		Tenders over R1million (90/10)	
B-BBEE status level of contributor	Number of Preference points	B-BBEE status level of contributor	Number of Preference points
1	20	1	10
2	18	2	9
3	16	3	8
4	12	4	5
5	8	5	4
6	6	6	3
7	5	7	2
8	2	8	1
Non- compliant	0	Non- compliant	0

Source: Government Gazette (2017: 24)

2.9 SUMMARY

In conclusion, it is emphasised that public procurement uses up a substantial proportion of government spending. This is asserted by Mahmood (2010: 12), who states that, “public procurement constitutes 18.42 per cent of the world’s gross domestic product (GDP), it is also estimated that public procurement represents between 9 and 13 per cent of emerging economies GDP.” Therefore, public procurement is a vital function that warrants increased attention. De Lange (2011), regardless of this, found that momentous financial resources are wasted annually because of ineffective management of public procurement regulations and processes. In the Office of the Premier, the Auditor-General Management report (2015) recorded R39 600 000 of irregular expenditure incurred in that current financial year due to the contravention of SCM legislation (81 per cent of prior year). The root cause for the lack of effective prevention and detection appeared to be the limited time frames to procure for certain functions/events, expired tax clearance certificate and splitting orders. Therefore, staff and internal processes in the public sector particularly in procurement section, should be examined closely to ensure that they abide by relevant regulations, policies and processes, argues Dzukey and Naude, (2015).

The significance of locating public procurement within the entire-relationship between public financial management as a sub-field of public administration was emphasised in this chapter.

CHAPTER THREE

LITERATURE REVIEW FOR PUBLIC SECTOR PROCUREMENT

3.1 INTRODUCTION

The literature review for this research considers the following aspects of relevance to the topic:

- The role of procurement in the public sector
- Pillars of the public sector procurement
- Elements of public sector procurement
- Strategic sourcing which included the definition, objectives, advantages, and strategic sourcing strategies.

The primary goal of the literature review is to collect information concerning one's study, the purpose is also to explore any related material that could enhance the research. A literature review is therefore also useful to determine what has not been written about the topic you are researching. A literature review not only allows researchers to refine their research, but also serves as a benchmark against which they can compare and contrast their results (Du Plooy-Cilliers *et al.*, 2014).

3.2 PROCUREMENT IN THE PUBLIC SECTOR

Procurement is a process of acquiring resources from external service providers. Therefore, procurement activities are important for all organisational units. Procurement is regarded as a 'profit' centre to maximise an organisation's profit in saving material costs; however, the major difference regarding public procurement is that it extracts its funds from sources of tax revenue, submits Mbanje and Lunga, (2015). Public procurement also refers to, "the acquisition of goods, services and works by a procuring entity, using public funds, which are collected through taxes and must be spent in a transparent and accountable manner" (Hui *et al.*, 2011).

According to Vellapi (2010), public procurement is utilised as a strategic apparatus to improve state performance and quality of service and is therefore crucial to the delivery of public goods and services. On the other hand the World Bank (2012: 10), is of the view that, "public procurement programmes have a direct bearing on public service delivery, results, performance, consolidation and completion."

Therefore, it is a matter of significant concern that governmental procurement encompass public concerns effectively and is efficient in its approach. It is evident that public sector procurement has come under the spotlight in South Africa recently with several departments and official flouting key financial legislation. Since 1990, a significant number of changes have been implemented to try to promote uniformity and curb challenges relating to financial mismanagement and eventual misuse of public funds (Mbanje and Lunga, 2015).

According to National Treasury (2015b), adherence to public procurement prescripts and policies is important to ensure that objectives of government is achieved. To minimise waste, destroy fraud and strengthen, accountability, ethics and transparency must be improved. Fraud arises when governance and compliance regulations are not effectively upheld. These include fronting, for example, companies registering Historical Disadvantaged Individuals (HDI) as directors when they are owned by the beneficiaries of the apartheid government, with an aim of scoring more points in terms of procurement reforms such as PPPFA and BBBEE. Bribery, nepotism, forgery, conflict of interest, and tender splitting are common. These are the largely caused by:

- **Poor planning and demand, leading to significant deviations and price increases.** For example, requests for procurement of goods and services are forwarded to procurement close to delivery date, which causes procurement sections not to comply with relevant processes and procedures;
- **Dysfunctional bid committees.** Bid committee members do not always meet regularly as they are supposed to, because serving on these committees is often not part of their job descriptions, hence they are not assessed on this function for their performance targets;
- **Weakly skilled supply chain management practitioners.** Procurement staff are not properly trained regarding SCM due to workloads and shortages of staff in SCM; and
- **Poor contract and supplier management.** There is no proper system of managing contracts; some contracts expire yet still effect payments; no close-out reports; no monitoring and evaluation of supplier performance etc. (National Treasury, 2015b).

This is all due to *ad hoc* procurement not employing strategic sourcing that would detect and arrest these issues at a strategic level.

3.3 THE FIVE PILLARS OF PROCUREMENT

Successful public sector procurement should encapsulate certain core principles of behaviour, otherwise known as the five pillars of procurement. They are best described as ‘pillars’ because if one is broken, the whole procurement system collapses. They are further supported by other legal provisions that exist to ensure prudent financial management of the public sector (Mbanje and Lunga, 2015: 64).

3.3.1 Value-for-money

Government makes use of public funds and is therefore answerable to the citizens of the country. It cannot as a result engage in procurement processes that will not ensure value for money. Government must ensure that the procurement of goods and services is not only based on lowest price, but also on quality, reliability and considers the expenses associated with the life of the product, goods and services. Value for money encourages open competitive processes and must always be adhered to unless compelling reasons are provided why the goods and services required cannot be procured following the competitive process (Mbanje and Lunga, 2015: 64).

3.3.2 Open and effective competition

A just, transparent, equitable, competitive and cost-effective system allows for competitive process and policies, and procedures must be developed and implemented to achieve this objective. Government therefore relies on the guidelines issued by National Treasury through its National Treasury Regulations (RSA, 2005) and Supply Chain Management Practice Notes (National Treasury, 2007/2008). From time to time, as directed by National Treasury, government departments and government entities or organs of state must adhere to:

- a. The Preferential Procurement Regulation of 2011 (RSA, 2011); and Treasury Issued SCM Practice Notes (National Treasury, 2007/2008) and any practice notes replacing or amending them. These notes may be in the form of thresholds, reporting guidelines and in the treatment of procurement transactions, irregular, unauthorised or wasteful/ fruitless expenditure.

The General Procurement guidelines, as issued by National Treasury indicate that transparent and active competition necessitates procurement legislation and procedures that are clear, that is they ought to be readily available to all parties. These guidelines further stipulate that

government departments need to acquire the best imaginable product from the market by ensuring the following as stipulated by Treasury Regulations-Republic of South Africa (2005):

- Possible service providers have realistic access to procurement opportunities and that available opportunities are posted at least in the Government tender bulletin;
- Where market circumstances limit competition, departments recognise this and use procurements methods that take this into account;
- Adequate and timely information is provided to suppliers to enable them to bid;
- Bias and favouritism are eliminated;
- The costs of bidding for opportunities do not deter competent suppliers; and
- Costs incurred in promoting competition are at least commensurate with the benefits received.

3.3.3 Ethics and fair dealings

Procurement of ethics has been a source of concern since 1994 as a result of many irregularities in the award of tenders/bids and even serious misconduct of the awarding panel. Section 16A8 of Treasury regulations (Republic of South Africa, 2005) stipulates that “all officials and other role players in a supply chain management system must comply with the highest ethical standards in order to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner”.

According to Mbanje and Lunga (2015: 66), to ensure ethical standards and fair dealings, a supply chain management official or other role players:

- Must disclose and recognise any conflict of interest that may arise;
- Must treat all merchants and potential suppliers equitably;
- May not use his/her position for financial gains; and
- Must make sure that he or she does not compromise the credibility and integrity of the SCM system by accepting gifts or hospitality.

3.3.4 Accountability and reporting

When individuals and organisations can truly answer for their plans, behaviour and outcomes, then they can be said to be accountable in this context. Thus, a significant element of accountability should be openness and transparency in administration, which enhances good public financial management practice and enhanced service delivery.

Section 16A11 of the Treasury regulations administers the reporting of supply chain management information and indicates that it is the “responsibility of the accounting officer and accounting authority to submit to the relevant Treasury any SCM information and management information as required”. Individual government departments must afford National and Provincial Treasury with all relevant information which pertains to: supply chain management system breaches (irregular, unauthorised, or waste/fruitless expenditure); contracts awarded (normal quotations or bidding processes or deviations from the processes); management of assets and inventories (Mbanje and Lunga, 2015: 67).

3.3.5 Equity

SMMEs and Historical Disadvantaged Individuals in accord with the Reconstruction and Development Programme (RDP), should play a more significant part in the South Africa’s economy. Involvement in the economy and greater representation of Africans and females in ownership is necessary (Mbanje and Lunga, 2015: 68). This is essentially the aim of equity-based policies that are currently being implemented as a national imperative in the country.

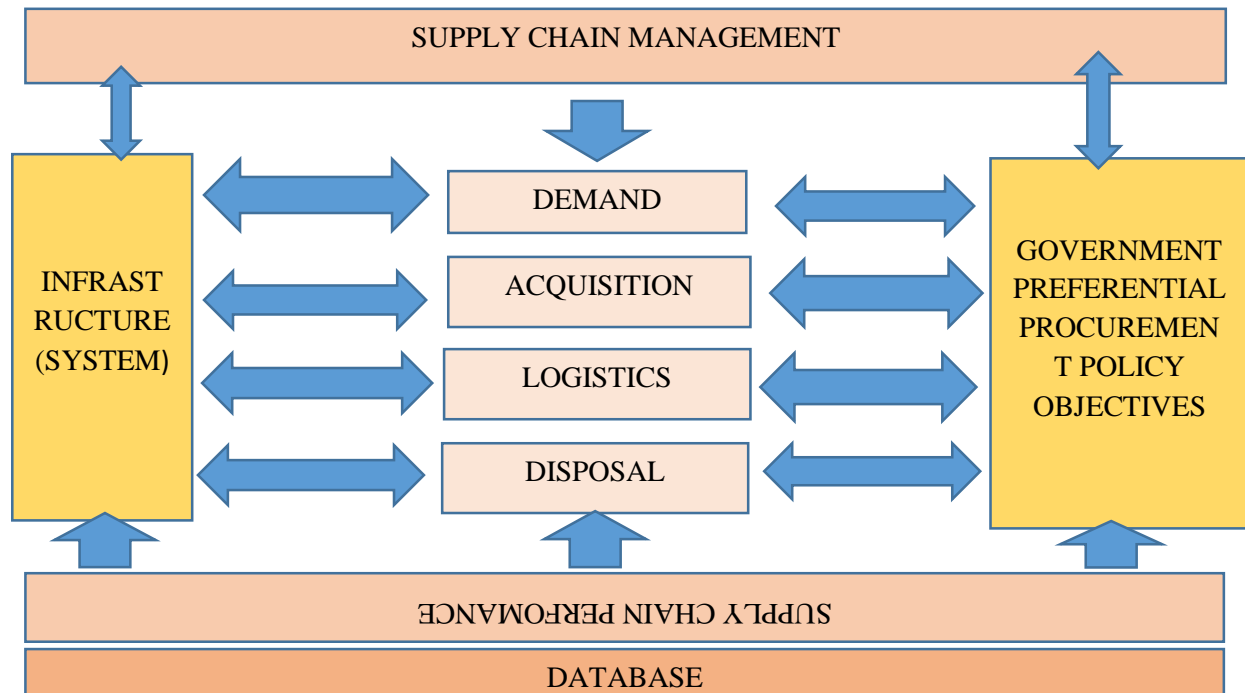
Public sector procurement needs to comply with the above-mentioned pillars since they originate from legislative frameworks, procurement policies and practice notes. They are there to emphasise regulatory frameworks within which procurement should operate. It is challenging to comply with these if procurement or sourcing is not done strategically. For example, if there is no proper market analysis, goods and services would be procured at exorbitant prices and there will be no value-for-money. Furthermore, openness, equity and effective competition would be compromised if short notices are given to procurement sections to respond to a certain request for goods and services. All these tendencies are audited by the Auditor- General South Africa (AGSA) and internal auditors from Provincial Treasury as a matter of compliance and in keeping with the regulations.

3.4 THE GENERIC ELEMENTS OF PUBLIC SECTOR PROCUREMENT

National Treasury has determined a public procurement policy framework, which has to take into consideration the various circumstances at which SCM takes place.

Figure 3.1 that follows shows the main elements of the public sector procurement and demonstrates how procurement is supported by systems, policies and procedures (National Treasury, 2015a).

Figure 3.1: Elements of public sector procurement



Source: National Treasury (2015b)

The figure reflects five important elements as: demand management, acquisition management, logistics management, disposal management and performance management. This research is primarily concerned with the first element that is demand management.

3.4.1 Demand Management

In terms of the South African National Treasury circular reference No 1/2/1/2/1 of 2014, demand management is the first element in SCM functioning. The objective is to “ensure that resources required to fulfil the needs identified in the strategic plan of the institution are delivered at the right time, right price and at the right place and that the quantity and quality required will satisfy the needs of the user”. As part of this element of procurement, a total needs analysis must be performed to ensure that the objective is achieved. This analysis must form part of the strategic planning process of the relevant public institution.

It is thus important for managers to “understand and use best practice techniques to assist them in their planning, implementation and control activities, as part of the strategic plan of the

institution, resources required for the fulfilment of its obligations should be clearly analysed and this entails a detailed analysis of the goods, works or services required” (South African National Treasury circular, 2014).

3.4.1.1 Steps to be implemented for demand management

3.4.1.1.1 Participation in the strategic plan process

According to the National Treasury circular (2014), it is essential to establish the various resources needed to execute the identified functions, for example the human resources, and services, works and or goods. Such resources need to be accounted for in the budget. It is of fundamental significance to know, even at this stage, the projected costs of the needed resources, this including the projected costs of the needed services, goods and or works. SCM officials should co-ordinate demand management in the institution in discussion with the end users.

3.4.1.1.2 Procurement planning

Procurement planning must happen during the start of the fiscal year when the department’s strategic plan and budget has been developed and approved. Procurement plans cannot be created in isolation; the end user must work with user department/ directorates in the preparation of procurement plans (National Treasury circular, 2011).

Procurement practitioners must sketch out in advance an arrangement or plan as to what, which, when and how procurements are to be executed in a given period. This plan should include what is to be purchased, which procurement strategy is to be employed based on regulated thresholds, and when and how the process will be undertaken.

Effective procurement planning is crucial for all purchasing entities in the application of the procurement objectives for the following reasons:

- An effective plan does not waste time and money;
- A well conceptualised plan serves as a channel to achieving the organisation’s objectives; and
- Adherence to regulatory policies is guaranteed.

3.4.1.1.3 Analysis of the services, goods or works required

In the course of the strategic planning stage of the institution, the services and goods needed to carry out the identified functions are established. The SCM representative(s) ought to help with

the process in making certain that the identified services, goods and works are the optimum resources needed to reach the objectives and long term goals of the institution (National Treasury circular, 2011).

3.4.1.1.4 Planning to obtain the required services, services and works

Collectively with the end-user, the procurement unit ought to apply strategic sourcing principles to establish the best way in which to get the needed services, works and goods. This encompasses, *but not limited to*, the following:

- “Conducting an industry and market investigation of the goods, works and services required, this must include the determination of reasonable price for the required goods, works or services;
- Confirmation that sufficient funds have been allocated for the procurement of the required goods or services, the procurement process should not proceed if funds are not available;
- Considering the optimum method to satisfy the need, for example whether the procurement should be by means of price quotations or advertised competitive bidding process;
- The frequency of requirements must be established in order to determine whether it would be cost effective to arrange a specific term contract for the goods and services, (if it is not available in terms of a transversal term contract facilitated by the relevant treasury); and
- Establishing lead times required by a potential supplier to deliver the required goods and services required after official order has been made” (National Treasury circular, 2014: 2).

3.4.1.1.5 Compilation of a procurement plan

Conclusion of the above-mentioned activities ought to result in the compiling of a procurement plan to be applied by the procurement unit. This plan must specify a, “description of the goods, works or services, the end-user, the contact person representing the end-user, estimated value, date of submission of specifications, date of advertisement of the bid, closing date, estimated evaluation time, envisaged date of bid adjudication committee meeting, envisaged date of issuance of an official order” (National Treasury circular, 2014: 2).

Therefore, a proper procurement plan which is linked to the strategic objectives, annual performance plans and budget of the department is integral to effective and efficient procurement process. Without a procurement plan which will inform strategic sourcing, the procurement will be directionless and a number of irregularities such as unauthorised, irregular, fruitless and wasteful expenditure could manifest, as is evidenced currently in the public sector.

3.4.1.1.6 Acquisition management

This is the management of procurement, preparation of requests for quotes, advertisement of bids, and analysis of bids through coordination of bid committees, consulting the register of defaulters and appointment of suppliers of goods, works and or services. There are various role players in the public sector procurement process and these role players each have to make sure that processes are fair, transparent, equitable, and cost effective (Mbanje and Lunga, 2015).

3.4.1.1.7 Logistics management

According to Office of the Premier SCM policy (2015), this function includes inventory management, receiving, distribution management, transaction management, cost centre management, requisition management, transportation management and the review of vendor performance.

3.4.1.1.8 Disposal management

“At this stage consideration should be given to formulation of a disposal committee with proper terms of reference to conduct obsolescence planning, maintaining a database of redundant material, inspecting material for possible re-use, determining a disposal strategy and physical execution of disposal process.” (Office of the Premier SCM policy, 2015: 11)

3.5 STRATEGIC SOURCING

Strategic sourcing is a process of critically analysing an organisation’s spending in a collaborative and structured manner to make use of this information in order to make effective business decisions regarding the acquisition of commodities and services in a more efficient manner. This helps to promote an effective acquisition system that meets government needs and ensures the prudent use of taxpayers’ monies. Strategic sourcing gained popularity in the 1980s in the private sector and is now a significant part of many large organisations. The aim is to treat the procurement process as more than mere contracting out of service (Strategic Sourcing, 2016).

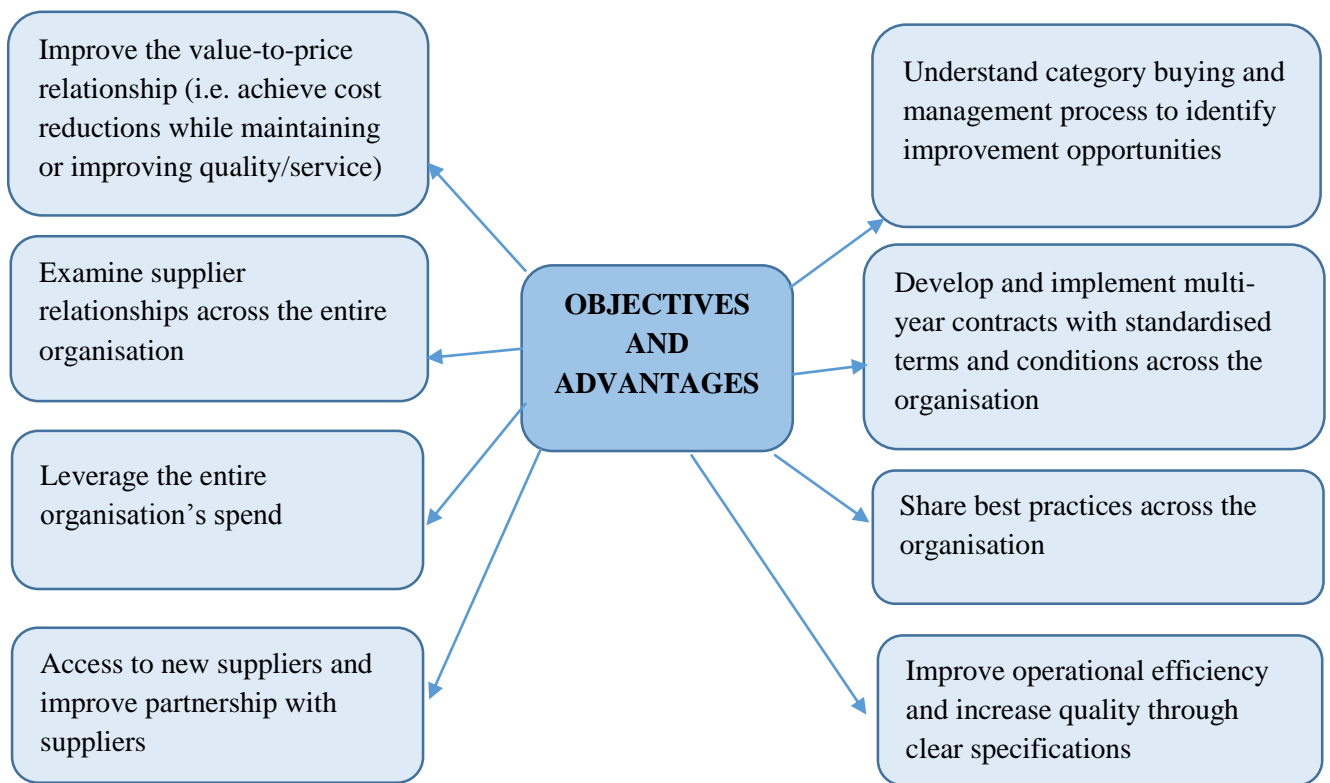
Commodity management takes a holistic view on purchasing including total cost of ownership and demand management. It utilises data driven techniques to understand what is being purchased and then utilises that information together with customer requirements, market analysis and total cost analysis. A request for quote (RFQ) is only one step in a multiple step process for strategic sourcing and commodity management (Strategic Sourcing, 2016).

“Strategic sourcing comprises concepts of strategic purchasing, supplier development, information sharing with suppliers and inter-functional integration of purchasing. It can be defined as a critical challenge of designing and managing supply networks in accordance with an organisation’s operational and performance objectives” (Chaing, Hillmer and Suresh, 2012). When developing a plan for strategic sourcing, things to consider include technology, quality, availability, cost and realisation. The strategic sourcing plan is performed in an implementation phase (Van Weele, 2010).

Service providers should be strategic and strategic sourcing is a means to help the organisation to remain or become competitive and to work beyond simple buying agreements. When concentration is on the nomination of strategic service providers there is an improved chance of incorporation of the significant steps and processes, maintains Koufteros, Vickery and Droge, (2012).

The objectives and advantages of strategic sourcing relates mainly to the reduction of expenses, while maintaining or improving quality of goods and services rendered and customer satisfaction. The diagram below reflects strategic objectives and advantages.

Figure 3.2: Strategic objectives and advantages



Source: University of Michigan (2016)

All strategic procurement decisions are based on these functional objectives which applies to all categories of buying and to all types and sizes of organisation (De Villiers, Nieman and Niemann, 2015).

3.6 STRATEGIC SOURCING STRATEGIES

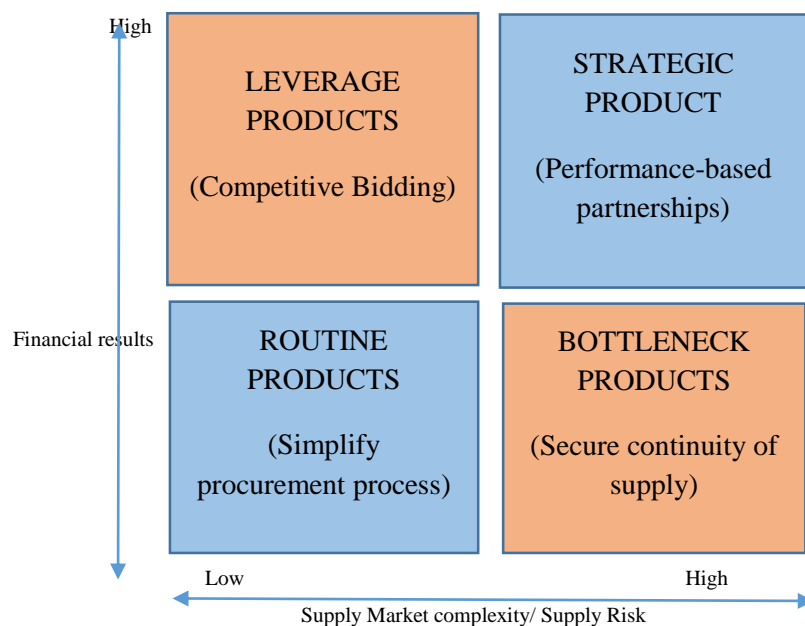
The management of most buyer-supplier relationships differs in some regard or the other. In 1989, Kraljic developed a systematic methodology for the development of procurement strategies. The main thought behind this was to minimise supply risk and most of the buying power. In this approach, Kraljic claimed that a firm's need for a supply strategy depends on two essential factors:

- "The strategic importance of procurement in terms of value added by product line, the percentage of raw materials in total cost and their impact on profitability; and
- The complexity in the supply market gauged by supply scarcity, pace of technology and/ or market substitutions, entry berries, logistical cost or complexity, and monopoly or oligopoly conditions." (De Villiers *et al.*, 2015: 29).

In public sector procurement, when developing strategic plan and procurement plans, it is useful to conduct situation analyses on the sectors and spheres of responsibility within an organisation's mandate. Strategic plans and procurement plans should include, amongst others, a description of how the organisation will give effect to their service delivery mandate through procurement, starting with demand planning (National Treasury, 2015b).

Sourcing strategies often consider the category of goods and services being procured. Often, there are sub-categories within the categories. Van Weele (2010) discussed the connection between categories and sourcing strategy. Dividing them into categories of products helps to identify the sourcing strategy. Deciding on how to distinguish varies on two factors (adapted from Kraljic, 1983) and through use of these two principles, buying executives must have the ability to develop sourcing strategies for the four commodity types in the figure below.

Figure 3.3: Kraljic's procurement portfolio approach



Source: National Treasury (2015b)

3.6.1 Strategic commodities

These goods are of significant or high value that are crucial for the provision of public goods; have multifaceted or rigid requirements for which there is a small number of competent service providers. Here, the approach then would be to foster a long-term relationship in the form of a partnerships with suppliers (De Villiers *et al.*, 2015).

There are characteristics, strategies, tactics and actions to be considered when dealing with strategic commodities.

3.6.1.1 Characteristics and strategy

Critical to operations and service delivery, few qualified sources of supply, large expenditure, design and quality are critical with complex and/or rigid specifications. The procurement strategy to be applied is to form partnerships with suppliers.

3.6.1.2 Actions and approach

Procurement officials need to engage in substantial negotiations, supplier process management, analysing markets and using functional specifications. The approach to be adopted is to conduct market, technical and supplier analysis and direct negotiations with the selected suppliers. Supplier performance and relationship management, risk analysis, creative options generation and team work are of importance (National Treasury, 2015b).

3.6.2 Leverage commodities

Such are value services or goods which are market or price sensitive due to competition in the market; there are various suppliers though, and thus many services and goods choices (De Villiers *et al.*, 2015). The strategies here would be to maximise state purchasing muscle. The characteristics are: high expenditure, many qualified sources of supply, large market place capacity, many alternative product and prices are sensitive. The strategy and tactics to apply is to maximise commercial advantage and maintain competition. (National Treasury 2015b).

3.6.2.1 Actions and approach

The department needs to employ market completion, short term relationships and exploit market cycles; furthermore, active sourcing and use of industry standards are important. The approach will be to use competitive bidding, price testing, hard negotiations and supplier development for continuous improvement (National Treasury, 2015a).

3.6.3 Bottleneck commodities

These would be basic production, basic packaging and logistics services (De Villiers *et al.*, 2015). According to National Treasury documents (2015:19), these are the, “lower value goods with complex specifications that have a substantial impact on the service delivery, have few

qualified sources of supply and not many alternatives”. The strategy in such a case will be to effectively handle the supply risk by making certain the continuous supply through firm and intended term contracts. The characteristics are: complex specifications, complex manufacturing and/or service process, fewer varied sources of supply and huge impact on operation or service delivery.

3.6.3.1 Tactics, actions and approach

Tactics include decreasing uniqueness of suppliers by removing entry barriers, widening specifications, finding other solutions, and developing new suppliers. It is also important to attempt competitive bidding and to move to routine. The approach will be to subscribe to medium-term contracts to cover risks, technical and supplier analysis, contingency planning and innovation (National Treasury, 2015b).

3.6.4 Routine or non-critical commodities

According to De Villiers *et al.* (2015), these will be office supplies and maintenance, repairs and operating items. Such are small rate, small individual transactions and everyday services and goods where there is an abundance of suppliers and numerous substitute products. In such circumstances, the objective is to simplify the process of acquisition and lower the management of transactions, by trying to make the purchasing process more automated.

Each of these categories will require distinctive procurement approaches. They will also impact on organising the procurement function, the negotiating tactics. Fluctuations in supply or demand can change a material’s strategic category, and therefore this portfolio classification will call for regular updating (De Villiers *et al.*, 2015).

Sourcing is crucial, as it is a cross-functional process, aiming to manage, develop and incorporate with the service provider competencies to realise a competitive advantage (Monczka *et al.*, 2011). Sourcing strategy detects a certain category and considers how many parties to purchase from, what type of association to follow, length of contracts, types of contracts to aim for, and whether to purchase locally or from overseas markets (Van Weele, 2010). The service provider selection is linked to all activities, which are necessary to select the most effective and efficient supplier and comprises determining the technique of the subcontracting suppliers and constructing the bidders’ list, preparing the request for quotation and investigation of the bids received as well as the selection of the supplier (Van Weele, 2010).

The ultimate objective of strategic sourcing is to reach considerable reduction in expenses, sustainable supply stability and reduction of supply risks, such as irregular, unauthorised, fruitless and wasteful expenditure. “The strategies to achieve such goals can be as wide as justifying supplier base, leveraging spending across departments, business units and geographical regions, reconfiguring supply specifications, and/developing strategic partnerships / alliances with selected suppliers” (Deloitte, 2014).

3.7 SUMMARY

This chapter has provided an overview of the literature regarding the role of public procurement. It considered the essential pillars of public procurement, as well as elements of public procurement, policies and legislative frameworks. The literature review also looked at strategic sourcing strategies, advantages and objectives in order to understand what could be achieved by the Office of the Premier through strategic sourcing to improve its financial management practices in this context.

The following chapter explains the research methodology utilised in the study and outlines research findings. This research has made use of qualitative methods and random selection sampling and the use of these were justified and deemed appropriate for the study that was undertaken.

CHAPTER FOUR

RESEARCH METHODOLOGY AND INTERPRETATION OF THE FINDINGS

Part A: Research Methodology

4.1 INTRODUCTION

Part A of Chapter Four presents the research methodology. The main purpose of this chapter is to describe how this study was conducted with regard to its questions and the research objectives.

4.2 RESEARCH QUESTIONS AND RESEARCH OBJECTIVES

4.2.1 Research questions

A research question according to Eriksson and Kovalainen (2011: 27), is “a motivation that stimulates researchers to search for answers that address a certain problem”. The main aim of the research question is, “to hypothesise a problem in a way that gives direction to the researcher in terms of applicable objectives and manners of data collection” (Hair *et al.*, 2011: 86). Hence, the research question ought to be properly crafted.

This inquiry utilised explanatory questions. The research questions were asked in order to explore if strategic sourcing or well-planned procurement could improve procurement compliance in the Office of the Premier, since this is the main problem statement.

The research questions were highlighted as follows:

- How is strategic sourcing, which is part of procurement, understood by officials in the KZN Office of the Premier?
- What causes the high volume of deviations from supply chain management processes when procuring services and goods in the KZN Office of the Premier?
- What kind of influence does the procurement plan have on the KZN Office of the Premier’s business unit performance evaluation?
- How could the KZN Office of the Premier be assisted towards accomplishing clean audits?

- What recommendations can be provided to the Office of the Premier with regard to procurement challenges?

4.2.2 Research objectives

These objectives are moulded by the research problem presented in the first chapter and were developed from the research projects questions. The research was aimed at employing strategic sourcing in the Office of the Premier in order to improve service delivery to internal clients, compliance with procurement policies and legislation, which was to:

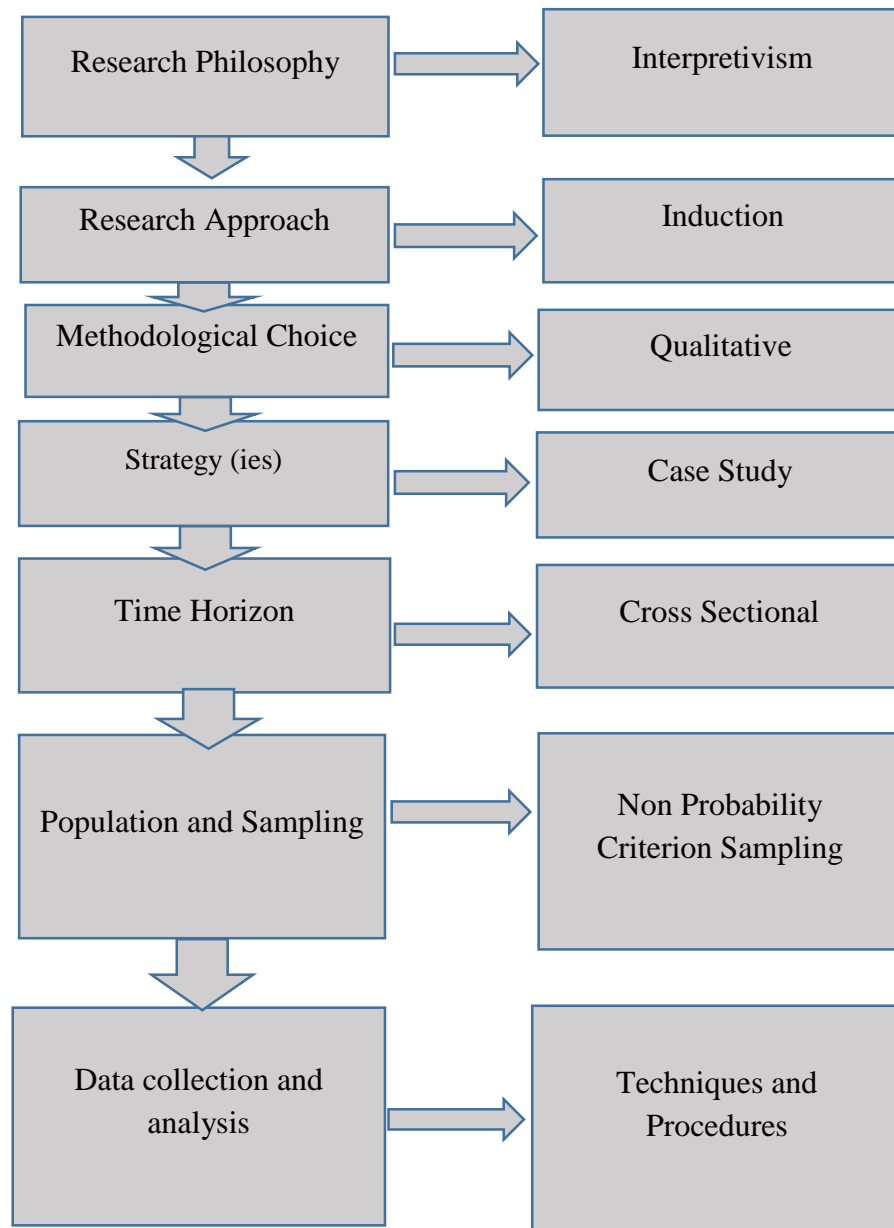
- Explore and understand the conceptual and operational meaning of strategic sourcing in the context of the KZN Office of the Premier;
- Recommend ways that can assist the KZN Office of the Premier to accomplish clean audits.
- Investigate the influence of the procurement plan on the performance of the Department's business unit;
- Explore the causes of high volume of deviations from SCM processes when procuring services and goods in the KZN Office of the Premier; and
- Recommend possible solutions to procurement challenges in the KZN Office of the Premier.

An in-depth assessment of the research objectives and questions simplified the need to plot methodology and a clear design in an attempt to reply identified the research questions.

4.3 RESEARCH DESIGN

According to Myers (2009: 19), “a research design is a strategy that involves deciding on the relevant research paradigm and philosophy, research approach, methods, data collection techniques and data analysis”. Thus, “the research design is a roadmap that reflects a logical sequence of how data is linked to research questions as well as how each move is connected to the whole research” (Yin, 2009: 26). It is the researcher's expectations, skills and practices, which will ultimately determine the way in which data is acquired (Nieuwenhuis 2013: 70). This research followed the design illustrated in the figure below which was derived from the, “onion approach proposed”, in Saunders, Lewis and Thornhill (2012: 160).

Figure 4.1: Research design



Source: Saunders, Lewis and Thornhill (2012: 160)

4.3.1 Research philosophy

A research philosophy is defined as, “the rulebook of the researcher, or the manner in which the researcher views the world, the researcher will have expectations about knowledge, the design of the research questions, approaches and clarification of findings” (Saunders *et al.*,

2012: 128). It is vital to understand that, “all research inquires have some philosophical concords of the worldview within which the research is based” (Quinlan, 2011: 95). According to Eriksson and Kovalainen (2011: 12), “the research paradigm is branded by key conceptions such as ontology, epistemology, axiology and methodology and the pillars of the research philosophy include positivism, realism, interpretivism and pragmatism”. As a result, this research project was informed by the interpretivism view as summarised in the table below.

Table 4.1: Interpretivism

Key concept and definition	Interpretivism
Ontology: <i>the view on the nature of reality or being</i>	Socially constructed, may change, multiple
Epistemology: <i>the view regarding what constitutes acceptable knowledge</i>	Subjective meanings and social phenomena. Focus upon the details of situation, a reality behind these details, subjective meaning motivating actions.
Axiology: <i>the view of the role of values in research</i>	Research is value-bound, the researcher is part of what is being researched, cannot be separated and so will be subjective
Data collection techniques/methodologies often used	Small samples, in-depth investigations, qualitative

Source: Bandaranayake (2012); Saunders *et al.* (2012: 140)

According to Dlamini (2016: 79), “the philosophy of interpretivism views the nature of reality or being as socially constructed and subject to change, as human behaviour influences knowledge of the changing world”. Consequently, this research project is circumstance sensitive to the phenomenon and participants’ ideas, beliefs and feelings,

4.3.2 Research approach

According to Eriksson and Kovalainen (2008: 44), “a research problem can be responded to by utilising the deductive and inductive research approaches”. A logical method is when one develops an idea for research and enquiries from theories and previous investigation (Eriksson and Kovalainen, 2008). The progression is from theory to data collection in this approach, whereas the inductive approach begins by collating data in an attempt to discover or understand a phenomenon (Saunders *et al.*, 2012: 145).

An inductive approach was chosen for this research project because: (1) audit reports from Auditor-General and internal audits from KwaZulu-Natal Provincial Treasury (PT) shows that few, if any, government departments (across South Africa) have employed strategic sourcing, and (2) a good understanding of the primary data was needed to determine the level to which SA Government departments have activated strategic sourcing.

4.3.3 Methodological choice

Researchers can choose from three methods: qualitative, quantitative and mixed methods. These methods ought to not be seen as polar inverses, since the study does not have to be exclusively one or the other and may well “be either more qualitative or more quantitative” (Creswell, 2009: 3). Certain study projects might utilise a combination of both, thereby adopting a mixed method. This study used qualitative methods, which is briefly discussed below.

4.3.3.1 Qualitative methods

These have a constructivist perspective and describe things “without using numerical data, such as words, images and interviews to obtain an in-depth understanding of classes of information” (Saunders *et al.*, 2012: 161; Hair *et al.*, 2011: 145; Creswell, 2009: 16). Furthermore, according to Eriksson and Kovalainen (2011: 5), “qualitative methods examine social and cultural constructions and aim to advance a complete understanding of the phenomenon being studied within its real-life context”. According to Creswell (2009: 18), qualitative inquiries of the sample under enquiry is generally appropriate when the topic has never been researched previously. Denzin and Lincoln (2013: 10) points out that, “although this method is criticised for being subjective, triangulation can improve rigour, complexity of scope, fruitfulness and add depth to an investigation”.

The qualitative research method was followed in this study. This approach was believed to be appropriate because the research concentrated on the use of strategic sourcing as means of improving compliance in the public sector procurement, which is a new concept in the public sector. Thus, the researcher wanted to explore if strategic sourcing which is used in the private sector can be used in current public sector procurement. Furthermore, “no evidence was found to have addressed the same audience before” (Creswell, 2009: 18). Another reason for selecting such a method was to gain in-depth understanding of better ways of conducting procurement in order to assist the Office of the Premier to expedite service delivery to its internal clients, reduce cost of items procured and increase compliance with policies and legislation (Babbie *et*

al., 2012: 279). The research topic can be viewed as a challenge when dealing with matters of financial governance and compliance issues in public sector departments and high-quality accurate data was required to support the discussions.

4.3.4 The research strategy

Research strategy are “a design which is used by the researcher to respond to the research question” (Saunders *et al.*, 2012: 173). Some writers call it a research strategy or methodology Quinlan (2011), whereas others define it “as strategies of enquiry” (Creswell, 2009: 11). Nonetheless, such plans have to be in-line “with the central philosophy, chosen method and data collection method” (Quinlan, 2011: 179). According to Creswell (2009: 176), “phenomenology, ethnography, case study, action research and grounded theory are the most common research strategies for qualitative studies”.

The chosen strategy for this research was a case study. According to Nieuwenhuis (2013: 75) “the words ‘case study’ may be used to describe the unit of analysis or to indicate a research method in this study that was used to describe the chosen research method”. The unit of analysis of this research project is the Office of the Premier KwaZulu-Natal. Case studies explore a occurrence within its real-life context, in that way uncovering hidden information which is their strength (Saunders *et al.*, 2012: 179; Hofstee, 2006: 124); in this research project, these could be on the one hand, possible obstacles and on the other hand, enhancers of the employment of strategic sourcing. Normally, “case studies provide answers to questions such as ‘why’, ‘what’ and ‘how?’” (Saunders *et al.*, 2012: 179).

4.3.5 Time horizon

The time horizon needs to be considered when designing a research project and is concerned with deciding whether the research project will be cross-sectional or longitudinal (Saunders *et al.*, 2012: 90). **Longitudinal** research “is conducted over a long period of time and concentrates on studying changes or developments in an organised environment and **cross-sectional** research is conducted at a single point in time” (Quinlan, 2011: 180). Due to time constraints, this study was cross-sectional.

4.3.6 Population and sample

A population “refers to a collection of individuals, items or units which share the same characters relevant to the study” (Quinlan, 2011: 206). Ideally, according to Hair *et al.* (2011: 163) and Quinlan (2011: 206) “researchers would prefer to collect and analyse data that includes all the members of a population under investigation”; this is a census.

4.3.6.1 Population of the study

In this research project, the target population was made up of the key officials of the Office of the Premier. According to Du Plooy-Cilliers *et al.*, (2014: 133), “a sample is a process of selecting a segment of the population to represent the whole in a research project”. Given that it is extremely difficult to incorporate everyone in a research project, the sampling option was deemed appropriate and utilised.

4.3.6.2 Sample

According to Bertram and Christiansen (2014: 59), sampling involves making decisions about which people, settings, events or behaviours to include in the study. A sample is any subset of the elements of the population” that is obtained for the purpose of being studied (Fox and Bayat, 2013: 54)

This study comprised 20 participants of the probable population of 430 officials in the Office of the Premier. Three categories of respondents participated in the study through in-depth focus group interviews. The respondents included members of management, administrative officers and procurement practitioners.

4.3.6.3 Sampling techniques

Sampling techniques are categorised into two, namely probability sampling and non-probability sampling (Quinlan, 2011; Saunders *et al.* 2012). On the one hand, probability sampling, “is usually found in quantitative research and entails selecting a representative sample by means of a random procedure to ensure objectivity” (Hair *et al.*, 2011: 163). The likelihood or “probability of each case being selected is known and equal for all cases, thereby allowing for generalisation. Some of the probability sampling techniques are, “simple random sampling, stratified sampling, systematic sampling, and cluster sampling” (Quinlan, 2011: 209). Nevertheless, non-probability sampling, “is generally used for qualitative studies and employs purposive sampling” (Nieuwenhuis, 2013: 79). This study used a purposive sampling technique. The researcher made explicit choices about which people, groups or objects to include in the sample (Bertram and Christiansen, 2014: 60).

4.3.7 Data collection and analysis

4.3.7.1 Data collection

Secondary and primary data collection methods are the main two techniques that are normally used for data collection in an empirical study (Eriksson and Kovalainen, 2011: 77).

Interviews and observations are the main sources of primary data. According to Mouton (2008: 71), secondary data, “includes already existing sources like journal articles, textbooks, newspapers, conference proceedings, reports, newspapers, theses and dissertations, government documents and organisations’ websites” and on the other hand, “primary and secondary data are bases of evidence utilised to support the research”. Nevertheless, research richness results when data is acquired from many sources (triangulation). Six data collection methods for case studies are proposed by Yin (2009: 99): “documentation, archival records, interviews, direct-observations, participant-observation, and physical artefacts”. The method of collecting data ought to fit the research strategy, hence contributing to a story can help to make sense of the problem. The collected data in this research project included information of the participants, as well as the procurement practices, including position, year of service in the department and functional area.

Both secondary and primary data were engaged with in this research project to establish the level to which the Office of the Premier can significantly employ strategic sourcing to improve compliance and reduce costs for buying goods and services.

In this study, primary data was collected through focus group interviews. Extensive literature included a review of secondary data sources. This method of collecting data was selected. According to Yin (2009: 101), standards for collecting case data include: “(i) using multiple sources of evidence; (ii) creating a study database; and (iii) maintaining a chain of evidence”.

The interview schedule comprised of comprehensive questions to provide the respondents an opportunity to explain their understanding of procurement planning, matters related to SCM compliance, cost-effectiveness of items procured by SCM and efficiency and effectiveness in SCM. The interviews were structured and scheduled between half hour intervals. The researcher invited participants for interviews through telephone calls or emails and participants suggested times for meetings.

Interviews were audio-recorded with the permission of the respondents and transcribed. They took place in the offices and in boardrooms of the different sections including the procurement section of the Office of the Premier KwaZulu-Natal.

4.3.7.2 Data analysis

According to Quinlan (2011: 425), the “data analysis process involves reflection and engagement with the collected raw data through the grouping of concepts and themes to identify key themes in the data and eventually to draw a conclusion based on the interpretation

of the data”. The main aim of data analysis can be understood as narrowing “the unorganised, thick, rich and voluminous data in an effort to understand and interpret the collected data” (Quinlan, 2011: 425). Hence, a most important component in data analysis is effective data management.

The qualitative data analysis process comprises acquaintance with the qualitative data, the transcription of the data for the duration of which audio-recorded data is transformed into an exact text, sorting and coding the data.

According to Yin (2009: 127), “the analysis of case study evidence is the least developed and most difficult part of the research project thus, it is significant that the researcher becomes conversant with this research strategy before commencing with the project”; since this is a qualitative research project, it was appropriate that qualitative data analysis techniques were used. The researcher opted to use grounded theory in analysing data. Bryman and Bell (2007: 585) defined grounded theory as a theory that is derived from data; this data is methodically collected and analysed through the research process. Bryman and Bell (2007: 592) hold the view that “grounded theory represents the most influential strategy for conducting qualitative analysis”.

In this study, the collected data was analysed *via* a process of data treatment, coding and processing in order to draw informed inferences on the implication and meaning based on the principles of research.

4.3.8 Ethics

Ethical deliberations are critical, in particular, when the inquiry encompasses human beings. According to Myers (2009: 45), ethical discussions “are the moral steps taken to respect and protect consenting people in the research project”. In this research project, ethical matters were considered by adhering to certain approved principles and guidelines.

4.3.8.1 Ethical steps in the study

Telephone calls were made to the participants inviting them to partake in the study. This was followed up by email for confirmation and consent forms were distributed on the day of the interview. The consent forms (see Appendix A) were straightforward in explaining that the study was voluntary and participants could withdraw from the project at any time, with no negative consequences. No tactics were used by the researcher to influence participation in the

research project, nonetheless the benefits of the study were highlighted to encourage participation. Protecting the anonymity of participants aimed to minimise any potential risks.

The research project was carried out within the norms required for postgraduate study at the University. An ethical clearance certificate valid for three years was approved by the Humanities and Social Sciences Research Ethics Committee (HSSREC) which provided permission for the study.

4.4 SUMMARY OF POINTS IN PART A

Part A of this chapter has described the research methodology and design, philosophy, approach, and methodological choice. In addition, the plan, time limit, sampling methods and processes including research data quality control was presented and discussed. The purpose was to outline the inquiry process and also to bring to light issues fundamental to choice of the adopted research design and methodology in an endeavour to answer the research project questions. Lastly, measures to guarantee trustworthiness and credibility were also addressed, and ethical considerations were discussed briefly. Part B, which follows, involves data analysis and presents an analysis and interpretation of the research findings.

Part B: Analysis and Interpretation of Research Findings

4.5 INTRODUCTION

The research included the collection of primary data through in-depth focus group interviews as described in the research methodology (Part A). Focus group interviews were conducted during the month of November 2016.

Before the start of the focus group interviews, participants were informed about their roles and rights in the interview. Participants each signed an informed consent form (see Appendix A). The audio-recording of focus group interviews was also requested. The ethical clearance certificate (see Appendix B) was also shown to participants to reassure them that the research conformed to the University of KwaZulu-Natal ethical standards. Face-to-face focus group interviews were conducted with four groups from different sections in the Office of the Premier in order to collect data. The interviews lasted approximately 30 to 40 minutes. Of the 20

proposed participants, only 17 participants were interviewed due to unavailability and busy schedules. This was however deemed sufficient for the research purposes.

The interview questions (see Appendix C for interview schedule) included general demographic information relating to the participants as well as twelve detailed enquiries which the participants were invited to respond to.

4.6 DEMOGRAPHIC INFORMATION OF RESPONDENTS

This section, Part B presents the participants' demographic data taken from the interview questions. For the purpose of preserving the anonymity of the participants and in accordance with the ethical considerations of the research project, each participant was assigned a number which was used rather than their names. The first focus group was named FG1 and the second FG2. Respondents were given numbers, for example, respondent 1 in the first group was named FG1:1. Demographic information was collected to explore how certain demographic data factors might contribute to the understanding of strategic sourcing and procurement in the Office of the Premier.

The information of the respondents is presented in Table 4.2 below. The table shows the core data that was given by the participants in the first part of the interview schedule. Column 1 signifies focus group number, Column 2 indicates the participants' numbers and other columns respectively provide participants' positions, gender, race, and experience.

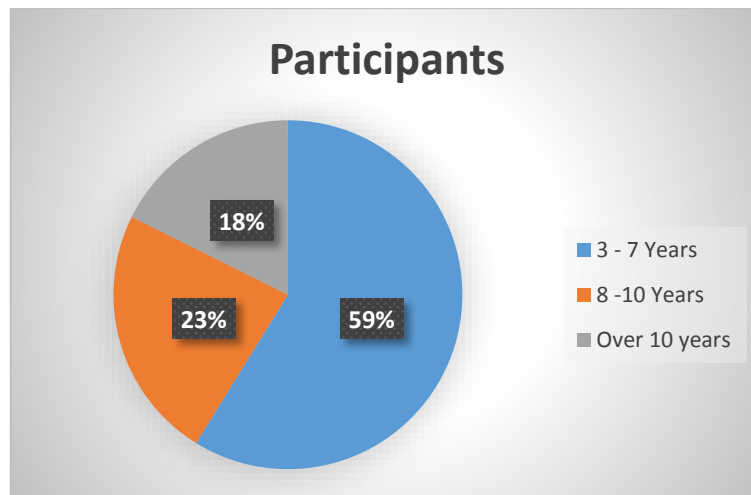
Table 4.2: Demographic information of the participants

Focus Group	Participant no.	Position	Functional area	Gender	Experience
FG 1	1	Administrative Officer	Heritage unit	Female	07 years
FG 1	2	Administrative Officer	Security services	Female	07 years
FG 1	3	Assistant Director	Human Resource	Male	05 years
FG 2	1	Director	Democracy Support	Male	09 years
FG 2	2	Director	Heritage unit	Male	09 years
FG 2	3	Director	Policy Development	Male	16 years
FG 2	4	Deputy Director	HIV and AIDS	Female	03 years
FG 3	1	Assistant Director	NKULULEKO Development	Female	05 years
FG 3	2	Administrative Officer	HIV and AIDS	Female	10 years
FG 3	3	Administrative Officer	PPSTA	Male	03 years
FG 3	4	Administrative Officer	HRD	Female	07 years
FG 3	5	Administrative Officer	Auxiliary Services	Female	11 years
FG 4	1	Administrative Officer	SCM	Male	05 years
FG 4	2	Administrative Officer	SCM	Male	06 years
FG 4	3	Assistant Director	SCM	Female	08 years
FG 4	4	Assistant Director	SCM	Male	03 years
FG 4	5	Administrative Officer	SCM	Female	11 years

4.6.1 Experience of participants

The experience of the participants ranged from 3 to 16 years, i.e. the less experienced participants had three years of experience in Supply Chain Management or interacting with procurement activities and the most experienced had 16 years of experience. The graph below in Figure 4.2 illustrates the experience of participants.

Figure 4.2: Years of experience of participants



Most participants had between three and seven years of experience. These participants were not in decision-making positions. However, they are ‘hands on’ in procurement; hence, they have first-hand information. Participants with eight to ten years’ experience were in the decision-making positions; they did not have day-to-day operational experience but they could drive the change provided that it was well introduced.

4.6.2 Positions of participants

Participants in this study were employed in different positions, for example Directors, Deputy Directors, Assistant Directors and Administrative Officers. Table 4.3 below summarises the positions of the participants from the different area of operation in the Office of the Premier.

Participants ranged from senior management, middle management, lower management to those at operational levels. The objective of this research was to engage with participants in different fields and positions to gather both operational and strategic information.

Table 4.3: Position of participants

Designation	Category or Class	Participants	%
Directors	Senior Management services	FG2 : 1	23.5%
		FG2 : 2	
		FG2 : 3	
Deputy Director	Middle Management services	FG2 : 4	23.5%
Assistant Director	Lower Management	FG1 : 3	
		FG4 : 3	
		FG4 : 4	
		FG3 : 1	53%
Administrative Officer	Operational level	FG1 : 1	
		FG1 : 2	
		FG3 : 2	
		FG3 : 3	
		FG3 : 4	
		FG3 : 5	
		FG4 : 5	
		FG4 : 1	
		FG4 : 2	
Total			100%

The table shows that focus group interviews were conducted with all levels of management and operational levels in order to gain representation of fair views from both strategic and non-strategic players.

4.7 ANALYSIS OF DATA PERTAINING TO MAIN RESEARCH QUESTIONS

This interview questions were categorised into five clusters, emanating from the thematic issues raised in the literature review. The clusters are as follows:

- Procurement planning;
- Cost-effectiveness of items procured;
- Effectiveness and efficiency in Supply Chain Management;
- Supply Chain Management compliance issues; and
- Other matters relating to strategic sourcing.

The above are the categories of questions. The following table shows the cluster and main questions participants were requested to respond in the interviews.

Table 4.4: Clusters of interview questions

Categories	Interview questions
1. Procurement planning	a) What is the function of the procurement plan when buying goods and services in Office of the Premier?
	b) How often do you review the procurement plan?
	c) Is there a link between procurement demands and the budget?
	d) Is there a link between procurement demands and annual performance plans?
2. Cost effectiveness of items procured	a) Would you say the services provided by service providers is expensive or market related?
	b) What can one do, to assist the Office of the Premier in reducing costs when purchasing goods and services?
	c) Which commodities or items are procured on a regular basis?
3. Effectiveness and efficiency in Supply Chain Management	a) What is your response to the service delivery time frames by the SCM unit?
	b) Comment on the quality of services in relation to procurement of goods and services by the SCM unit?
4. Supply Chain Management compliance issues	a) The Office of the Premier experiences a high volume of deviations from the Supply Chain Management processes. What might be the reason/s for such deviations?
	b) How could the Office of the Premier be assisted towards accomplishing a clean audit?
5. Other matters relating to strategic sourcing	Are there any other aspects that you would like to comment on or provide in relation to strategic sourcing in the Office of the Premier?

Source: Author's perspective

The following section describes how research questions were responded to by participants under each cluster. Participants' *verbatim* quotations were used since data was transcribed subsequent to recording of interviews.

An open coding process was used, whereby data was broken down, examined, compared, conceptualised and categorised (Bryman and Bell, 2007). Codes were developed from participants' interview transcripts; these codes were further analysed and compared. After this process, categories were developed. These categories are presented in accordance with each question in the cluster. Thematic and content analysis informed the approach following the interviews to establish significance of the responses.

4.7.1 Procurement planning

This section presents of the first four questions clustered under the category “understanding procurement planning and strategic linkages that donates to effective and efficient procurement of goods and services in the Office of the Premier”. The first and second questions wanted to know if participants understood the function of procurement plans; the third and the fourth interview questions aimed to understand if there was a relationship between procurement plans, and the other two strategic tools such as budget and annual performance plans (APP).

4.7.1.1 Understanding the function of procurement plans

Participants’ insights with regard to understanding the function of procurement plans differed though one could conclude that most of them had a basic understanding. Participants in senior management appeared to have more insights than those at the lower levels of the hierarchy.

Participants described procurement as the process involving **what**, **when** and **how** the goods and services were going to be procured in that particular financial year. Therefore, this was ultimately linked with the costing of procurement plans. A well-prepared procurement plan should include the following:

- a) Description of goods and services;
- b) End user contact details;
- c) Date of submission to bid specification committee;
- d) Date of advertisement of bid;
- e) Closing date of advertisement of bid;
- f) Envisaged date of submission to bid adjudication committee meeting;
- g) Envisaged date of assurance of an official order; and
- h) Estimated value (National Treasury circular 2011: 5).

Participants could not articulate the content of procurement plans as above. They had basic knowledge about the function of the procurement plan when buying goods and services in Office of the Premier. They felt (particularly participants in FG2) that procurement plans provide guidance and direction when planning to purchase goods.

There was a basic understanding among participants that procurement plans have to set annual procurement targets and clarify annual procurement activities. Most participants emphasised that the plan has to be executed and that this is not happening as anticipated. Participants from

FG1 and FG3 were concerned that compliance with the plan was compromised as planned activities are changed during the financial year. Most participants argued that compliance to the plan is critical in ensuring good financial governance regarding procurement practices.

Participants were of the opinion that procurement plans were an integral part of the management system. Most participants (except those in FG1) agreed that procurement plans were a control mechanism for the procurement function. Participants from FG1 and FG4 did not answer this question satisfactorily; they seemed to have less knowledge or understanding with regards to the function of the procurement plan when buying goods and services. Participants from FG1, FG3 and FG4 all agreed that the procurement plan was in alignment with the budget.

Sample comments are highlighted as follows:

- *I think ... the function yeProcurement plan... is to manage a budget for that particular .. Directorate for units like ... to check if ... amaGoods and services that units wants to to cater for ... budgeted for especially for that function. (FG1:1)*
- *... just to add to what you have said it is more of a measure that helps us to manage our budget throughout that current financial year. (FG4:2)*
- *... procurement plan is an integral part of the overall management system of the office of the premier. (FG2:1)*

Summary of significant responses:

Understanding the function of procurement plan categories

- Guiding and giving direction;
- Set annual procurement targets;
- Clarification of annual procurement activities;
- Execution of the plan;
- Compliance and non-compliance;
- Integral part of management system;
- Control mechanism for procurement function; and
- Alignment to annual budget.

Since most of the participants, including senior management service could not articulate the specific content of the procurement plan, it can be deducted that this might hinder the proper compilation and the essence of the procurement plan in the Office of the Premier.

4.7.1.2 Frequency of reviewing procurement plans by components

Since it was articulated above that the procurement is a guide as to what is to be procured in that particular financial year, this question sought to understand how often the participants looked at their plans to ascertain if they were still on track in terms of items planned to be procured and delivery time frames. Varied responses were received from participants in this regard: some were opinions with others describing what actually happened in their respective components.

Participants had different viewpoints on how often the plan should be reviewed. Most of the participants said it had to be reviewed quarterly, with some advocating half-yearly or annually. Participants from FG1, FG3 and FG 4 indicated that it should be reviewed quarterly; however, some were not sure about this. FG2 participants argued that procurement plans were reviewed annually; however, they were not certain about this. Some of the participants believed that the CFO was the one who issued instructions and guidance with regard to procurement plan review. These differing points of view regarding the frequency of reviewing the plan are of concern arising from the study. Most participants agreed that the plan was not effectively reviewed and there were not clear procedures for reviewing the plan. Other participants stated that reviewing the plan was impossible as the budget is changed during the period.

The following factors negatively affecting the plan, were raised by participants from FG2: executive authority overriding procurement plan, political directives and environmental factors, policy and unplanned *ad hoc* activities. It was not clear how these factors affected the frequency of reviewing the procurement plan, but it can be deduced that they negatively affect the execution of the procurement plan.

Sample comments are highlighted as follows:

- *If we are required by SCM to do that, then we do just to comply not that we always go there and see just because we get a reminder from the CFO, then that's where you comply. (FG1:2)*
- *Maybe it's supposed to be reviewed quarterly but we chop and change the budget [laughs] but it doesn't happen we only wait for CFO to remind us [FG1:2 cuts in and agrees "Ja"]. (FG1:1)*

- *One this thing is reviewable annually every year the plan is done in accordance to the annual year I mean the annual performance plans isn't it? (FG2:1)*

Summary of responses: Frequency of reviewing the procurement plan categories

- Reviewed annually;
- Reviewed quarterly;
- Reviewed after half-yearly performance reviews;
- Reviewed together with performance plans;
- Not effectively reviewed and the plan is not effective;
- No clear procedure for reviewing the plan, depend on CFO's instruction;
- Impossible as the budget get "chopped and changed";
- Only done for compliance purposes;
- Unplanned ad hoc activities cause deviation from the plan;
- Executive authority overrides the plan; and
- Political directives and environmental factors cause non-adherence to the plan.

4.7.1.3 The linkage between items to be procured and budget and annual performance plans

4.7.1.3.1 Link between procurement demands and budgets

More than two thirds of participants agreed that there was no link between procurement demands and the budget; less than a third of participants agreed that there was a link. However, the issue is not entirely the link but alignment, according to a participant from FG2. There is a plethora of reasons why the situation reflected as such and the reasons are advanced and discussed below.

A participant from FG4 stated that internal processes of the SCM and the demand function are problematic and not effective. Shorter time frames given to service providers and special projects not planned or budgeted for escalate procurement costs; this was shared by most participants. Local political parties dictating what activities will be executed in their area and mis-alignment between the executive authority and local governments was shared by most participants; according to them, these factors escalate the costs beyond what was budgeted for.

A participant from FG2 argued that misalignment that results in overspending is caused by the current policy of starting with budget first and when budgets are established, then procurement planning commences with the purpose of executing what is in the budget. He was of the opinion that planning must precede budgeting; activities must be planned and agreed upon and then budgeting processes must commence to ensure that planned activities are executed appropriately and effectively.

Participants argued that manual processes in generating reports were not effective nor efficient. They were of the opinion that electronic reporting would be better.

Sample comments are highlighted as follows:

- *I'd say not really but we try. [i.e. there is no link] (FG1:2)*
- *... when it comes to the link administratively, there should be a link but realistically, it does not exist. (FG2:3)*
- *... you are given R9 000 000, let us say, that is your budget for the entire year but by the end of the year you have spent R22 000 000, you understand. (FG2:2)*

Summary of responses: Link between procurement demands and the budget categories

- SCM has internal problems and the demand function is not effective;
- There is a link/ there is no link;
- Shorter time frames given to service providers escalate costs, whereas long time frames reduce costs;
- Local political parties dictate as to what has to be done in their area, and there is no alignment between provincial executive authority and local governments;
- Depends on personal perceptions;
- There is a link, but no alignment between budget and procurement plan;
- Currently budgets are agreed upon before procurement plan is concluded;
- Complete the procurement plan first and budget according to demands set by the plan;
- Starting with budgeting first, creates insufficient funds to cater for demands that were not planned for;
- Special projects are not included in the plan neither in the budget;

- Overspending of funds due to misalignment; and
- Electronic reports add value to manual reports.

4.7.1.3.2 Link between procurement demands and annual performance plans

It was clear that some of the participants did not know what the annual performance plan (APP) was nor its contents. These were participants from FG4, and this was also supported by a participant from FG3 who stated that APP was only for senior level employees. According to participants in FG4 there was no link, and for them to know whether there was a link or not, they needed to be familiar with the APP. A participant from FG4 stated that the demand function of the SCM was not functioning properly as this function was perceived to be integral to the SCM. A participant from FG1 related the link with targets that are set and he was concerned that at times targets were exceeded. It is clear therefore that some junior level employees were not conversant with the APP.

Sample comments are highlighted as follows:

- *APP is at a senior level not junior staff. (FG3:2)*
- *What is APP? (FG4:4)*
- *You see she doesn't really know what APP is. Yes, we need to know what is APP and what are the contents of APP you know the link between the documents you know. (FG4:1)*

Summary of responses:

Link between procurement demands and annual performance plans categories

- There is a link; there is no link;
- Targets negatively affected by delays;
- Limits and targets not to be exceeded, there are instances where these are exceeded;
- APP is at senior level, junior employees are not knowledgeable about APP and they do not have access to the APP; and
- Demand function is an engine of SCM; at this stage the engine is not functioning, this creates numerous challenges.

Most of the participants stated that there was no link between items to be procured and budget as well as annual performance plans and others said they did not even know what an annual performance plan was.

There will be a flow of funds or budget, yet the Office of the Premier is not meeting target objectives in terms of Annual Performance Plans, and this aspect constitutes a serious offense and can lead to negative opinions from the Auditor-General South Africa (AGSA). According to the Office of the Premier management report (2015, 17), management had ensured that the occurrence of fruitless and wasteful and irregular expenditure was included in the office's risk assessment. However, the Office did incur irregular expenditure as a result of a lack of proper planning and monitoring and not having a proper and timely approval process in place.

4.7.2 Cost-effectiveness and items procured

This section analyses the fifth, sixth and seventh interview questions which related to cost-effectiveness of items procured in the Office of the Premier. These questions sought to understand if we were getting value for money as one of the pillars of procurement when buying goods and services. Cost effectiveness is also embraced in Section 217 of the Constitution as a significant imperative. This states that procurement must fair, equitable, transparent and cost effective. These interview questions sought to check for compliance in this context.

Participants argued that engaging service providers in a structured manner, intensifying negotiations and opening the floor to discuss issues that may be of concern for both parties, would address the issue of high prices. The practice of awarding business to the same providers must be eliminated; this practice creates 'monopoly suppliers' who can charge unreasonable prices. Other participants emphasised that quality standards were very important and all service providers must operate according to quality standards for their industries. Participants were of the view that the state allowed service providers to set prices for services. According to them, this was not good practice; they suggested that government must implement its own pricing strategy and should not rely on service providers. Participants argued that the following strategies could play a critical role in price reduction and cost containment: joint planning with other departments; bulk buying; purchase direct from manufactures and retailers (eliminate the 'middleman'); and state owning some businesses. Participants felt that political factors

escalated prices. Long-term time frames given to service providers before they commence work is seen by participants to be critical in reducing prices. Unplanned activities are very costly as these are not budgeted for and ought to be eliminated. Participants stressed that non-compliance with the procurement plan should not be tolerated. Participants suggested that background checks must be done on all service providers before they are awarded work with the Office of the Premier to ensure that the reputations of companies procuring services is not compromised in any way.

Sample comments are highlighted as follows:

- *... the other thing that maybe that can help to reduce prices, if we can change service providers, not using every event every function you use that one particular person. (FG1: 2)*
- *On a serious note, if I am costing you R320 000, how can you tell me that it is expensive? Where is your pricing range? Cause I'm pricing where I see that here I'll be okay. (FG1:2)*
- *One is bulk buying, economies of scales and joint sort of planning that I think those three could actually reduce heavily... (FG2: 1)*
- *Most of these unplanned activities that are costing us money are because of our political leaders- we need to be honest. (FG2:2)*
- *Cross 'middle man' and go straight to those directly dealing with an item or manufacturing. (FG3:5)*

Summary of responses: Cost of service rendered by service provider's categories

- Engage service providers in a structured manner, intensify negotiations and open the floor to discuss any issues that are of concern;
- Not the same service provider to always get business;
- Entrench quality standards on service providers, this may be costly;
- Establish and implement pricing strategy;
- Joint planning with other departments; this will give the organisation competitive advantage when procuring services and goods;
- Bulk buying, purchase from direct suppliers and eliminate the middleman;
- Investigate options whereby government will establish and own certain businesses;
- Develop and implement strategy to manage political factor and its influence in procurement;
- Install a programme that will promote long-term time frames given to service providers;
- Establish and implement a programme that will minimise and eliminate unplanned activities;
- Zero tolerance on non-compliance to the procurement plan; and
- Implement a programme that will do background checks on all service providers before giving them business.

4.7.2.1 Market relatedness of goods and services procured

All participants were of the view that services provided by service providers were expensive and not market related and that the government is losing large sums of money due to this.

The policy of requesting three quotations from service providers before awarding work sometimes fails as one service provider sometimes owns three companies to ensure being given work. Often one service provider appears to be preferred. A participant from FG2 suggested that the policy be modified with five quotations being requested rather than three; according to him, this could prevent price escalation and giving one service provider more work than others. Participants were of the view that the current practice of requesting quotations telephonically from service providers lacked credibility; other tools for this purpose must be used. The,

participants also noted that the demand function of the supply chain was not effective as they were the ones who had to do market research.

Participants raised a concern that black service providers are the ‘middlemen’ between the state and manufacturing and retail businesses. According to them, this arrangement escalates prices as the ‘middleman’ adds to prices set by manufacturers and retailers. They did not see the benefit of BBBEE in this scenario and viewed BBBEE as a costly arrangement. Some participants further suggested that the state do away with the middleman and buy directly from manufacturers and retailers. Some were concerned that this could create a situation where white businesses flourish while black business people would be out of business.

Short time frames given to service providers and orders raised in a rush hour were viewed by most participants as one of many factors that causes services to be expensive. Participants further noted that service providers do not specialise in one industry: companies that are involved in building also supply stationery. From their point of view, this did not create any competitive benefits for the state.

All participants felt that service providers tend to charge higher prices to the state as compared with other customers. Prices for groceries and stationery were market related, but events related prices were very expensive in their pricing patterns.

Sample comments are highlighted as follows:

- *You see, just to be straightforward market relatedness to me broadly speaking cannot be determined by perhaps only three quotations ... But the tendency is that you consider once you have five or even if you had to go five or so. (FG2:1)*
- *They collude you get three quotations coming from one company, by the time you issue your order number, already the marquee has been erected because you know either way it is coming because all those companies are my companies. You can count the number of problems that we encounter through this minimum of three quotations. (FG2:2)*
- *The other issue that I think is giving us a problem is this issue of promoting BBBEE. For example, if one is buying stationery, SCM will not go to Makro ... but they will go to Duduza enterprise then Duduza enterprise will then go to Makro, hence by so doing we double the price. (FG3:2)*

- *You say I want 200 taxis to move from uMzimkhulu this way ... when a taxi could've cost you R1500 they say Oh well, it is government... they say R3000 or more. (FG2:3)*

Summary of responses: Recommendations in cost reduction categories

- Current policy on requesting quotations hampers prices and government is exploited;
- Request for three quotations rather than five quotations is not effective, as one service provider owns three companies;
- One supplier is always preferred over others; this supplier monopolises the system;
- Telephone as a tool used to request quotations is not credible, hence a need to implement and leverage other tools for this purpose;
- There are no reports for market data, as the demand function is not effective. Market relatedness is complicated;
- Large sums of money are wasted due to excessive prices from service providers;
- BBBEE is problematic and causes prices to escalate;
- Black service providers are not involved in manufacturing or in retail sectors; they are the middleman between government and manufactures or retailers;
- Manufacturing and retail businesses are owned by whites and Indians;
- Buying direct to manufactures and retailers will affect black businesses;
- Short time frames and orders raised at the eleventh hour have a negative effect on prices;
- Some service providers are not specialists in one area, they are involved in a number of industries; and
- Groceries and stationery items are market related as compared to events related activities which are not market related.

Participants gave different opinions on how prices could be reduced when procuring service and goods in the Office of the Premier.

4.7.2.2 Commodities or items procured on a regular basis

This interview question was aimed at investigating which commodity or commodities are commonly procured. The intention was to assess how those items could be sourced either by

means of quotations, bidding processes or contract management. This would assist in developing commodity management which could make procurement easier.

Catering, groceries, stationery and events were seen as the items most sourced by the Office of the Premier. Participants suggested that a store for groceries and stationery needed to be introduced with robust controls. Most participants raised a concern that the most money was spent on catering activities.

Summary of responses: Commodities and items procured categories

- Catering, stationery, groceries and events;
- The organisation is spending money on food; and
- Establish a store to keep, groceries and stationery and implement control procedures.

4.7.3 Effectiveness and efficiency in SCM

This section sought to explore how SCM is serving its clients: how do we respond to our clients requests? There were two interview questions concerning (1) service delivery timeframes, and (2) comments on quality of services in relation to procurement of goods and services. These two interview questions are related and participants responded to the questions jointly.

Most of the participants complained about the services received from Supply Chain Management. There were a number of responses which all emphasised poor responses from the Procurement unit.

4.7.3.1 Service delivery time frames

Participants noted that a culture of submitting documents in a rush hour for approval has been entrenched, as these get approved quicker than those sent on time. This unfortunately creates a situation whereby services are delayed. There is no clear procedure regarding time frames and end-user receive feedback one or two days before the event. Staff capacity and poor personnel utilisation were seen as some of the factors having a negative impact on service delivery. Participants argued that processes at SCM were not effective and that certain staff members did not collaborate well. At times phones were not answered and documents got lost. They also were of the opinion that catering service providers were given preference over other service providers. One participant from FG2 stated that there was a lack of support from top

management and from the SCM unit. He argued that SCM did not attend meetings at local levels, leaving these meeting in the hands of people not familiar with SCM procedures and processes.

This participant further highlighted an opinion that service providers from big cities get preference over service providers at a more local level and this creates animosity between the state and locals. According to participants, municipalities have lists of their own preferred service providers, and this creates conflict between them and local municipalities. Municipal mayors were viewed as dictators in this regard. Participants further stressed the point that government does not have a quality function that will ensure that services and goods rendered by service providers are acceptable; accordingly and significantly, most suppliers are not certificated by industry bodies such as SABS. The fact that SCM service was of a poor standard was stressed.

Sample comments are highlighted as follows:

- *I have submitted on the last minute; I can bet that tomorrow morning that thing will be ready even today before four it should be ready. But when I give you seven days before you will even forget that there was a specification that I gave it to you. (FG 1:1)*
- *Even if you can do that follow up there is no effect because you will find everyone not knowing about your requisition the answer you will get “angazi” [I don’t know] you don’t get help in SCM. (FG 3:1)*
- *... you do not even have to answer that question that question must be answered by our SCM who is never there in the meetings and then politicians...(FG2: 3)*

Summary of responses: Service delivery time frames categories

- Culture of submitting documents at the eleventh hour for approval has been entrenched, as these get approved quicker than those sent on time;
- Staff capacity, poor labour utilisation, lack of accountability; ineffective and inefficient SCM processes;
- No procedure regarding time frames; service providers receive feedback one or two days before the event and opportunity to negotiate is minimised;
- Process controls on which sender and receiver of document acknowledges the transaction;

- Catering service providers given more preference than other service providers;
- No system in place to track phone conversation productivity;
- Lack of support from top management and SCM unit; this affects service delivery;
- Most business not given to local service providers, but given to service providers from big cities,
- Certain local authorities prefer local suppliers;
- Local communities have a perception that they are not respected;
- SCM does not attend meetings with local community nor with municipalities;
- Municipalities have their own list of service providers; municipal mayors dictate this process;
- No quality assurance function to ensure that service procured complies to quality standards and specifications;
- Most service providers do have quality assurance certificates issued by bodies such as SABS; and
- SCM service is substandard.

4.7.3.2 Comments on quality of services in relation to procurement of goods and services

Participants argued that staff morale, poor planning, staff capability and capacity affects quality of service. With regard to staff capability and capacity, participants stated that relevant skills add value to the unit's performance.

Sample comments are highlighted as follows:

- *I think the other challenge is that we are always dealing with emergencies. I think there is poor planning. (FG 4:4)*
- *I am worried about skills. Some of us are incorrectly placed in terms of skills. Therefore, in order for your section to perform at its best you need to make sure that they have skills, the required and relevant skills. (FG 4:1)*

4.7.4 SCM compliance issues

This section considers compliance matters. The researcher wanted to explore the causes of any deviations from Supply Chain Management processes. The second question considered what could be done to assist the Office of the Premier to achieve a clean audit.

Summary of responses: Quality of service categories

- Low staff morale and poor planning;
- Relevant skills that match job requirements; and
- Building staff capability.

4.7.4.1 Causes of deviations

Regarding the causes of deviations from Supply Chain Management processes, responses from participants were different though many participants agreed on certain points.

According to participants, the supplier database does not provide all information and it does not categorise suppliers according to their speciality. This makes it difficult to locate suppliers that render services that by their nature are scarce and thus one service provider ends up getting more work than others. Executive authority tends to delay in making approvals and this affects projects.

Participants have noted that closing the year-end procedure for selecting service providers was compromised as company names are given to them for awarding work, without following due procedures. Personal issues affect approval by managers. There is a lack of support by some managers; negative attitudes and different standards for approval are issues that must be addressed. Participants highlighted that procurement plans for the year were not followed diligently and procedurally. Poor planning and deviation from policy occurred. There were different standards in supplier approval and lack of suitable suppliers had an impact on increasing deviations.

Participants noted that the deviation policy is manipulated and it creates favouritism. They felt this policy must be reviewed. Legally and according to procurement policy, deviation is not non-compliance.

Sample comments are highlighted as follows:

- ... your database system ... I think I haven't seen it, but I can tell it doesn't give you when someone gets to your database it doesn't give you this category say this category is for catering in this district in this whatever you see ... (FG1:2)

- *Then from there already, the year is ending and the term is ending or something like that. And the pressure is high because now you have to like rush and implement that project that we want to do then we end up ... I don't know not appointing for ourselves but we end up giving it to SCM that these are the companies that err. (FG1:1)*
- *As a result, it becomes now a sort of normal practice to deviate as something perhaps that something people plan to deviate. And you know, ja, and there is manipulation of deviation. (FG2:1)*
- *I would say poor planning and some people, you know, when you look at the whole issue some people have interests. (FG4:1)*

Summary of responses: Causes of deviation categories

- Supplier database does not provide all information; it does not categorise suppliers;
- Difficult to locate suppliers for specialised activities;
- Delays on approvals by executive authority and this negatively delays planned projects;
- Procedure for selecting suppliers near to the end of the year is compromised and not followed; officials are given names of companies to appoint without following procedure;
- Budget is the problem;
- Personal issues affect approvals by managers. Lack of support by some managers, with negative attitudes. Different standards for approval;
- Procurement plan for the year not followed;
- Poor planning and deviation policy;
- Manipulation of deviation policy. This policy encourages deviation as deviation is not non-compliance;
- Favouritism and preference given to certain service providers by manipulating the deviation policy; and
- Unreliable suppliers.

4.7.4.2 Accomplishing clean audits

This interview question sought advice regarding accomplishing clean audits by the Office of the Premier. Most of the participants did not respond to the question directly, and there were

different point of views regarding this matter. Some participants did not understand their role in ensuring that the organisation gets a clean audit. Participants from FG1 stated that auditors tend to be unreasonable and they were impractical. FG2 participants emphasised poor planning. They felt that by getting rid of *ad hoc* directives and aligning politicians to the procurement plan and policy, a clean audit could be achieved. Participants stressed the fact that the whole process of selecting service providers must be transparent and that the tenets and provisions of the Public Finance Management Act (PFMA) must be followed. Compliance to the plan, policy and PFMA amongst participants was regarded as a high priority.

Sample comments are highlighted as follows:

- *Eish...I am exempted from this one because I have an issue with the auditors. (FG1:3)*
- *Ja, I also have that one so the problem would not be [laughs]... so it is about the auditors hayi when they audit I do not even know what they are doing. (FG1:2)*
- *...Ad hoc directives are not actually part of planning and they disrupt. They are a source of audit queries. (FG2:1)*

Summary of responses: Accomplishing clean audit categories
<ul style="list-style-type: none"> • Auditors to be reasonable, practical and humane; • At times auditors contradict policy; • Address poor planning, unfunded mandates and urgent requests; • Get rid of ad hoc directives and align politicians regarding this matter; • Supplier selection process to be open and transparent. Unsuccessful suppliers should be given detailed feedback; and • Compliance to be implemented and PFMA followed.

Most of the participants revealed that the cause of deviation from supply chain management processes is poor planning from clients within the Office of the Premier. Some participants also mentioned planned poor planning, whereby components will hold projects till the last quarter of the financial year and approach the Director-General to request an approval for deviation (their motivation will be around time constraints and the budget that would be forfeited if the project is not executed through deviation procedure).

4.7.5 Understanding of strategic sourcing

Not all participants were able to accurately describe strategic sourcing. Participants from FG2 managed to answer this question, though not at the level one might anticipate from this sample, as these are senior managers. Some participants revealed a basic understanding of this subject, as they argued that strategic sourcing creates a systematic method of purchasing goods and services and promotes effectiveness and efficiencies in SCM processes. As per the categories above, participants stated that strategic sourcing is a long-term plan for sourcing goods and services; it encourages bulk buying and cost reduction. Participants also stated that strategic sourcing creates long-term partnerships with service providers, with goods and services being purchased on market prices.

Sample comments are highlighted as follows:

- *... as a coordinating office, for us I think engaging in strategic sourcing also in price joint procurement planning amongst the..... why do you meet for your strategic planning and your APP planning when you are planning and then operate but when you do support planning whether you talk HR or you talk finance then people actually they become. (FG2:1)*
- *... in simple terms it means that you have a long term plan of sourcing your goods and services from your suppliers in other words it is a long term plan on how to procure the goods and services. (FG2:1)*
- *Systematic method of buying and effective and efficiency way of procurement or buying. (FG3:3)*

Summary of responses: Understanding strategic sourcing categories

- Long-term plan for sourcing goods and services, foster bulk buying and creates economies of scale with reduced costs;
- Partnership with service providers and discourages monopoly, also fostering joint planning;
- Systematic method for sourcing goods and services and promotes effectiveness and efficiency in the SCM; and
- Goods and services bought on market price from suitable suppliers.

4.8 SUMMARY

The first part of this chapter comprised of the research methodology followed by the analysis of findings. The analysis was based on the interview questions which were categorised and analysed according to the general information pertaining to the participants, the flexible questions that were responded to by the participants. Significant aspects relating to non-compliance of the regulations, gaps identified and the net effect of the current situation in relation to procurement practices and financial governance was highlighted and discussed. The last chapter which follows provides the conclusion and recommendations arising from the study.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The theoretical and legislative framework for procurement in the public sector was discussed in Chapter Two. Relevant literature with regards to the role of procurement in the public sector, pillars of procurement in the public sector, generic elements of public sector procurement and strategic sourcing were reviewed and analysed in detail in Chapter Three. The research methodology was outlined in Chapter Four, as well as the results from the findings. These three chapters will be summarised in this last chapter with the purpose of developing and highlighting recommendations to be considered in future in public sector procurement practices.

5.2 SUMMARY OF THE RESEARCH FINDINGS

Various literature was analysed by the researcher with the purpose of bringing established theory into practice and to realise the research objectives as set out in the study. Operational level employees and managers were interviewed in order to answer the key research questions that were aligned to the research objectives.

From both the literature review and data collected from the research project, it was clear that strategic sourcing and compliance to procurement policies and legislation are still prominent strategic platforms that play a vital role in ensuring that procurement in the public sector is effective and efficient, with improved and sustainable service delivery to internal clients and prudent financial management of state funds.

The research addressed the hypothesis that effective strategic sourcing in the public sector procurement, particularly in the Office of the Premier could help improve service delivery to its internal clients, compliance with necessary regulations, policy and legislative frameworks that govern public financial management.

With regards to understanding of the function of the procurement plan, most participants could not articulate the specific content of the procurement plan and only provided general responses, which might hinder the proper executing of the procurement plan. Participants had different views about the frequency of reviewing the procurement plans.

Most participants were in agreement that there was no link between procurement demands and the budget. This was due to the following: the SCM unit has internal problems and the demand function being perceived as not functioning properly and shorter time frames given to service providers escalate costs beyond budget. Participants also felt that an electronic reporting system might be beneficial, as the current manual reporting system tends to have outdated information.

With regard to cost effectiveness, participants felt that engaging suppliers in a more structured manner with intense negotiations would play a vital role in reducing costs. Poor quality of service rendered by suppliers and suppliers being given an opportunity to set prices, rather than the state, causes the state to lose large sums of money. Participants felt that services and goods supplied by suppliers were expensive and not market related. They argued that suppliers have different prices for the market and the state, with the latter sometimes being given double the price given to the market.

Service that is rendered by the SCM unit has been viewed as sub-standard by most participants, underscored by ineffective and inefficient internal processes and SCM officials not attending meetings. They felt that their organisation should have a quality function to ensure that service providers render quality services and deliver goods conforming to high-quality standards. The study participants further stated that high deviation caused by manipulating the deviation policy had a negative effect on compliance, as certain suppliers are favoured more than others. Unfunded mandates, *ad hoc* directives, poor planning and political directives all make it difficult for the organisation to accomplish a clean audit. Regarding an understanding of strategic sourcing, participants seemed to have a basic understanding, but this was not substantial.

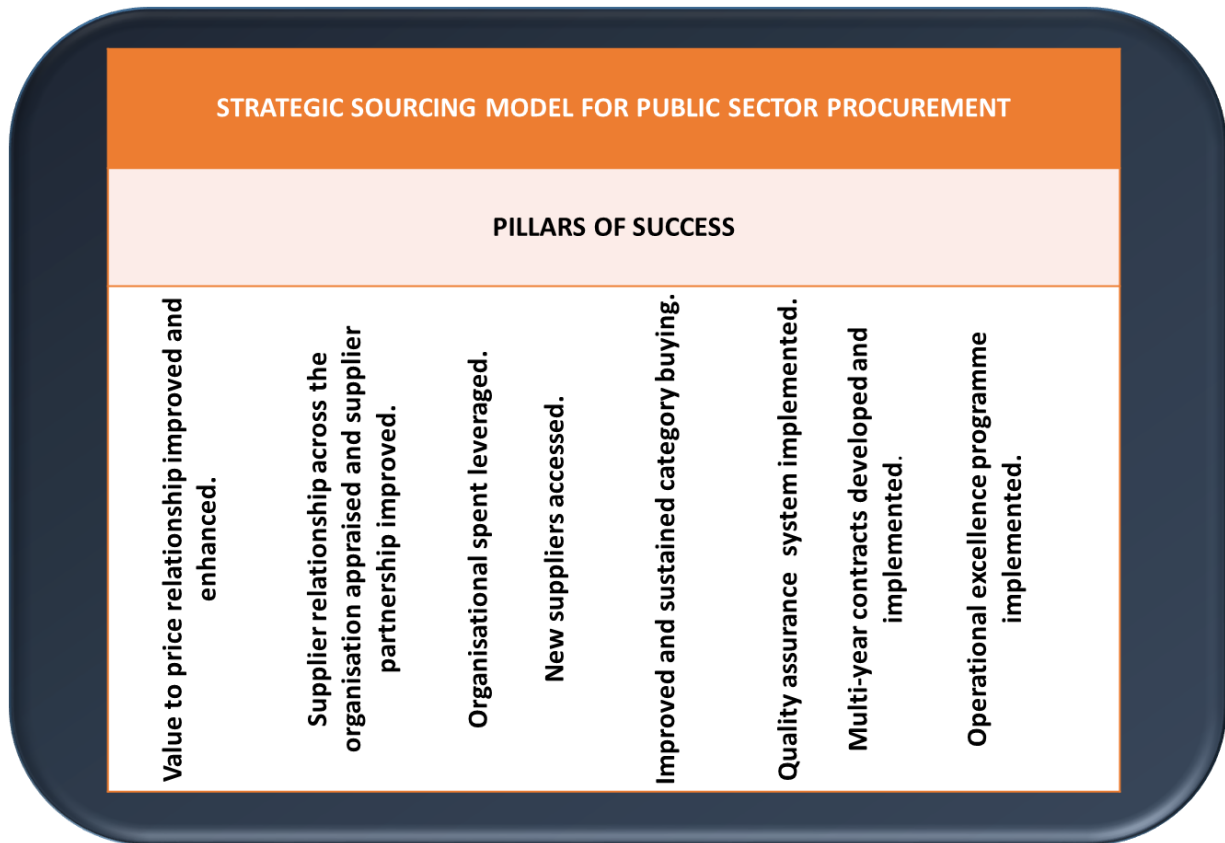
5.3 RECOMMENDATIONS

Based on the findings, the following recommendations are made through the study. These recommendations should improve the organisation's procurement functions in terms of performance, service delivery, resource management, including prudence with state funds and compliance with procurement policies and legislation.

5.3.1 Recommendation One: Implement strategic sourcing model

A strategic sourcing model with eight pillars or objectives that address a number of issues, has been developed through this study. This model (see Figure 5.1 below) should be shared with senior managers in the organisation, as their support is invaluable.

Figure 5.1: Strategic sourcing model for public sector procurement



Source: Author's perspective

Each objective or pillar of the strategic sourcing model is briefly described below.

5.3.1.1 Value to price relationship improved and enhanced

The study unequivocally showed that the value-to-price relationship does not correlate; service providers' prices are not market-related, nor are they commensurate with quality of services rendered. Activities related to this objective need to be investigated, implemented and monitored.

5.3.1.2 Supplier relationship across the organisation appraised and supplier partnership improved

The study has shown that supplier relationships are not well established. At times, suppliers are given short time frames to deliver. This objective requires that matters that can improve supplier relationship be investigated and tactical plans to achieve this are implemented.

5.3.1.3 Organisational spend leveraged

The state spends large amount of money in procuring services and goods for adequate service delivery. It is very important that plans are in place to ensure that spending is leveraged with substantial costs savings realised. For this pillar to be successful, the organisation should establish a cross functional team with clear goals, actions and time frames.

5.3.1.4 New suppliers accessed

To ensure the success of the implementation of strategic sourcing, a supplier market-research programme will have to implemented, to ensure that the organisation has access to strategic suppliers, who may be based in different geographic areas in the province. This will address the issue whereby the organisation relies on only few suppliers for certain categories of services, for example, services like exhumation of bodies.

5.3.1.5 Improved and sustained category buying

This pillar would ensure that services and goods are strategically segmented, as per usage frequency, rand value and speciality. Suppliers will be segmented into those with whom the organisation will have a long-term relationship and those with a short-term relationship. The benefit is that quality of service from these suppliers can be better monitored and price negotiations will be more competitive. Therefore, prices from service providers can be market-related with quality of services and goods purchased improved and sustained.

5.3.1.6 Quality assurance system implemented

Participants in the study believed that without the state having a quality assurance system in place, poor service from suppliers will not improve and service delivery will be hindered. Against this backdrop, the organisation would be requested to assist in the investigation of a suitable model in this regard.

5.3.1.7 Multi-year contracts developed and implemented

This pillar is in tandem with 5.3.1.5 above. Long-term relationships with suppliers pay dividends. For this to be successful, the legal department will have to be consulted.

5.3.1.8 Operational excellence programme implemented

Participants have raised a concern that the SCM unit is not effective. Thus, the organisation would be requested to investigate a suitable operation excellence programme to contribute to sound practices in public sector procurement.

5.3.2 Recommendation Two: Staff training and annual performance plans

The research study has shown that supply chain management employees need training in relevant elements of the public sector procurement programme. The researcher will liaise with human resources department in ensuring that a skills gap analysis is executed and relevant training is offered. A request would be made to the human resources department to provide training for all employees in the supply chain department on annual performance plans. The human resources department and senior managers would be requested to ensure that junior employees have access to annual performance plans.

5.3.3 Recommendation Three: Political influences relative to execution of procurement plan

The organisation would be requested to give permission and financial support for a detailed study to be undertaken regarding this matter. Political influence, according to participants, increases costs and affects positive audit opinions.

5.4 DIRECTIONS FOR FUTURE RESEARCH

Through the study the researcher recommends the following areas for future research:

- An investigation of methods and programmes to fast-track the development of African industrialists in South Africa;
- Can the state play an active role in creating new parastatals to supply the top twenty services and goods to be procured by the public sector? and
- Assistance for black African retail entrepreneurs to be considered as an imperative in strategic sourcing within the public sector procurement.

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