

SUPPLY CHAIN MANAGEMENT'S ROLE IN ACCELERATING INCLUSIVE GROWTH AND SOCIO-ECONOMIC DEVELOPMENT

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INTRODUCTION

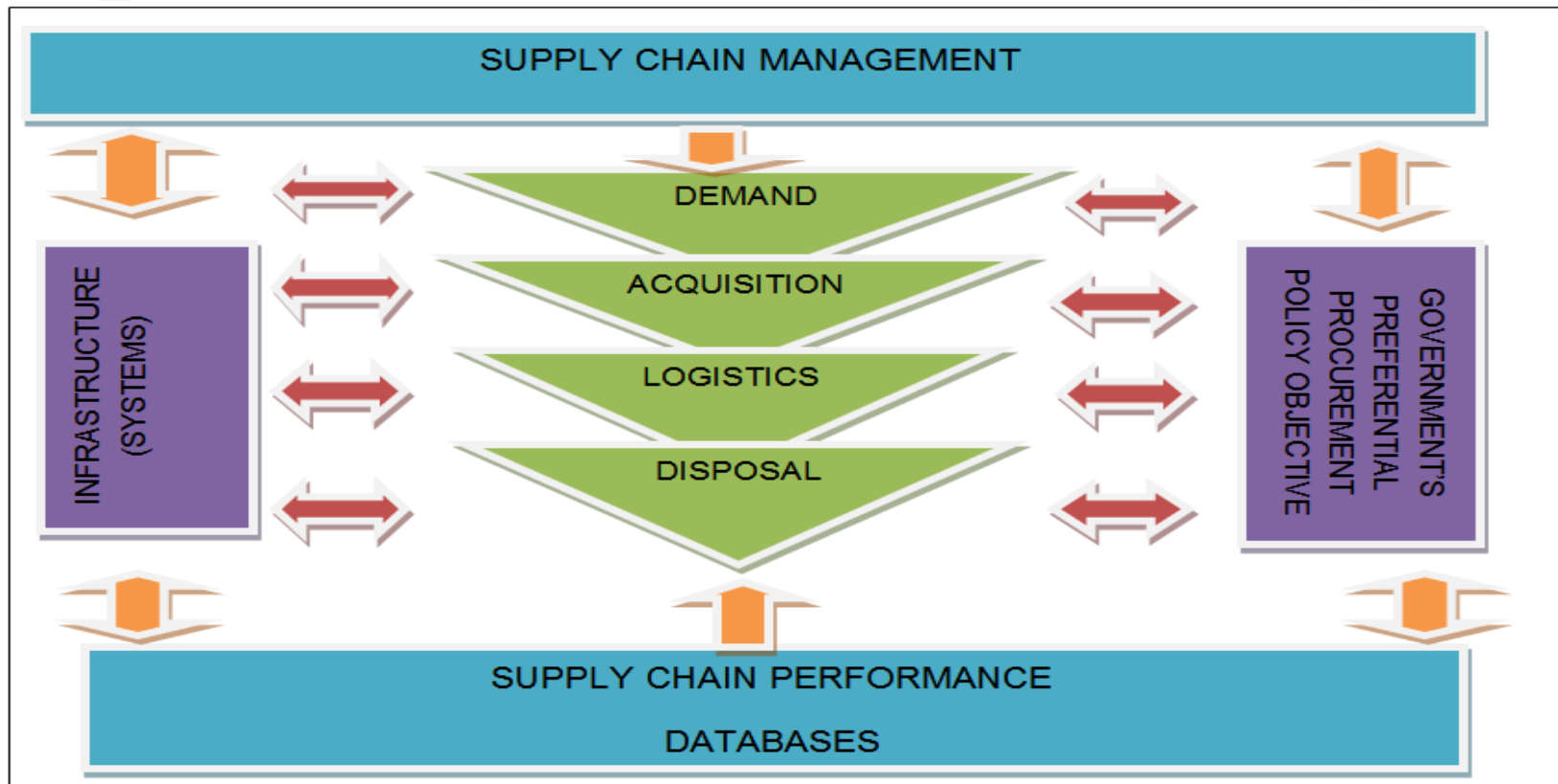
- Supply chain management is a transformation tool
- SCM adoption in public sector management
- The Auditor General's reports
- The National Treasury 2015 review
- Constant allegations of corruption and inefficiencies
- Service delivery protests and News Medias
- National Development Plan (NDP) 2030 vision to create a more inclusive society

Purpose of Paper

- To investigate the extent to which supply chain management is implemented in accelerating inclusive growth and socio-economic development in a South African provincial government.

LITERATURE REVIEW

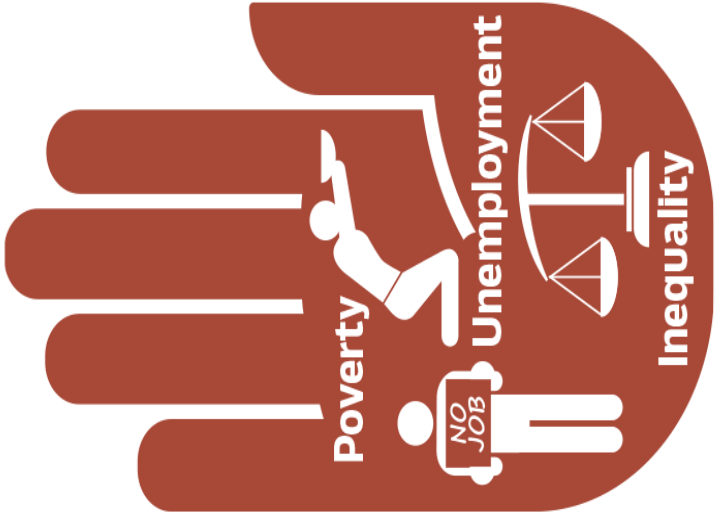
Supply chain management: the game changer!



The government has made significant efforts to address its socio-economic challenges through supply chain management since 2004 (NT, 2004; Ambe, 2009:427).

Socio-economic challenges

In South Africa, 35% of the labour force are unemployed or have given up hope of finding work (Gordhan, 2017)



The South African labour force is made up of 15 million employed and 7.5 million unemployed people. Three quarters of the employed and 90% of the unemployed are from the African population group (Reddy, Powell and Arends, 2016).



CONSEQUENCES OF BAD PROCUREMENT



Policies and regulations on supply chain management

Preferential Procurement Regulation 2017:
• 80/20 preference point threshold moved from 1 million to 50 million
2015 Revised BEE Codes:
• Enterprise & Supplier Development

Constitution
PFMA / MFMA Act
PPPFA Act
B-BBEE Act
Treasury Regulations

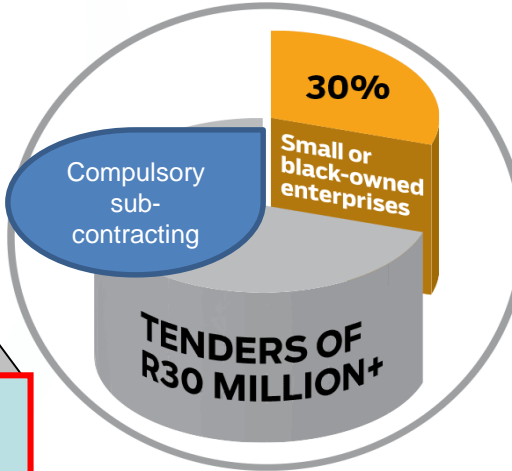
Standard for Uniformity

Legislative Framework
Uniform Procurement directives to three spheres of government

National Treasury Best practice guidelines

Supply Chain Management Guidelines
Standard Bidding Documents
Practice Notes

CODES OF CONDUCT FOR SCM PRACTITIONERS AND BID COMMITTEE MEMBERS



Inclusive growth

- Inclusive growth means making sure everyone is included in growth, regardless of the economic class, gender, sex, disability and religion (Ranieri and Ramos, 2013).
- Growth is said to be inclusive when it is sustainable in the long run and broad based across different sectors (Anand, Mishra, and Peiris, 2013).
- Inclusive growth approach took a long-term perspective of development.
- The National Development Plan's vision is that, in 2030, long-term accelerated economic growth should reduced unemployment and inequality and helped create a more inclusive society.



Supply chain management is a strategic tool to long-term socio-economic development & inclusive growth

Key ingredients in an inclusive growth strategy

Some of the key ingredients for inclusive growth that are generally agreed upon include:

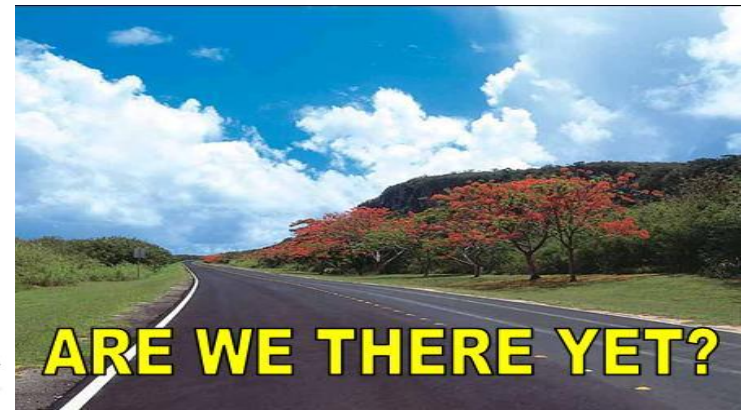
- Investment in human capital
- Job creation
- Structural transformation and broad-based growth
- Progressive tax policies
- Social protection
- Non-discrimination, social inclusion and participation

Strong institutions (Chang, 2014).

Using supply chain management as a catalyst to drive inclusive growth

- Recognising the strategic role of supply chain management
- Strategic sourcing & commodity management
- Procurement spend analysis and total cost of ownership
- Enterprise and supplier development
- Supplier contract and performance management

Are we using supply chain management as a catalyst to drive inclusive growth?



Supply chain management implementation challenges

- Supply chain management has become a talking subject in the country across all spheres of government where citizens raise concerns.
- Laws and regulations governing supply chain management are intentionally ignored or flouted by government officials resulting to corruption, fruitless, wasteful and unauthorised expenditures.
- Some officials in government do not understand the strategic importance of procurement to inclusive growth, socio economic development and its inextricable link to long-term quality service delivery.

The Supply Chain Management Review (2015) acknowledged that the strategic importance of supply chain management in government is not well understood, managed and implemented.

In newspapers, television, radio and social media, there are daily evidence of procurement irregularities. Auditor General of South Africa (AG, 2015) highlighted that municipalities are still facing challenges of non-compliance and irregular expenditure.

Previous findings on SCM implementation:

- Lack of proper knowledge, skills and capacity;
- Non-compliance with supply chain policy and regulations;
- Inadequate planning and the linking of demand to the budget;
- Poor value for money & lack of accountability;
- Fraud and corruption;
- Inadequate monitoring and evaluation of procurement outcomes;
- Unethical behaviour;
- Too much decentralisation of the procurement system; and
- Limited/no post contract management and supplier relationship **management** (Ambe, 2011)

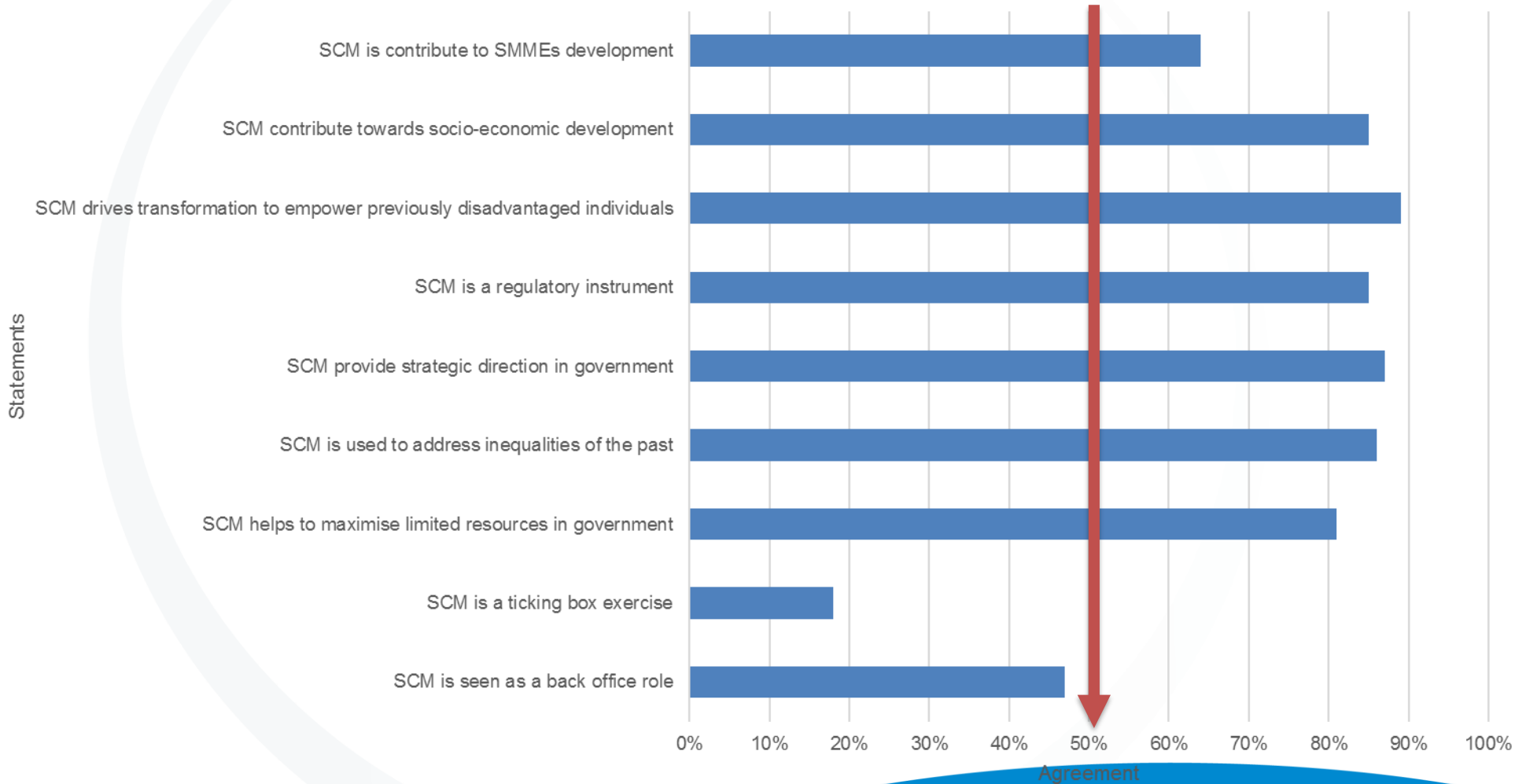
Top-three procurement challenges: 42% (202) of the 481 respondents said the BEE Codes keep them awake at night, with 'contract management' and 'compliance' sharing second place with 27%. Enterprise/supplier development' came in third (26%) [Smart Procurement World, 2014]

RESEARCH METHODOLOGY

- An exploratory and descriptive research design
- A survey of SCM practitioners in a provincial government.
- Face-face-interview based on structured questionnaire.
- Purposive sampling technique was used to select the respondents.
- A total of fifty (N=50) questionnaires to SCM practitioners.
- Questions were measured using a four point likert response format with end points (1) “strongly disagree” to (4) “strongly agree”.
- Data was analysed descriptively using Statistical Package for Social Sciences (SPSS).

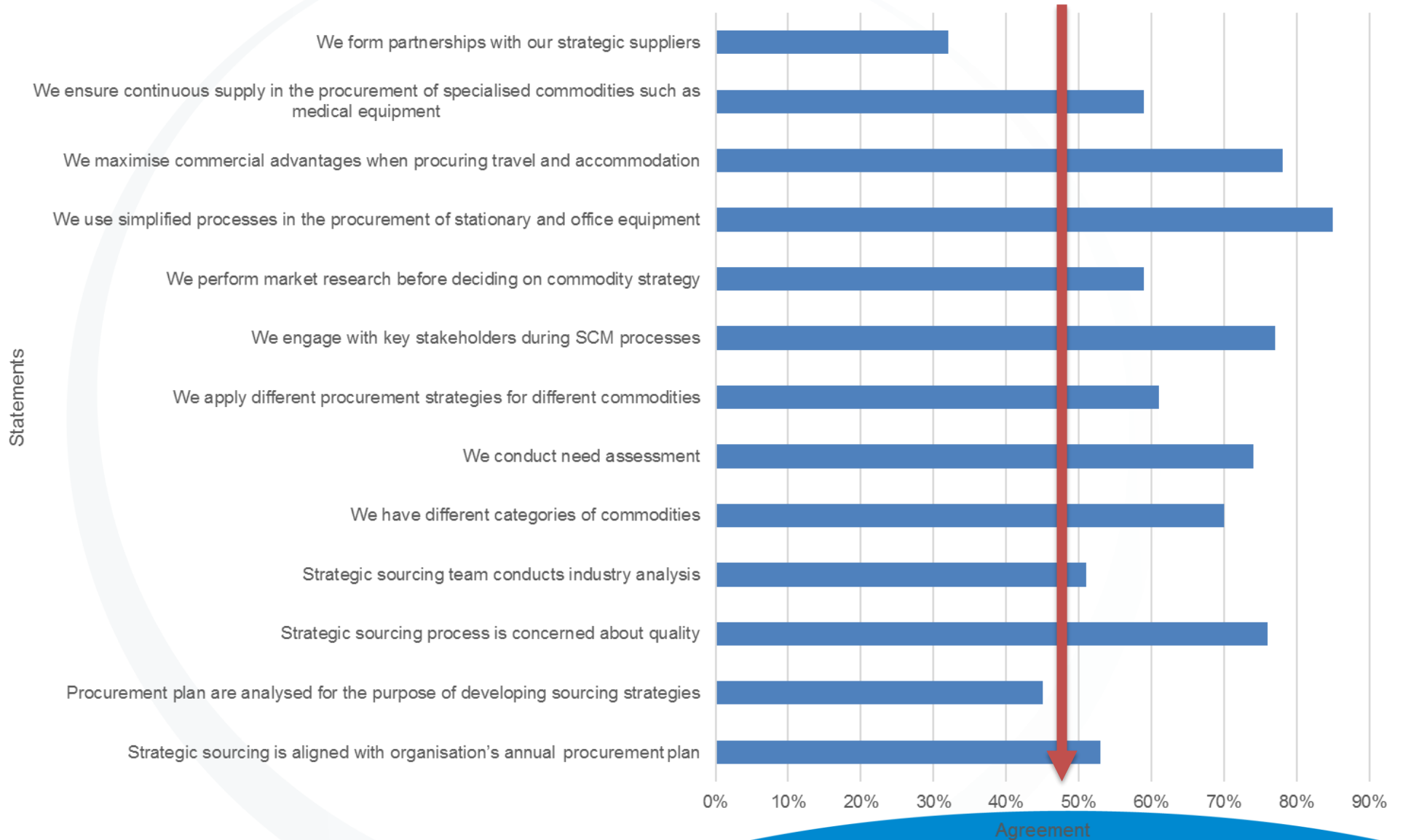
FINDINGS

STRATEGIC IMPORTANCE OF SUPPLY CHAIN MANAGEMENT



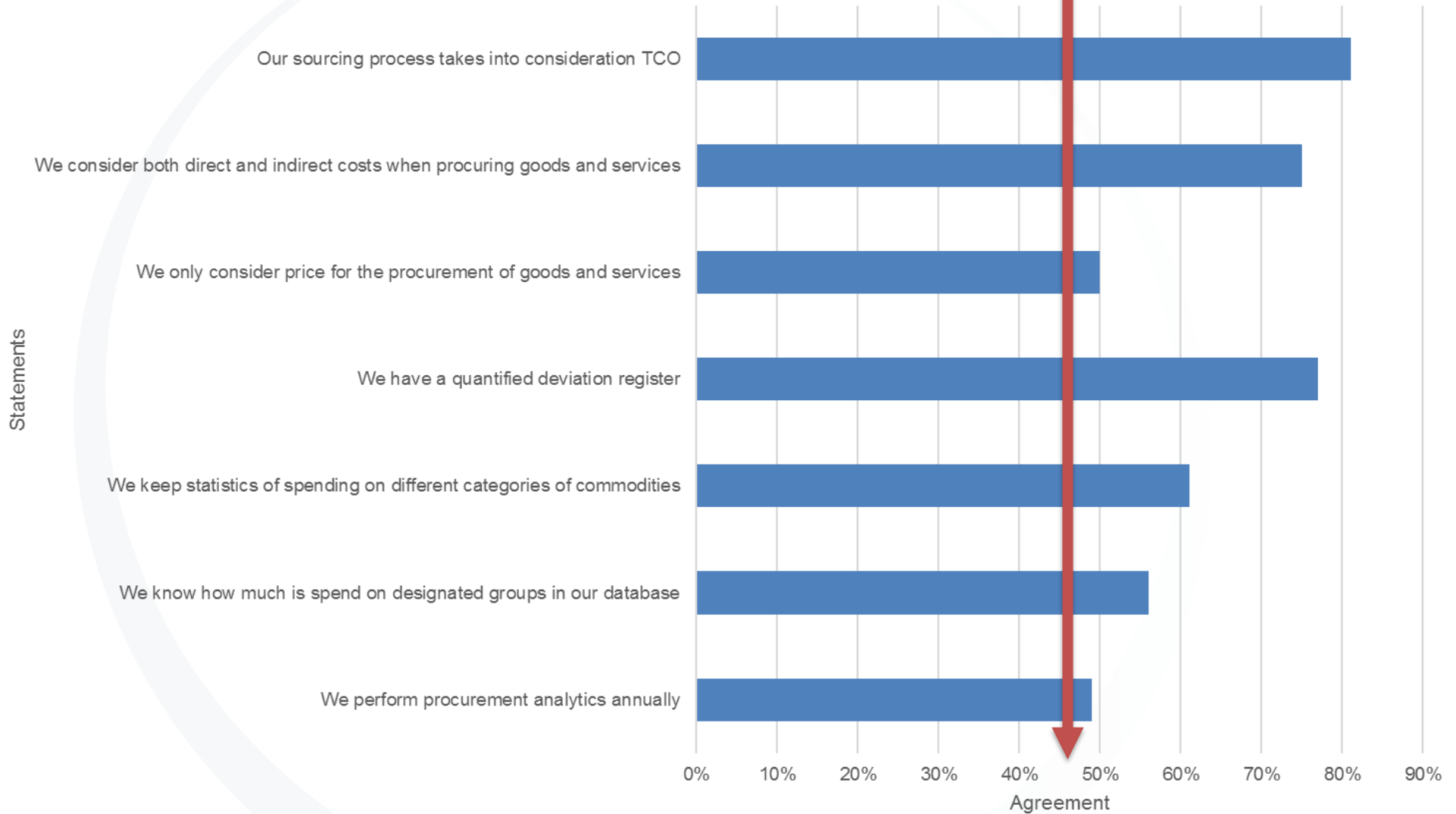
SCM practitioners do understand how important SCM is towards inclusive growth and socio-economic development. However, implementation remains a challenge.

STRATEGIC SOURCING AND COMMODITY MANAGEMENT



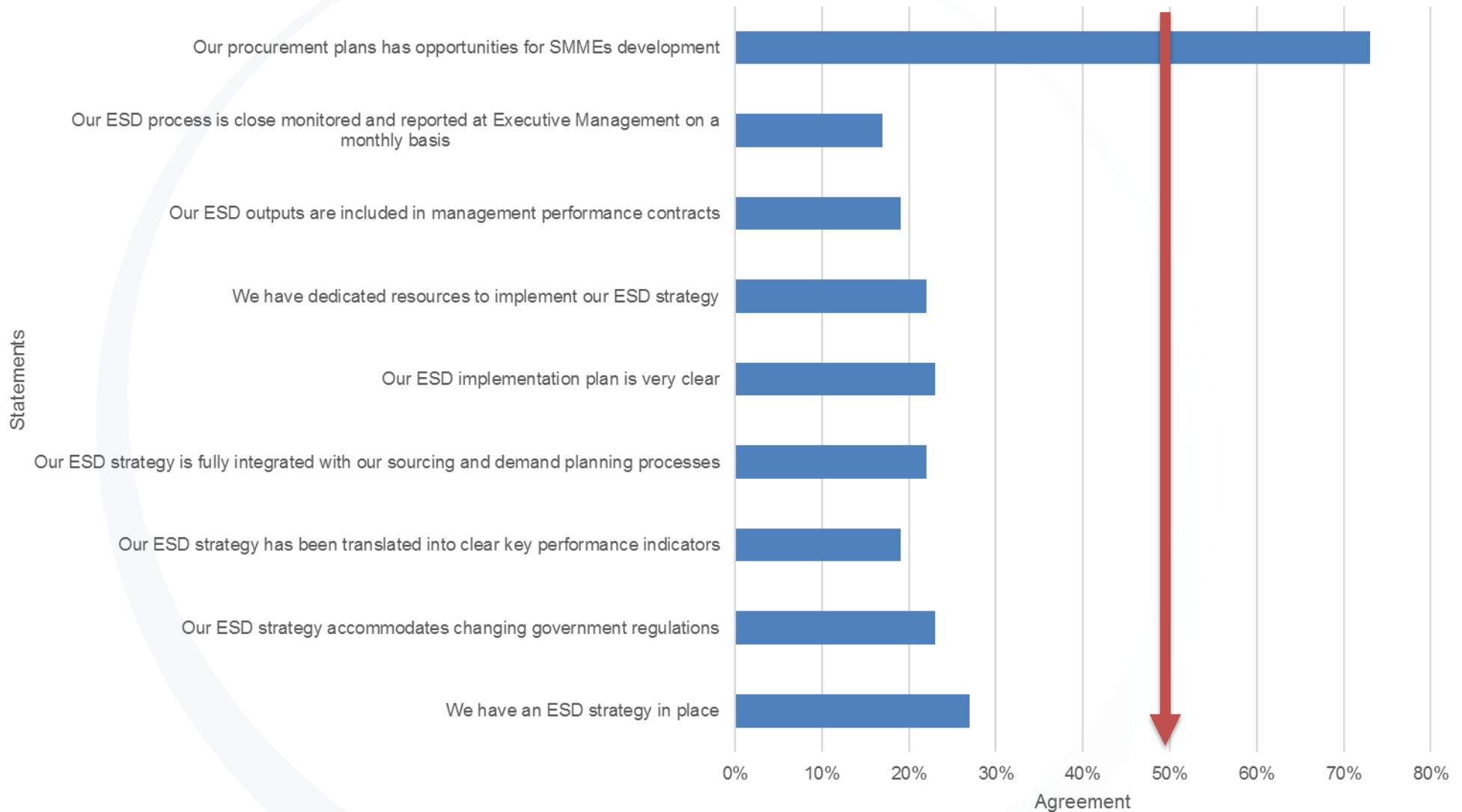
Strategic sourcing practices is to some extent aligned with the organisational annual procurement plan. transactions on the procurement plans are not properly analysed for the purposes of developing sourcing strategies

PROCUREMENT SPEND ANALYSIS & TOTAL COST OF OWNERSHIP (TCO)



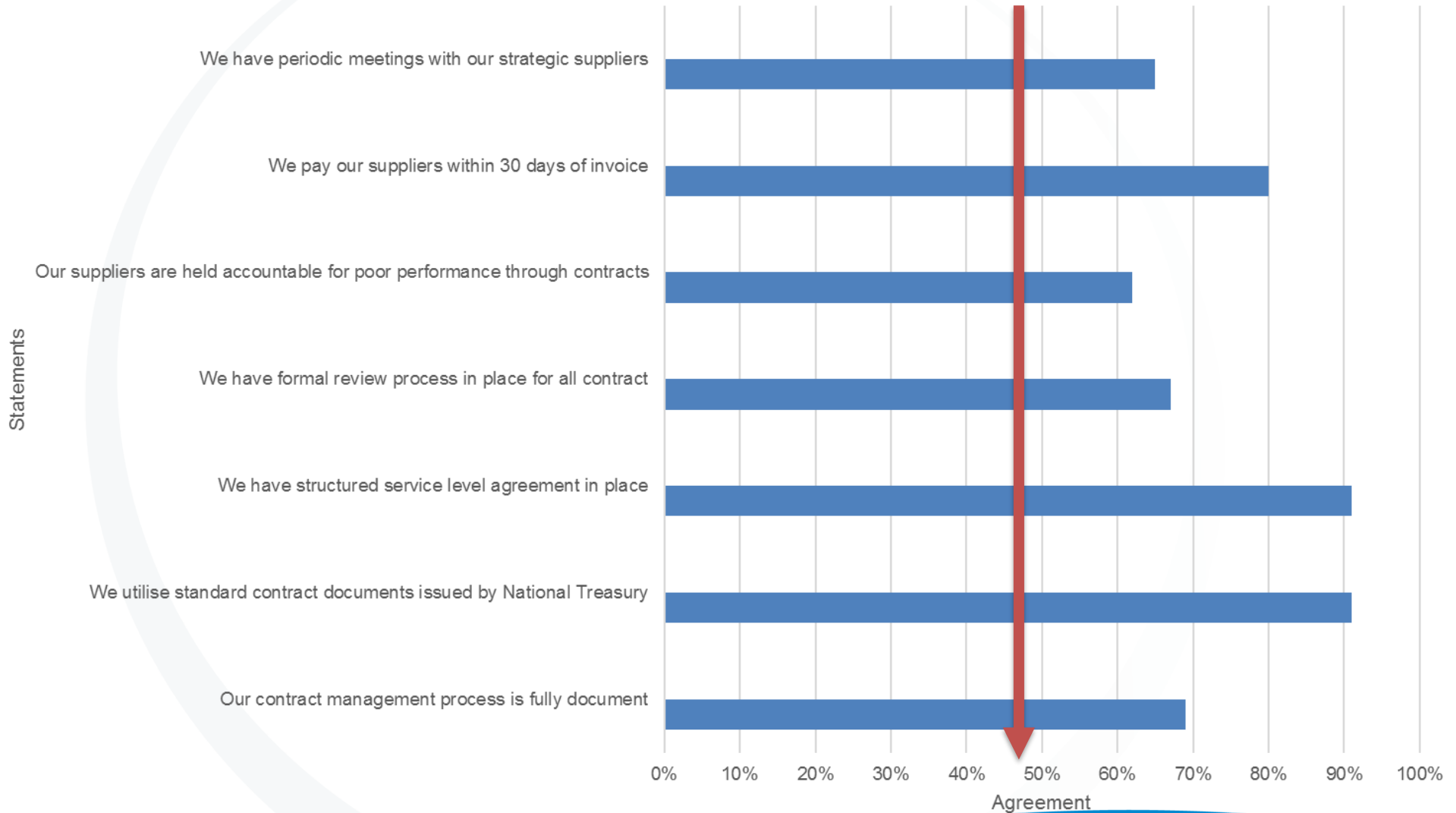
On average, there is agreement that procurement analytics should be perform annually. However, respondents are not sure of how much is spend on the various designated groups in their database

ENTERPRISE AND SUPPLIER DEVELOPMENT



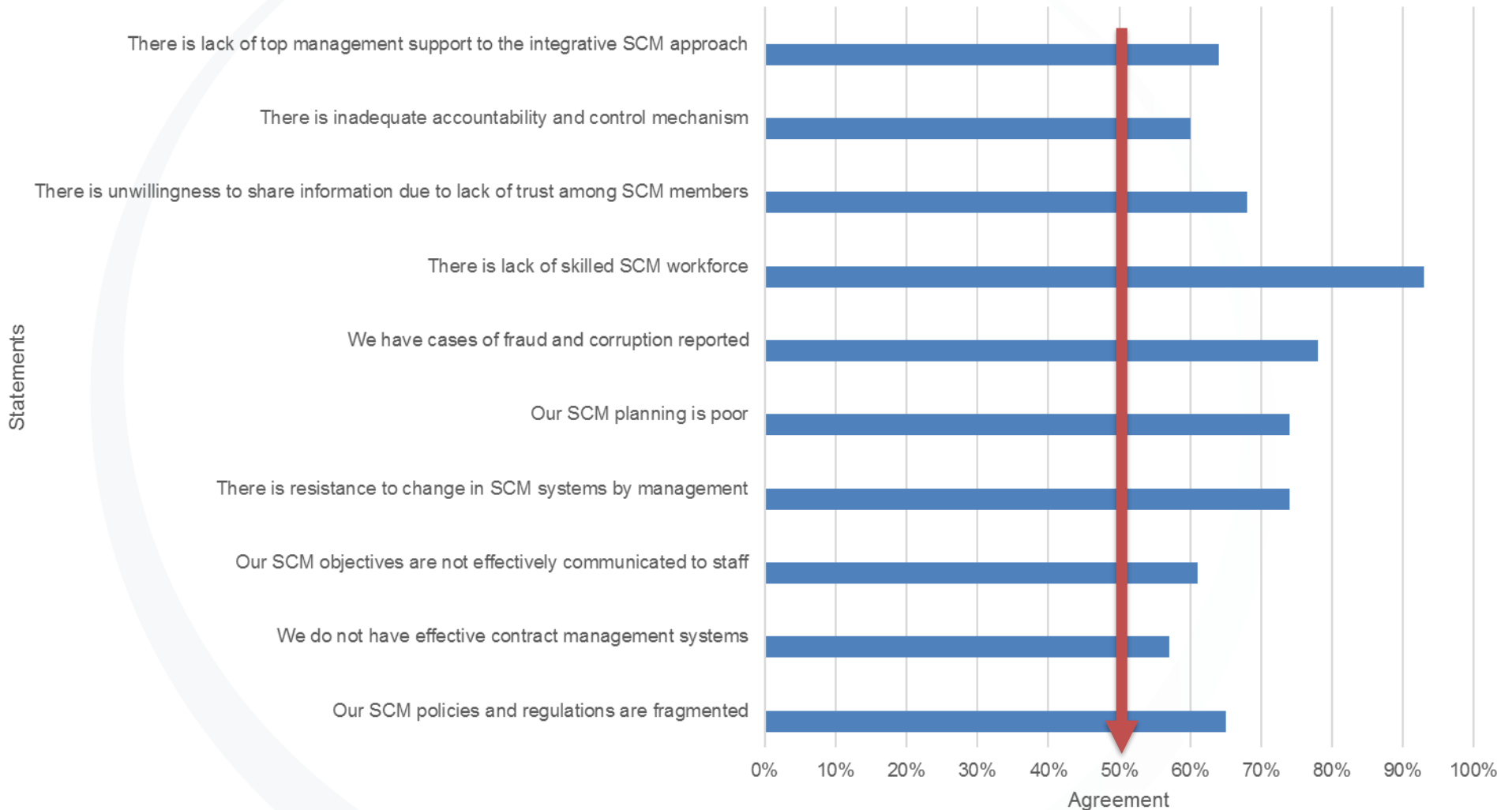
Enterprise and supplier development initiative in the province is still in an infancy stage. The provincial government need to create sensitisation on the importance of enterprise and supplier development towards job creation and upliftment of the living conditions in the province.

SUPPLIER PERFORMANCE AND CONTRACT MANAGEMENT



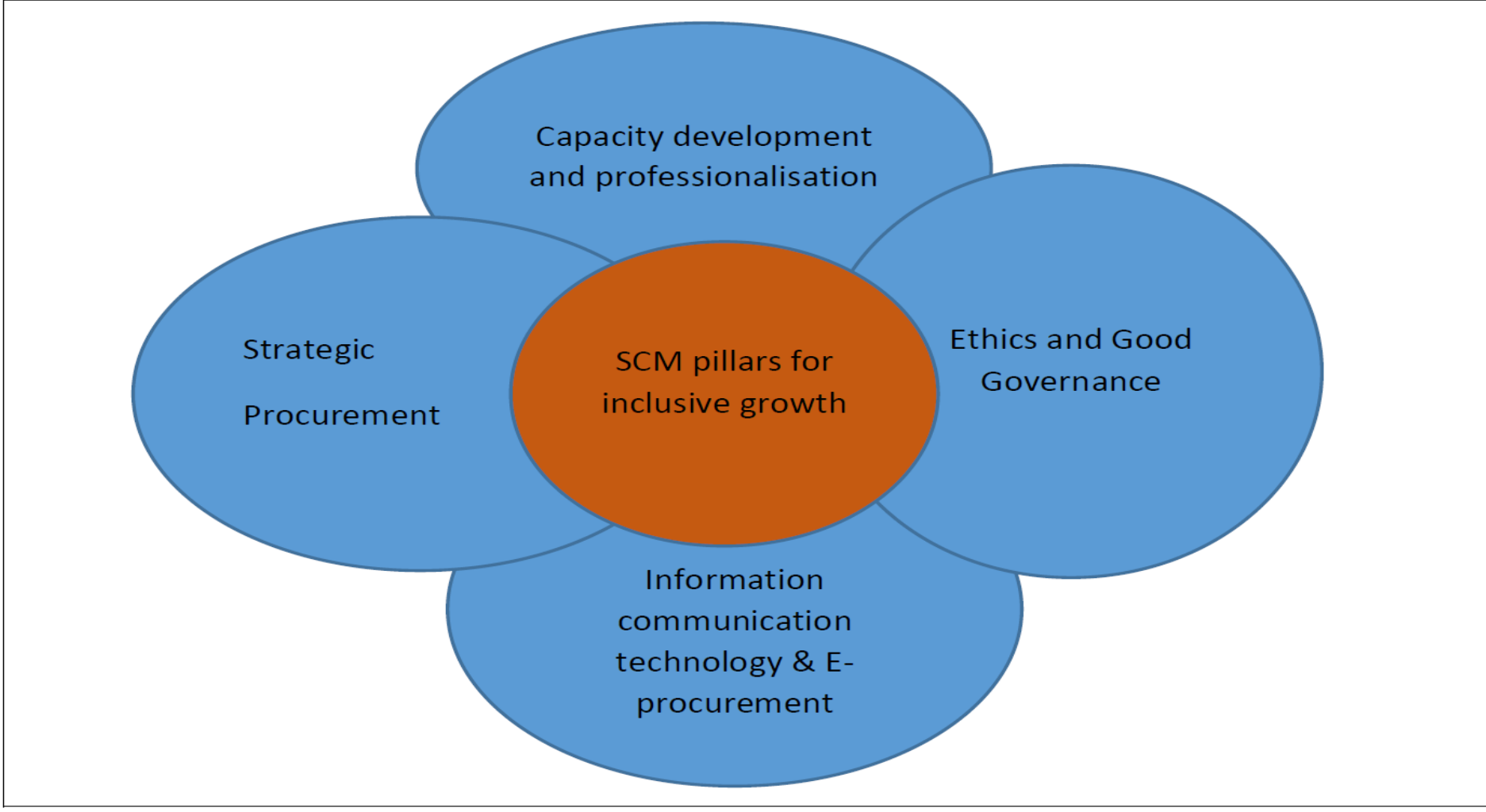
The province government have created a lot of sensitisation on supplier performance which may have an effect on good contract management processes.

SUPPLY CHAIN MANAGEMENT IMPLEMENTATION CHALLENGES



This result confirms previous reports by Ambe (2011); Smart Procurement World (2014); National Treasury (2015); Ambe (2016); National Treasury (2016), on the state of implementation of SCM in the country.

Supply chain management blueprint for inclusive growth



CONCLUSION

- Since 2004, SCM has gained significance in the South African public sector.
- It is being used as an enabling mechanism for the government to implement policy towards socio-economic development and transformation.
- SCM practitioners in the province do understand the importance of SCM towards inclusive growth and socio-economic development.
- However, the maturity of SCM is still in an infancy stage and SCM is not sufficiently used as a strategic function.
- The findings confirms to the views that SCM it is imperfect. The province is challenge with skills, competencies and knowledge of SCM practitioners, non-compliance to policies and regulations, ethical conduct and political interference in achieving the full potential of SCM towards inclusive growth.
- Therefore, harnessing the potential of SCM requires a major physiological change and embracing the strategic role within governments.
- There is also need to re-organise and re-align organisation structures to elevate SCM.



THANK YOU!!

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