

# Supply chain management as a contributing factor to local government service delivery in South Africa

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## **Abstract**

In the South African news media, there is daily evidence of the breakdown of service provision, particularly in local government, health and social services, policing and judicial support.

Within this context, the purpose of this article is to determine first, whether demand management contributes efficiently to service delivery implemented at local government level; second, if acquisition management processes in local government contribute to quality service delivery; and, third, whether contract management processes in local government contribute to quality service delivery.

The article is exploratory by nature and primary data were gathered through seven semi-structured interviews at four metropolitan municipalities in South Africa, based on a convenient sampling technique. The article reveals challenges that negatively affect service delivery. It is recommended that cross-functional sourcing teams be formed to embark on demand management activities and that municipalities consider investing in risk management tools that can be used to evaluate possible suppliers prior to awarding tenders.

The findings and recommendations of this article add to the body of knowledge of supply chain management performance in local government in South Africa and how effective supply chain performance management impacts on service delivery.

## **Key phrases**

*acquisition management; contract management; demand management; local government; service delivery; South Africa; supply chain management*

## 1. INTRODUCTION

Municipalities provide to communities services that are obtained from companies in the private sector. In a developing country such as South Africa, with its large poor population and social inequality, the need for service delivery is greater than in developed countries where larger numbers of people are self-reliant (Gauteng Department of Agriculture and Rural Development, 2010:34) There is daily evidence in the news media of the breakdown of service delivery in the country. As contended by Booysen (2007:21), “poor service delivery on local government level led to approximately 900 protests during the period February 2004 to February 2005”. The reasons for these protests include the non-performance of service delivery in areas of sanitation, water, electricity and housing, as well as corruption, which affected the quality and allocation of services (Booyesen 2007:23). The situation has not improved as, since 1 January 2014 to 3 April 2014, there were 48 major service delivery protests. These protests occurred mainly in Gauteng and the Eastern Cape (City Press 2014:Internet).

An Economist Intelligence Unit’s briefing (2007:Internet) asserts that there are literally thousands of vacancies in the public sector, which helps explain the visible deterioration in service delivery across the economy. Despite these vacancies, it is also reported that there are too many jobs in this sector, hence the enormous salary bill. Alexander (2010:37) remarks that skills and capacity constraints in local government are factors that contribute to local governments’ inability to provide service delivery. The government’s own budget review admits that more than 60 percent of senior managers in municipalities have virtually no qualifications in finance or engineering, while most are inexperienced (Economist Intelligence Unit 2007:Internet).

In 2010, the Institute for Local Government Management of South Africa (ILGM) was tasked to present a report to Parliament on service delivery protests, as there had been a significant increase in service delivery protests in 2009. The report advised that “governance in municipalities, specifically with regard to the awarding of tenders and the appointment of service providers” be investigated and dealt with accordingly (ILGM 2010:2). In addition, the ILGM report indicated that “the awarding of tenders is perversely secretive and patently manipulated, and that it is the primary consideration in terms of the appointment of staff in a municipality” (i.e. applicants are offered employment if it is perceived they will comply in allocating tenders to a particular chosen supplier) (ILGM 2010:3).

Deficiencies and fragmentations in governance, interpretation and implementation of the Preferential Procurement Policy Framework Act (PPPFA) Act No 5 of 2000, resulted in the introduction of supply chain management (SCM) in the South African public sector (National Treasury 2005:8). However, despite reform processes in public procurement and the employment of SCM as a strategic tool, service delivery is still an uphill battle for local government practitioners.

De Lange (2011:Internet), reported that “taxpayers were fleeced of R30 billion. Corruption, incompetence and negligence by public servants” were to be blamed. About 20 per cent of the government’s procurement budget alone “went down the drain each year. This was because officials had their fingers in the till, overpaid for products and services or failed to monitor how money was spent” (De Lange 2011:Internet). Among government entities probed for procurement irregularities was the Tshwane Metro where about 65 municipal officials were investigated for making business deals worth approximately R185 million with their own Council (Pauw 2011:Study Guide). The South African government spent R26.4 billion in 2010 in transactions that contravened laws and regulations (Smart Procurement 2011:Internet).

In light of the challenges explained, this article explores the impact of SCM on service delivery in local government in South Africa. SCM in the public sector consists of five components, namely: demand management; acquisition management; logistics management; disposal management; and performance management (National Treasury 2003:Internet).

The objectives of this article focus on the demand, acquisition and performance management of the supply chain management framework. The component of Performance management includes *Contract management*.

The objectives are defined as follows:

- To determine whether demand management contributes efficiently to service delivery implemented at local government level.
- To determine if acquisition management processes in local government in South Africa contribute to quality service delivery.
- To determine whether contract management processes in local government contribute to quality service delivery.

The findings and recommendations of this article add to the body of knowledge on local government in South Africa, and how effective supply chain performance management impacts on service delivery.

Firstly, the article provides a review of the literature. This is followed by the research methodology after which the results and explanation of the findings are provided. The article then concludes with recommendations and a conclusion.

## **2. LITERATURE REVIEW**

This section of the article presents a review of existing supply chain management literature as well as current levels of service delivery in local government.

### **2.1 Supply chain management**

“Supply chain management (SCM) is a management philosophy aimed at integrating a network (or a web) of upstream linkages inside the organisation and downstream linkages (distribution and ultimate customer) in performing specific processes and activities that will ultimately create and optimise value for the customer in the form of products and services which are specifically aimed at satisfying customer demands” (Hugo, Badenhorst-Weiss & van Biljon 2004:5). Larson (2009:224) remarks that “SCM integrates business functions such as sales, marketing, forecasting, research and development, production, procurement, logistics, information systems, customer service and finance”.

In essence, SCM integrates supply and demand management within and across organisations. A supply chain consists of all parties involved directly or indirectly in fulfilling a customer request, and it includes all functions involved in receiving and filling a customer request. These functions include but are not limited to new product selection, procurement, marketing, operations, distribution, finance and customer service (Sanders, 2012:3).

A supply chain, as opposed to supply chain management, is a set of organisations directly linked by one or more of the upstream and downstream flows of products, services, finances and information from a source to a customer (Chopra & Meindl, 2013:14). Each stage in a supply chain is connected through the flow of products, information and funds.

Public sector SCM offers a reference framework for the composition of public sector supply chains and multilevel networks. Participants in the public sector supply chain comprise: (1) private firms, which receive orders from public sector agents, (2) accounting officers, and (3) policy-makers (Migiro & Ambe 2008:232). The SCM function in the public sector not only

concentrates on the question of which institutions co-operate in the provision of goods and services, but also how these enterprises are involved with enterprises operating at other levels. Thus, analyses of intra-network relationships as well as analyses of inter-network relationships are essential elements of the concept.

## **2.2 Supply chain management in South African local government**

For approximately two decades, the South African public sector supply chain system has undergone transformation through the introduction of procurement reforms. The procurement reforms began in 1995 and were directed at two broad focus areas, namely the promotion of principles of good governance and the introduction of a preference system to address socio-economic objectives (National Treasury 2005:Internet).

The procurement reform processes were embedded in section 76(4) (C) of the Public Finance Management Act (PFMA) and the Preferential Procurement Policy Framework Act (Act 5 of 2000) (PPPFA). To introduce and implement the reforms, the SCM unit in the National Treasury in 2001 completed a joint Country Procurement Assessment Review (CPAR) with the World Bank to assess procurement practices throughout the public sector. The CPAR identified certain deficiencies in practices relating to governance, interpretation and implementation of the PPPFA and its associated regulations (Van Zyl 2006:38).

The deficiencies led the provincial treasuries, in conjunction with the National Treasury, to embark on a vigorous reform initiative to introduce best procurement practices that are efficient and effective (Van Gruenen & Van Niekert 2010:3657). Based on this initiative, SCM was introduced in the South African public sector (National Treasury 2005:Internet).

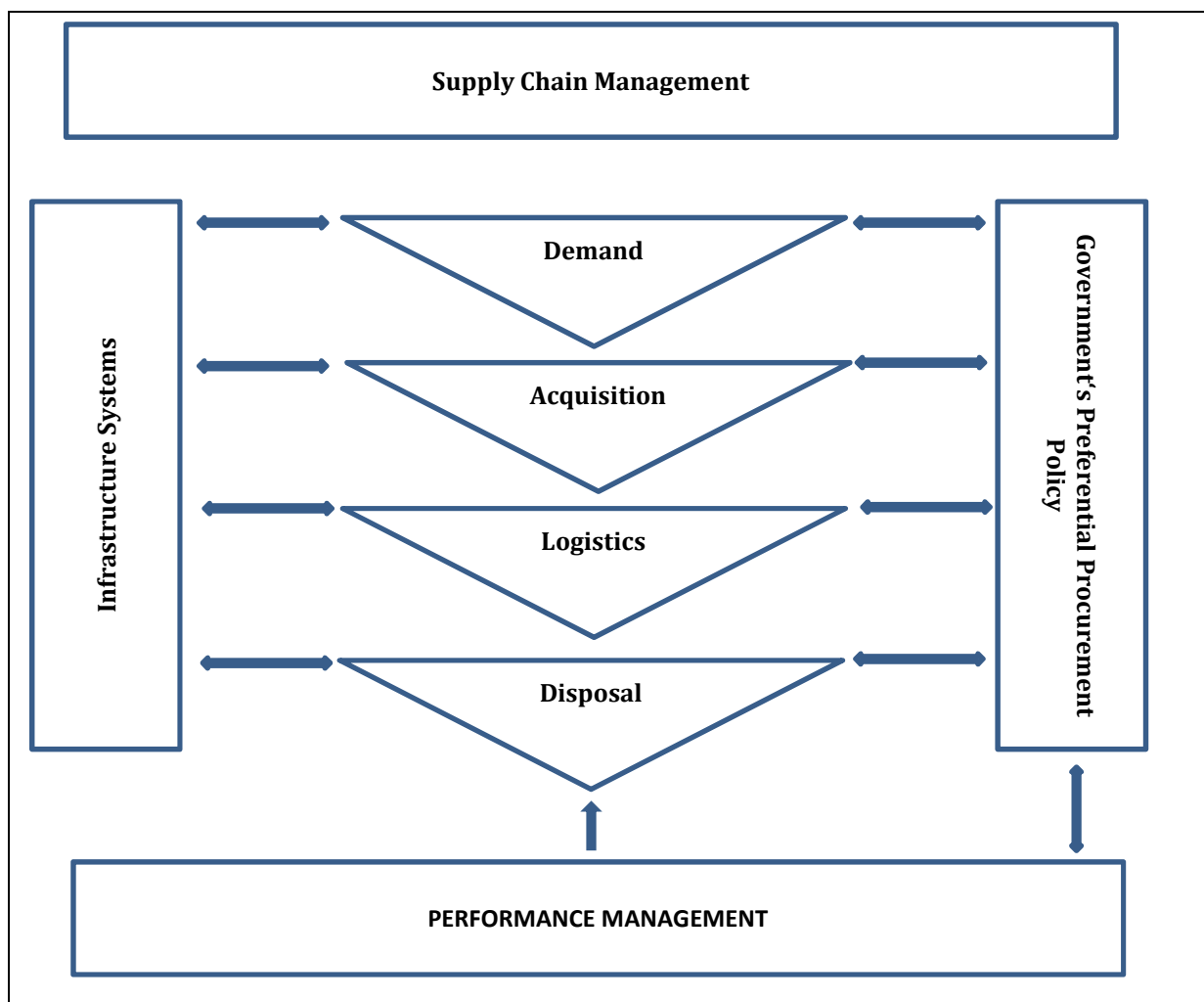
### **2.2.1 Supply chain management policy**

In 2003, the South African Cabinet adopted an SCM policy to replace outdated procurement and provisioning practices. The aim was to implement an SCM function across all spheres of government, which would be an integral part of financial management and would conform to international best practices (National Treasury 2005:Internet).

The main aim of the SCM policy framework is to promote uniformity and consistency in the application of SCM processes throughout government. The aim of the framework is to also facilitate the standardisation and uniform interpretation of government's preferential procurement legislation and policies; and complete the cycle of financial management reforms introduced by the PFMA by devolving full responsibility and accountability for SCM related functions to accounting officers and authorities (National Treasury 2005:Internet).

SCM is built upon ensuring value for money, open and effective competition, ethics and fair dealing, accountability and reporting, and equity (Van Gruenen & Van Niekert 2010). Ensuring these values will achieve the ultimate goals of uniformity in procurement processes, good governance and economic development (National Treasury 2005:Internet). The framework for the SCM system constitutes demand management, acquisition management, logistics management, disposal management, and risk and performance management. The framework is guided by the preference point system to achieve redistribution of wealth (ensuring equal opportunities) (National Treasury 2003:Internet).

Figure 1 shows a framework for the South African public sector supply chain.



**FIGURE 1: Supply chain management model for government entities**

Source: National Treasury 2003:Internet

### **2.2.2 Supply chain management business model**

The PPPFA consists of six components of SCM that make up the framework for the SCM system. The six components are underpinned by the norms of "fairness, equitability, transparency, value for money and competitiveness". Section 16A3 of the SCM Regulations of 2005 contained in the PFMA requires that each SCM department adheres to the following five components of supply chain management:

- (i) demand management;
- (ii) acquisition management;
- (iii) logistics management;
- (iv) performance management; and
- (v) disposal management
- (vi) Performance management.

Figure 1 illustrates the SCM model suggested in the Supply Chain Management Guide (National Treasury 2003:Internet)

The focus of this section is on *demand management*, *acquisition management* and performance management in local government. The component of Performance management includes *Contract management*.

#### **2.2.2.1 Demand management**

According to Ambe and Badenhorst-Weiss (2011:251) demand management can be defined as the decision-making process that allows departments to procure at the right time, at the right place and at the right cost. Demand management commences with the formulation of the Integrated Development Plan (IDP). The IDP identifies the operational duties and strategic aims of a local municipality for a particular financial year. Section 11 (a-c) of the PPPFA 5 OF 2000 stipulates that municipalities have an obligation to properly plan for and accurately estimate the costs of the goods and services required. End-user needs in local government must be evaluated using market and commodity analysis as well as the supply and demand process (Khalo 2007:205). This component of SCM is critical because it "controls, co-ordinates and balances and influences the demand and supply for a firm's products and services in an effort to reduce total costs for the firm and its supply chain" (Burt, Dobler & Starling 2003:625).

### **2.2.2.2 Acquisition management**

Acquisition Management can be defined as the 'the acquisition (through buying or purchasing) of goods and services by government or public organizations' (Hommen and Rolfstam (2009:19). Acquisition management is a vital part of the preferential procurement policy. The Public Sector Procurement Guidelines document prescribes five Pillars of Procurement, which every public institution needs to implement during the acquisition stage (Raga & Albrecht 2008:792). The activities within acquisition management need to comply with the PPPFA of 2001 and its regulations, the Broad-Based Black Economic Empowerment (B-BBEE) Act 53 of 2003, and the Municipal Finance Management Act (MFMA) 56 of 2003. The provisions of the MFMA determine the methods to be used to source the needs of a municipality.

The process of tendering for goods above R200 000 is governed by the three bid committees stipulated in the Guide for Accounting Officers of Municipalities and Municipal Entities, as follows (National Treasury 2005:Internet):

- **Bid specification committee** (BSC) prepares the specifications, determines the goals as stipulated in the PPPFA, and defines the evaluations criteria and other special conditions of a specific contract.
- **Bid Evaluation Committee** (BEC) is a cross-functional team composed of at least one SCM official and officials from the user department. This committee is responsible for evaluating the bids by using the provisions of the PPPFA. The outcome of the evaluation is sent to the bid adjudication committee for recommendation.
- **Bid Adjudication Committee** (BAC) should comprise four senior managers from different disciplines and a supply chain management official. This committee considers the recommendations of the BEC.

### **2.2.2.3 Performance management**

The component of performance management includes contract management. Contract management involves monitoring processes retrospectively to determine whether the objectives and goals were achieved (Ambe & Badenhorst-Weiss 2011:14).

Contract management is a key component that impacts on service delivery. The Contracts Management Framework (CMF) has a contract lifecycle that consists of five stages and applies to tenders above R200 000. Contract management consists of the following:



- **Procurement planning.** This stage involves ensuring that the organisational needs identified during the demand management process are carried out according to the strategic plan and are within budget. Possible suppliers are identified at this stage (National Treasury 2010:Internet).
- **Solicitation planning.** Tender documents are prepared during this stage. The contract can be classified for management purposes and assigned to relevant stakeholders for them to manage it (National Treasury 2010:Internet).
- **Calling of tenders.** This is the stage of obtaining proposals from the public in line with service delivery requirements.

A tender containing the comprehensive specifications compiled by the BSC is advertised to the public in the appropriate media for a stipulated period of time, as stipulated in Section 22(1)(a) of the SCM Regulations contained in the MFMA Act 56 of 2003.

- **Source selection.** During this stage bids are received and evaluated using pre-set evaluation criteria in order to select the most suitable service provider.

In order to adhere to the requirement of fairness in public procurement, all the tenders received on time must be opened in public, and particulars of each tender must be made public and entered into an official tender register. All bidders must be invited to attend the opening and awarding of the tenders (Moeti, Kahlo, Mafunisa, Nsingo & Makonda 2007:124).The tender register must be kept for auditing purposes (National Treasury 2010:Internet).

- **Contract administration.** This stage ensures that the performance of each service provider meets the contractual requirements (Rendon 2008:208).

Performance must be monitored as it impacts on the relationship management framework, future budgets, and the risk management plan. Once the service provider has completed the project, administrative matters have to be concluded and all outstanding items resolved (Rendon 2008:209).

### 2.3 Service delivery in South African local government

Chapter 7 (s151)(1) of the Constitution of the Republic of South Africa created the local government sphere of government. Chapter 7 (s152)(b-c) states that local government has to “ensure the provision of services to communities in a sustainable manner and to promote

social and economic development” (Constitution of the Republic of South Africa 1996:Internet). The co-operative structure of the different spheres of the South African government allows local government to be better equipped to “render services aimed at achieving a healthy socio-economic and political environment” (Van der Waldt 2007:17). The local sphere of government consists of municipalities that are categorised in accordance with the categories prescribed in Chapter 7, Section 155 of the Constitution (1996). South Africa accordingly has 283 municipalities across its nine provinces.

The Local Government: Municipal Structures Act 117 of 1998 defines a municipality as “an organ of state within the local sphere of government consisting of political structures, office bearers and administration of the municipality”. They are categorised as follows:

- **Category A (Metropolitan cities) (8)** – “Large urban complexes with exclusive municipal executive and legislative authority in its area”
- **Category B (Local municipalities) (229)** – “Local municipality that shares municipal executive and legislative authority in its area with the category C municipality within whose area it falls”
- **Category C (District municipalities) (46)** – “A District municipality has municipal executive and legislative authority in an area that includes more than one municipality”

(Constitution of the Republic of South Africa 1996: Chapter 7, Section 155)

## 2.4 Service delivery at local government level

Mfene (2009:210) defined service delivery as “an encompassing activity aimed at promoting the general welfare of the community”. The Parliamentary Monitoring Group (2010:4) further explains that service delivery is an “outcome, of which the scale and quality depends on factors such as: clear and realistic policies; appropriate allocation of powers, functions and financial resources; performance and accountability of State organs to implement policies; co-ordination between organs of State; public participation and involvement as well as the level of self-reliance of communities”.

Lack of service delivery is mostly experienced at local government level because it is the “coalface of service delivery” (Moosa 1996:4).

The basic services, as stated in Part B of Schedule 5 of the Constitution of the Republic of South Africa, include the provision of (1) water, (2) sanitation, (3) electricity, (4) refuse removal, (5) housing, and (6) other services. Boateng (2010:1), remarks that “there is [a]

supply chain associated with every product delivered, be it tangible or not, health or education, waste collection, financial services, tourism and even service delivery in local government”.

Boateng’s (2010:1) argument links service delivery to supply chain management. Ambe and Badenhorst-Weiss (2011:88) also argue that “in the public sector, supply chain management is used as an instrument to enhance quality service delivery to citizens”. It is for this reason that supply chain performance management is essential to ensure continuous improvement in supply chain management. An effective supply chain management system will translate into improved service delivery to its citizens.

### **3. RESEARCH METHOD**

This study is descriptive and exploratory and uses a qualitative approach. The study is descriptive because a specific situation is studied to see if it gives rise to any general theories (Sekaran & Bougie 2013:97). The study is also exploratory because it explores an area where little is known (Sekaran & Bougie 2013:96). This approach is appropriate in order to provide a deeper understanding of what supply chain performance management is and how effective supply chain performance management could improve service delivery provided by local government.

A qualitative approach was used as such an approach produces more in-depth, comprehensive information than a quantitative approach. It allows for more diversity in responses, and has the ability to adapt to new developments or matters during the research process itself (Wagner, Kawulich & Garner, 2012:126).

As indicated earlier on in this article, there are 283 municipalities in South Africa; with eight category A or metropolitan municipalities. This study focuses on category A, the metropolitan municipalities only.

A convenience sample was used while this study was limited to four metropolitan municipalities. Four of the eight metropolitan municipalities agreed to participate in this study. The chosen sample portrays and explores participants’ perceptions about supply chain management practices in local government. A total of seven participants were interviewed for the study as reflected in Table 1. For the purpose of anonymity, the names of the participants and municipalities (the municipalities are denoted A, B, C and D respectively) remain confidential.

**TABLE 1: Municipalities and participants' position**

Municipality	Job description	N=7
Municipality A	Director: Expenditure and Payments Director: Project Management Office Senior Accountant: Tender Administrator	3
Municipality B	Deputy Manager: Supply Chain Operations Senior Manager: Performance and Risk Management	2
Municipality C	Manager: Demand and Risk Management	1
Municipality D	Assistant Director: Administration and Procurement Services	1
<b>Total : 4</b>		<b>N=7</b>

Source: Authors' compilation derived from the interviews with respondents

One of the authors conducted the interviews, using a semi-structured interview guide. Interviews were recorded using a digital voice recorder. Permission to use a voice recorder was granted by the participants. The recordings were transcribed verbatim by the interviewer. The transcripts were then checked against the voice recordings by one of the other authors for accuracy and any transcriptions errors were corrected.

The data were analysed using content analysis - a way of systematically decoding and categorising data so that inferences can be made. Any responses clearly linked to the objectives of the research questions were kept and considered, while irrelevant information was discarded. The useful data were then categorised and unitised. The findings were structured according to the areas of interrogation as contained in the interview guide.

The main focus of this article, which relates to the supply chain management model, was directed to the management of demand and acquisition as well as contract management.

#### **4. RESULTS AND EXPLANATION OF FINDINGS**

The results and discussion are explained in line with the purpose and research objectives of this study.

The article aims to explore the impact of supply chain management on service delivery in local government. The municipalities in this article are referred to as Municipality A, Municipality B, Municipality C, and Municipality D, as indicated in Table 1.

**Research objective 1:** To determine whether demand management contributes efficiently to service delivery implemented at local government level.

The findings of the research revealed that all four participating metropolitan municipalities insist that planning is the responsibility of the line departments. Currently, the user department sends a request with specifications and evaluation criteria to SCM. This practice is contrary to the provisions of s(2.1.1) of the Procurement Strategy Document, which advocates the use of cross-functional teams to undertake demand management activities (National Treasury 2003:21).

Table 2 summarises the emergent themes that emerged from the study and how they affect service delivery.

**TABLE 2: Emerging demand management themes in relation to service delivery**

Category/themes	Municipality (N=4)	Description of theme/code	Reason
Interrogating the market	A, B & C	Improper market analysis	No-one to perform such activities
Lack of integrated planning	A & B	Demand management units are non-existent.	Run as a "one-man" show
Inadequate specifications/Poorly drafted specifications	A, B & C	Poor quality of returned bids	Demand activities not carried out

Source: Authors' compilation derived from the interviews with respondents

All the managers interviewed agreed that demand management is a core activity of SCM and if it is not carried out properly at the initial stage, it has a negative ripple effect that will mar the outcome. One manager indicated that the problems caused by inadequate planning show up during the tendering process, as quotes are often inaccurate compared to initial estimations and therefore costs can escalate above the awarded amount during the implementation phase.

This assertion is in line with the duty to plan for procurement as discussed in the literature review section. It is also supported by the Public Administration Leadership and Management Academy (PALAMA), which acknowledges that a lack of integrated planning and market analysis result in "badly compiled specifications, that impact negatively on the evaluation and adjudication processes" (Palama 2012:Internet).

**Research objective 2:** To determine if acquisition management processes in local government in South Africa contribute to quality service delivery.

The findings of the result regarding acquisition management revealed that there are numerous challenges during the acquisition management process. These challenges impact the quality of services rendered by the municipalities and include inadequate specifications, insufficient internal controls, unfair irregular practice, and the problematic nature of documents and their submission. These challenges are categorised and listed in Table 3 based on the participants' view.

**TABLE 3: List of challenges in the acquisition management process**

CATEGORY	Municipality (N = 4)	Description of theme/code	Reason
Inadequate specification	A, B, C & D	Ambiguous and/or inadequate specifications	Poor quality of specifications received from the technical department.
Insufficient internal controls	A, B, C & D	Misrepresentation	Some service providers misrepresent their HDI* status to secure a contract.
	A & B	Cover quoting	To manipulate which bid is successful.
	A & B	Nepotism	Awarding tenders to employees in the employ of the state
Unfair or irregular practices	A, B & C	Divulging of confidential information on prices	Manipulation of the system.
	C	Questionable objectivity of BEC members	Sometimes agree to matters that should be questioned and challenged.
	C	Tampering with supplier submissions	Documents 'mysteriously disappear' and a bidder submitting incomplete documentation will be disqualified.
Problematic document submission	A, B, C & D	Incomplete documents	Difficulty in understanding tender documents.
	A, B, C & D	Late submission of bids	These cannot be accepted.

\*HDI: Historically disadvantaged individual

Source: Authors' compilation derived from the interviews with respondents

From the above it can be inferred that acquisition management is a key supply chain management process towards quality service delivery.

**Research objective 3:** To determine whether contract management processes in local government contribute to quality service delivery.

In order to determine the contribution of contract management towards quality service delivery, service provider management and development were established to be key processes. The role of the service provider management and development department is that of building and monitoring the relationship with the service provider and providing technical and/or financial assistance when required. All the participating municipalities have units dedicated to service provider management and development. Table 4 presents a list of common challenges when dealing with service providers.

**TABLE 4: List of common challenges when dealing with service providers**

CATEGORY	Municipality (N = 4)	Description of theme/code	Reason
Late payments to service providers	A, B, C & D	Project managers take too long to approve completed projects and submit final invoices for payment. Small, medium and micro enterprises (SMMEs) submit incorrect invoices.  SMMEs submit invoices to the wrong offices.	Project Managers carry a heavy work load.  SMMEs do not have appropriate accounting systems in place. SMMEs not sure where to send invoices.
Under quoting	A, B, C & D	SMMEs tend to under quote hoping that they will be able to obtain the necessary goods cheaply 'somewhere'.	Hoping to be awarded the tender.
Resource constraints	A, B, C & D	SMMEs lack requisite experience for the projects they take on.	Hoping to recruit experienced staff once contract is awarded.

Source: Authors' compilation derived from the interviews with respondents

Table 4 shows that a lack of appropriate contract management procedures impact on service delivery. Contract management processes, such as late payment to service providers, under quoting and resource constraints, affect the way projects are executed and could result in poor quality products and services.

A sentiment that emerged from all the managers participating in the study is that current SCM processes are cumbersome, resulting in inadequate levels of service delivery. Table 5 summarises the challenges of supply chain management in local government and how they impact on service delivery.

**TABLE 5: The impact of supply chain management on service delivery in local government**

Element of supply chain management	Challenges	Impact on service delivery
Demand management	Lack of integrated planning	Poor planning during this phase affects the quality of returned bids as well as the evaluation and adjudication thereof. This often results in projects being delayed unnecessarily.
	Lack of capacity to investigate the market thoroughly	
	Inadequate specifications/ Poorly drafted specifications	
Acquisition management	Weak internal controls	The result of these challenges is that the right service provider may not be awarded the tender and this could result in poor workmanship. Indeed, this contributes to non-performance of service delivery in various areas, such as sanitation, water, electricity and housing.
	Unfair and irregular practices	
	Late submission of tenders and submission of incomplete documents	
	Ambiguous and inadequate specifications	
	Awarding of tenders to companies whose directors are in the employ of the state	Corruption also affects the quality and allocation of services
	Cover-quoting	
Contracts management	Late deliveries	These tendencies result in late or non-delivery when service providers realise that the price they quoted is not sustainable.
	Under-quoting	
	Incompetent service providers	Poor controls combined with the lack of service provider management and development is a significant factor contributing to poor service delivery.
	Lack of skills and capacity	
	Weak internal controls	

Source: Authors' compilation derived from the interviews with respondents

## 5. RECOMMENDATIONS

The study investigated the impact of supply chain management on service delivery in local government. Four metropolitan municipalities in South Africa were selected for the study based on a convenient sampling technique with seven interviews conducted. The article identified challenges regarding supply chain management that currently negatively impact on service delivery. The challenges identified in the *demand management* processes include: (1) lack of integrated planning; (2) lack of capacity to investigate the market thoroughly; and (3) inadequate or poorly drafted specifications.



The article recommends that cross-functional sourcing teams (CFSTs) be used to undertake demand management activities. Awarding tenders to companies whose directors are in the employ of the state, cover-quoting, and misrepresentation, were identified as three fraudulent activities that pose a problem for all the cities that participated in this study. Corruption is known to affect the quality and allocation of services. Such actions are misdemeanours that lead to a municipality receiving an audit finding against it. Smart Procurement (2012:Internet) refers to a study conducted by LexisNexis where 6000 suppliers vetted between March 2012 and July 2012, revealed the following:

- 40% of the details provided by the suppliers did not match the registered details on the Companies and Intellectual Property Commission's (CIPC) database;
- 24% had members who were also directors of other active suppliers; and
- 10% had a conflict of interest by having an employee be a director of a registered vendor (Smart Procurement 2012:Internet).

The stated problem can be partially addressed if municipalities implement:

- (1) proactive fraud and corruption control measures to circumvent fraudulent activities, and
- (2) effective mechanisms to deal with offenders.

Municipalities could look into investing in risk management tools like the LexisNexis Procure Check, which they can use to assess prospective suppliers prior to awarding a tender.

Municipalities should also consider obtaining access to the same database that the National Treasury uses to assess suppliers. In addition, it was revealed that late delivery by service providers is a cause for concern. It was found that the actions of both the participating municipalities and their service providers result in late deliveries. The three main causes behind late deliveries, as revealed in the interviews, are as follows:

- (1) late payment by the cities;
- (2) under-quoting by service providers; and
- (3) resource constraints on the part of the service providers.

## **6. CONCLUSION**

A limitation of the article is that the study focused on only four out of the eight metropolitan cities in South Africa. The expectation is that the findings in respect of the selected four metropolises can be universally applied to the other four in this country. Face-to-face

interviews were conducted with seven of the managers of the participant cities. The two managers who responded in writing to the questions are responsible for contracts management and performance management, and they work alone in their offices.

Given the significance of managing risks associated with poor service delivery, it is key that contracts are awarded to companies that are genuinely capable of doing a quality job, as any trial-and-error approach results in poor workmanship and consequently results in poor service delivery. For example, emerging companies need to receive proper mentorship before they should be allowed to operate on their own, as this will help to reduce the risk of poor workmanship. This approach will help to reduce the chances of poor quality work, and help to reduce current service backlogs.

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