



EVALUATION OF THE CURRENT PROCUREMENT PLANNING PROCESS IN A DISTRICT MUNICIPALITY

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ABSTRACT

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Procurement planning represents an important tool within municipal budget activities. Without an effective procurement planning process, municipalities often experience huge challenges towards determining what to buy, when, where and how. South African municipalities often experience procurement planning related challenges with the blame leveled against a procurement planning process. The purpose of this study is to explore a district municipality's current procurement planning process following indications that the municipality was experiencing serious procurement planning challenges. The population for the study consisted of all employees who work in the municipality from which 10 participants were purposively selected for the sample. The study findings revealed that the municipality does make efforts to draw procurement plans which are not formally implemented. Failure to formally implement the procurement plans can lead to non-compliance, and unauthorised, irregular, wasteful expenditure. A similar study in other district municipalities is recommended, and further, there is need to conduct a repeat of the same study after five years to assess improvements or deteriorations of the procurement planning process.

1. INTRODUCTION

The day-to-day activities within an organisation rely to a large extent on the procurement of materials with the responsibility shouldered by the respective procurement departments. Procurement has gradually become a key function equating other functional areas such as finance, human resources, marketing and operations management in the contemporary business arena taking into account that an organisation survives through the provision of goods and services. Without the provision of goods and services, an organisation will most likely be identified as a dysfunctional organisation. Therefore, procurement function plays a key role in providing goods and services required for smoothening organisational processes. This study is located in the KwaZulu-Natal Province, South Africa. The study seeks to evaluate the current procurement planning process within the district municipality following a failure by their procurement planning sections to ensure that the organisation has adequate materials, goods and services of the right quality at the right time. The procurement planning, under normal circumstances, ensures that all the supplies of goods and services are supplied on time and in correct quantities. Local government organisations in the world play a key role in providing the much needed services to the respective communities. According to [Dzuke and Naude \(2015\)](#) the procurement function is central to every municipal organisation.

Municipalities throughout Africa have had criticisms laid against them for the ineffective procurement planning processes that have contributed to the demise of cities such as Abuja of Nigeria, Nairobi of Kenya, Harare of Zimbabwe and Lusaka of Zambia (Todaro and Smith, 2009). According to Todaro and Smith (2009) the municipalities in Northern, Western and Central Africa have crumbled due to several reasons that include lack of funding; mal-administration; and a lack of leadership with the main blame levelled against ineffective procurement planning processes. This therefore places the procurement planning process as the common denominator that balances the municipal organisation's organisational functions and processes. The ineffective procurement planning process challenge is not peculiar to the upper part of Africa alone. Even, the southern part of the continent, in particular South Africa, is riddled with municipalities that underperform due to ineffective procurement planning processes as a major source of problems. An effective procurement planning process is crucial to each and every organisation and more so to public organisations such as municipalities since they provide basic services such as water, health and education. For the effective delivery of such services, the right quality of materials needs to be procured on time calling for an effective procurement planning process. An effective procurement planning process is therefore the cornerstone that underpins municipal service delivery effectiveness. It lays the foundation for all other processes that follow. Procurement planning is the process that explains the what, how, when, and which materials/services should be procured in a given period. Effective planning saves time and money, ensures compliance to the municipal regulations and policies. Ineffective planning also leads to some funds/ grants being returned to the national government due to failure to spend within a specific period while there could be a critical need of services by the community. For example, when funds are returned to central governments, the community would be deprived of essential services due to the failure by the municipal employees' inefficiencies. Such a development may be as a result of a lack of knowledge, skill and experience by some municipal employees on how to handle the procurement function.

1.1. Problem Statement

The district municipality has had procurement planning difficulties for the 2013/2014 financial year as evidenced by the Auditor General's Final Management Report (2013 – 2014). It is evident from the report that proper procurement planning was not in place and there were a number of deviations that did not follow bidding processes because of time constraints. The use of deviations has led to the issue of irregular expenditure. In reality, most municipalities spend on items which were not budgeted or planned for. Effective planning has the potential to save time and money and ensure compliance with regulations and policies thereby enabling the municipality to meet its service delivery objectives.

1.2. Research Questions

In order to address the objectives stated above, the following questions are considered:

- What is the procurement planning process currently being used by the district municipality?
- How effective is the municipality's current procurement planning process?
- What are the factors leading to poor procurement planning?
- What recommendations would be provided for the most effective procurement planning process at the municipality?

1.3. Significance of the Study

This study is significant in that the findings and recommendations of the study have the potential to improve the procurement planning process for the municipality. This improvement can translate into the timely provision of materials, goods and services at an overall level thereby improving service delivery. An efficient procurement planning process means that correct materials are sourced on time at competitive prices which would translate to

cost savings. From an academic point of view, this study contributes by creating new knowledge on procurement planning practices in local government. The literature search revealed that information related to procurement planning is limited and therefore this study aims to contribute to the topic.

2. LITERATURE REVIEW

According to [Hugo and Badenhorst-Weiss \(2011\)](#) procurement refers to the process whereby organisations buy goods and services from various suppliers. The goods would range from indirect goods such as stationery, equipment and machinery to direct goods such as manufacturing products. Procurement also involves the buying of temporary labour, energy, and vehicle leases to support work activities. Procurement thus, plays an integral part in an organisations' overall strategy for reducing costs through discount negotiations. [Hugo and Badenhorst-Weiss \(2011\)](#) reiterates that procurement always negotiates for discounts thereby saving a lot of money. According to [Lysons and Farrington \(2006\)](#) buyers ought to have an in-depth knowledge about the services and goods to be procured. It is equally essential that they must also be able to plan and oversee the entire procurement strategies that are conducive to organisation profitability. According to [Hugo and Badenhorst-Weiss \(2011\)](#) procurement refers to the process in which companies order goods and services from various suppliers outside the organisation. The standard Institute of Procurement Management (ISM) defines procurement as "the process of buying: learning the need, locating and selecting a supplier, negotiating price and other pertinent terms, and following up to ensure delivery.

2.1. Basic Objectives of the Procurement Function

In every organisation including municipal organisations, the respective procurement units or departments must have clear objectives. Objectives help guide the entire procurement function. According to [Hugo and Badenhorst-Weiss \(2011\)](#) objectives may vary from organisation to organisation. However, the following represents the most common objectives for a municipal organisation's procuring unit:

- To improve the organisation's competitive position;
- To support the firm's operations with an uninterrupted flow of materials and services;
- To buy competitively and wisely (achieve the best combination of price, quality and service);
- To minimise inventory investment and loss;
- To develop reliable and effective supply sources;
- To develop and maintain healthy relations with active suppliers and the supplier community;
- To achieve maximum integration with other departments, while achieving and maintaining effective working relationships with them;
- To take advantage of standardisation and simplification;
- To keep up with market trends;
- To train, develop and motivate professionally competent personnel;
- To avoid duplication, waste, and obsolescence;
- To analyse and report on long-range availability and costs of major purchased items;
- To continually search for new and alternative ideas, products, and materials to improve efficiency and profitability; and
- To administer the procurement and supply management function proactively, ethically, and efficiently.

The procurement management policy within the Municipal Finance Management Act shows that procurement departments could save significant sums of money by developing standard procurement procedures that enable them to spend more valuable time on "non-routine" activities such as cost/value analysis, supplier development, and concurrent engineering. According to [Sánchez-Rodríguez et al. \(2006\)](#) standard procedures have the following features:

- They represent the best, easiest, and safest way to do an activity;
- They provide a method for managing knowledge through the preservation of “know how” and expertise;
- They can be used as a reference to evaluate performance;
- They provide a basis for both maintenance and improvement activities; and
- They provide a basis for training, auditing, and diagnosis.

The use of standard procurement procedures should reduce the possibility of errors and ease the tasks involved in identifying the root causes of a problem in the procurement process. Once a problem has been fully identified, corrective action can be quickly implemented and the procedures may be rewritten to eliminate the problem. Within a municipal entity, the procurement department does not exist in isolation. [Sánchez-Rodríguez et al. \(2006\)](#) highlights that the procurement unit/department ought to co-exist and synergise with, in order to augment the administrative and managerial system with the organisation.

2.2. The Strategic Importance of Procurement

The strategic importance of procurement refers to the extent to which procurement thrives to meet organisational objectives. Indeed, procurement does play a strategic role, argues ([Sánchez-Rodríguez et al., 2006](#)). In most cases no organisation, inclusive of the municipality, would achieve its objectives without goods and services. The goods and services must be timely procured and should be of the required quality. [Kakwezi and Nyeko \(2010\)](#) highlights that efficient procurement contributes immensely to the overall profitability and prosperity of an organisation in two major areas. Firstly, through reductions in operating costs - for example by buying materials at lower prices, comparisons of prices and other financial “terms” (for example discounts and periods of credit offered) and negotiations with new and existing suppliers. Secondly, savings through wise procurement creates profit for an organisation. For example, by buying materials of better quality and/or reliability without a corresponding increase in the costs. This might not at first sight appear to have the same “direct” and evident effect on profits as the first area we have described. But increased quality and reliability can result in fewer defects in products and rejects after processing, and so there will be fewer complaints by customers. Increased quality and reliability leads to increased “customer satisfaction”; which in turn leads to increased sales, which – without a corresponding increase in costs - results in higher profits being made. Reductions in costs - which might be “passed on” to customers in the form of lower prices and the increased quality/reliability of its products, give an organisation an “edge” over competitors, resulting in increased sales. Senior management of many organisations today have an increased awareness of the strategic importance of the procurement function to business profitability and prosperity. In today’s competitive and constantly changing business world, it is no longer feasible to simply buy for the “needs of the moment”. Today, both long-term, strategic forecasting and planning are vital - and the identification of the current and the probable future needs of an organisation, and the potential suppliers of those needs - is essential. The fulfilment of those goals requires the procurement function to work effectively within and as part of the management team of the organisation. A procurement process is a set of activities that have a beginning and an end, occur in a specific sequence, and have inputs and outputs. A robust procurement management process must have structure and discipline. The basic procurement management process must be understood first, and then opportunities can be identified for technology applications to increase efficiency. The supply management process has a series of distinctive steps.

2.3. The Procurement Process

According to [Sánchez-Rodríguez et al. \(2006\)](#) standard procedures have the following features:

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- They provide a method for managing knowledge through the preservation of “know how” and expertise;
- They can be used as a reference to evaluate performance;

- They provide a basis for both maintenance and improvement activities; and
- They provide a basis for training, auditing, and diagnosis.

The use of standard procurement procedures should reduce the possibility of errors and ease the tasks involved in identifying the root causes of a problem in the procurement process. Once a problem has been fully identified, corrective action can be quickly implemented and the procedures may be rewritten to eliminate the problem. Various procurement activities are performed for each procurement transaction. The literature indicates variations in the general steps required in the process. The procurement planning process has a series of distinctive steps with activities commencing once the need for procurement is identified and end when the transaction is completed. There are in total 9 consecutive steps intertwined in 4 major stages that explain the procurement planning process within local government. The steps are regarded as either inputs or outputs towards the attainment of a milestone within the procurement process with each step playing a key role.

Recognition of the Need: This is regarded as the first stage of the procurement process as it originates with the recognition of a definite need by someone or some system in the organisation. Recognition of the need to procure is a responsibility of the user departments. At the municipality, the respective departments, in view of their needs, will always recognize the need to procure with or without funds available.

Description of the Need: Harrison and Van Hoek (2014) highlights that the procurer needs to know exactly what the internal customers want. Thus, they ought to have an accurate description of the need, the article, the commodity, or the service requested is essential. The procurement planning personnel and user share responsibility for an accurate description (Pienaar and Vogt, 2012). Wisner *et al.* (2012) provides three common types of requisitions which include a standard requisition which contains information such as Date, Number (identification), originating department, account to be charged, complete description of material or service desired and quantity, date material or service needed, any special shipping or service, delivery instructions and signature of authorized requester. The municipality procurement unit is regrettably predominantly manned by clerical and procurement administrative staff who lack technical expertise.

Identification and Analysis of Possible Sources of Procurement: Coyle *et al.* (2008) argue that the supplier identification and selection forms a critical component of the organisation's procurement function. Handfield *et al.* (2010) notes that the identification involves locating sources of procurement followed by an assessment of the probability that the agreement to procure would result in on time delivery of a satisfactory product and services before and after the sale. According to Kakwezi and Nyeko (2010) once the procurer has identified potential suppliers, the next step would be to formally request that the suppliers provide information about their goods or services.

Request for Quotation (RFQ): Handfield *et al.* (2010) reiterates that an RFQ is issued in situations where the procurer and internal user can clearly and unambiguously describe the need for instance using a grade of material. The RFQ will then bring the comparison to one of price. Standard inquiry forms are prepared, checked, signed, and mailed, faxed, or electronically transmitted to potential suppliers. When quotations are received, they will be entered on a quotation sheet, and then the procurer will select an appropriate supplier. Unfortunately at the municipality the procurement process is often effected by corrupt tendencies where the buyer skips some of the critical activities.

Request for Proposal (RFP): According to Hugo and Badenhorst-Weiss (2011) RFP includes a detailed package describing the needs of the buying organisation and providing potential suppliers with the opportunity to propose solutions to meet the requirements. RFP is more appropriate when the procurer has more complex requirements and wants to draw on the supplier's expertise and if the procurer is planning to use negotiation as the tool for determining price and terms. Tendering is a noble process that enables an effective selection of supplies provided the process is done professionally and ethically. However public sector organisations that include local government municipalities are subject to tendering irregularities which may affect effective procurement.

Supplier Selection: [Hugo and Badenhorst-Weiss \(2011\)](#) highlights that supplier selection involves an analysis of the quotes, bids, or proposals and the selection of the supplier prior to leading to the order placement which uses tools such as simple bid analysis to complex negotiations.

Preparation and Placement of an Order: Placing an order usually involves the preparation of a procurement order form. In some situations, the supplier's sales agreement or a release against a blanket order is used. It is advisable to use written or computer generated orders at all times.

Follow up of the Order: After an order is issued to the supplier, the procurer may wish to follow-up or expedite the order. In some firms, procurement has full-time follow-up and expediting personnel. According to [Kakwezi and Nyeko \(2010\)](#) an order follow up represents a routine tracking of an order with an overall view to ensure that the supplier meets the promised delivery dates, quality and specifications. Thus, the follow up requires frequent inquiries of the supplier on progress and possibly a visit to the supplier's facility, this will usually be done only on critical large-rand value, and/or long lead-time. It may be done by phone or use of a follow-up form.

Receiving and Inception of Goods: The proper receipt of materials and other items are of vital importance. The prime purposes of receiving are to confirm that the order placed has actually arrived, check that the shipment arrived in good condition, ensure that the quantity ordered has been received, forward the shipment to its proper next destination, be it storage, inspection, or use, and to finally ensure that proper documentation of the receipt is registered and forwarded to the appropriate user department. In public municipalities that includes this municipality, the procurement process has a control element that includes checks and balances to ensure that the practice of procurement is done above board. For instance, when goods or services arrive or start, there should be a system in place to acknowledge the receipt of the transaction.

Invoice Clearing and Payment: The invoice constitutes a claim against the procurer and needs to be handled with care. Invoices are commonly requested in duplicate and must show an order number and itemized price for each article invoiced. Procedures relating to invoice clearance are not uniform. The task of checking or approval of invoices is a critical procurement function. After checking and adjusting any necessary corrections, the original invoice is forwarded to accounting for payment. The duplicate invoice is retained by procurement department.

Quality: According to [Kakwezi and Nyeko \(2010\)](#) the quality of the products or services procured is a reflection of an effective procurement planning process as it leads to fewer operational interruptions and better working conditions, the quality of the final output of the organisation, better customer service and satisfaction, and eventually the competitive advantage of the organisation. Quality products or services influence the productivity of the organisation due to fewer operational interruptions and better working conditions.

Price and Cost of Goods and Services: [Brahim et al. \(2015\)](#) argue that price and costs of goods and services procured impact on the organisation's performance. The determination of the cost structure of a supplier can be a lengthy process as it requires an understanding of a supplier's material costs as well as manufacturing costs and overheads. A careful cost analysis prepares a sound platform for any future price negotiations with a supplier. When suppliers achieve a higher productivity thereby reducing costs, they are in a position to offer lower prices than their competitors. Lower input costs for the procuring organisation could enable them to reduce prices, remain competitive, or increase market share. The determination of the cost structure of a supplier can be a lengthy process as it requires an understanding of a supplier's material costs, as well as manufacturing costs and overheads. A careful cost analysis prepares a sound platform for any future price negotiations with a supplier.

Delivery: As organisations move to reduce costs, there is always pressure to reduce inventories, and suppliers are often required to make smaller and more frequent deliveries [Brahim et al. \(2015\)](#). Late delivery of the product or late performance of the service can have severe repercussions in some organisations.

Time: Organisations seek time reduction, with the aim of fulfilling the customer demand as quickly as possible in order to obtain a competitive advantage. Suppliers should be actively involved in analysing and reducing cycle

times (for example, single business processes or the entire order/replenishment process) (Hugo and Badenhorst-Weiss, 2011).

Flexibility: Flexibility becomes significantly important, particularly when a supplier must be selected for an integrated procurement chain. The critical issue is, how quick a potential supplier can adapt to changing business conditions, different needs and developing new products or services.

Service: The procurement process should select suppliers that are capable of providing an effective, efficient service. To achieve this, they should select suppliers capable of proving effective service aspects of customer service, including the quick resolution of claims and complaints, providing early warning of any changes in delivery or disruptions in the procurement chain and giving a rapid response to customer queries from well-trained staff. Service would also include the supplier's attitude to managing the customer's inventory, Kakwezi and Nyeko (2010).

Financial Status and Risk Management: It is important to determine the financial health or condition of a possible supplier. Procuring from those who are financially sound reduces risk. It is unwise to select a supplier who is in difficult financial straits because of the increased likelihood of an interruption in the procurement of a product or the performance of a service (Kakwezi and Nyeko, 2010). Determining the financial status and risk assessments are the most important criterion for the initial screening of all possible suppliers and for the elimination of those suppliers that are considered to be at risk now or in the foreseeable future.

Supplier Selection Process: After the establishment of the selection criteria, the selection process moves on to the selection of a specific supplier or suppliers. This entails the search and identification of possible suppliers, the elimination of unsuitable suppliers, and the in-depth study and ensuing evaluation of shortlisted suppliers against the key criteria, which culminates in the selection of a supplier. Many organisations follow this up sometime later with a post-assessment (for example, through performance measurement) of the selected suppliers in order to ascertain whether the supplier warrants a preferred supplier or certified supplier status. This is often carried out by formal supplier accreditation. Hugo and Badenhorst-Weiss (2011) describe a three stage supplier selection process as follows:

- The exploratory stage (pre-evaluation phase)
- The selection stage (evaluation phase)
- The supplier management/ maintenance stage (post-evaluation phase)

These stages contain various steps and seven steps make up the supplier selection process. The exploratory stage refers to the identification of possible suppliers and a pre-screening to reject unsuitable ones with the purpose of creating a pool of potentially suitable suppliers (Hugo and Badenhorst-Weiss, 2011). The evaluation stage includes in-depth research on potentially suitable suppliers. The depth of the investigation and the criteria used can vary widely depending on the product or service being procured. The supplier management stage comes after evaluation, selection, and approval of suppliers (Hugo and Badenhorst-Weiss, 2011). Supplier performance measurement can be done using the weighted point evaluation method together with a rating sheet. Many organisations base their on-going measurements on quality, cost reduction, on-time deliveries, technology and service.

3. RESEARCH METHODOLOGY

According to Wiid and Diggines (2010) research design refers to the science and art of planning research procedures so as to get the most valid results. There are various research designs that can be adopted in a study and these research designs can be classified into three main categories: exploratory, descriptive and causal (Collis and Hussey, 2003; Babbie and Mouton, 2009) Exploratory studies aim to acquire insight and develop understanding than to collect accurate, replicable data Wiid and Diggines (2010). Descriptive research go further in examining a problem than exploratory research since descriptive research is undertaken to ascertain and describe the characteristics of the pertinent issues (Collis and Hussey, 2003). Causal studies are done mainly with the purpose to

reveal cause and effects between the dependent and independent variables. In essence, exploratory research attaches meaning to variables; descriptive research often reveals possible links between particular variables; while causal research confirms and describes the relationship between variables or shows such relationship to be false (Wiid and Diggines, 2010). The end-product of research design is a plan or blueprint for conducting the intended research (Babbie and Mouton, 2009). According to Wiid and Diggines (2010) such a blueprint or plan for the intended research study is used to guide data collection and analysis. This study employed the exploratory design drawing from the qualitative method anchored in the phenomenological paradigm, with the purpose of exploring and evaluating current procurement processes at the municipality.

3.1. The Research Philosophy

In general research studies are underpinned by a study paradigm, that relates to philosophies and assumptions regarding what determines the validity of a study as well as the study methodology that are considered suitable for knowledge creation (Collis and Hussey, 2003; Gray, 2013). Resultantly, there are two major research paradigms that posit worldviews with opposing assumptions about reality. In line with this school of thought, the positivistic paradigm and phenomenological paradigm have been identified as the overall philosophies guiding research in academia (Keele, 2011). While the positivistic paradigm emphasises that reality exists external to the study calling for investigations through cumbersome process of scientific inquiry (Gray, 2013) the phenomenological paradigm accentuates the creation of truth and meaning (Gray, 2013). Thus a phenomenological paradigm is concerned with understanding the participants' own frame of reference (Collis and Hussey, 2003) as opposed to seeking the facts and causes of phenomena, with little regard to the subjective state of individuals (Collis and Hussey, 2003). This study employed the phenomenological paradigm where it seeks to explore and inquire respondents' understanding, experiences and insights of participants in relation to procurement within the municipality. The phenomenological paradigm is anchored in personal knowledge and subjectivity, while placing emphasis on the importance of personal perspective and interpretation (Collis and Hussey, 2003). Thus an in-depth knowledge on procurement planning, as well as experience in procurement planning by participants of this research will form a critical part of this study.

3.2. Research Methodology

There are generally two main methods of research namely quantitative and qualitative. The quantitative methodology aligns with the positivistic paradigm while the qualitative methodology is aligned with the phenomenological paradigm (Keele, 2011; Gray, 2013). Quantitative methodology is usually a game of numbers with a resultant aim of quantifying the data using statistical means thus, taking more of a scientific approach as compared to the qualitative methodology (Wiid and Diggines, 2010). Since this study sought to inquire on the views of respondents regarding the effectiveness of the current procurement planning process at the municipality the qualitative methodology was employed.

3.2.1. Research Strategy

A research strategy is the plan that is followed in answering the research questions (Saunders *et al.*, 2012). The research strategy associated with the phenomenological approach is usually qualitative and interpretative in nature with an exploratory dimension (Bryman and Bell, 2007). The qualitative interpretive exploratory strategy was employed for this study in which interviews were employed.

3.2.2. Target Population

A research population is defined as an aggregation of study elements (such as individuals, artefacts, events or organisations) from which data will be collected providing the basis of analysis (Burns and Grove, 2004; Babbie and Mouton, 2009). For the purpose of this study the population consisted of employees within the municipality within

the province of KwaZulu-Natal in South Africa. This included all deputy directors, supervisors, clerks and the managers, thus, a total of 103 employees in the municipality formed the target population for the study.

3.2.3. Sampling Strategy

Sampling refers to a process of selecting the sample for the study, from the target population using specific sampling methods (Babbie and Mouton, 2009). Sampling methods are divided into probability and non-probability sampling methods. Probability sampling methods are grounded in the probability theory associated positivistic and quantitative studies (Wiid and Diggins, 2010). The study employed the purposive sampling strategy in order to select 10 participants with the aim of enabling only “information-rich” participants with significant insight, detailed knowledge, or direct experience in procurement planning functions and activities.

3.2.4. The Research Instrument

The research instrument for this study was a semi-structured interview schedule. Qualitative research requires data of high richness, depth and quality; and research instruments used in a study ought to fulfil this requirement (Babbie and Mouton, 2009). The interview guide consisted of three main sections. The first section (section A) comprised of demographics, The second section (Section B) comprised of questions regarding the nature of procurement while the third section (Section C) consisted of questions regarding the procurement planning process and (Section D) covered question factors leading to poor planning. Interviews were conducted in person.

3.2.5. Pilot Study

According to Cooper and Schindler (2011) a pilot study is a smaller study that is conducted before the actual study, with the aim of measuring the feasibility of the research and the correctness or accuracy of the research instrument. In this study, a pilot study was conducted with a full interview done with one of the procurement employees who was not part of the sample. The result of the pilot study demonstrated that two of the questions had some ambiguity and lacked content validity. The interview questions with the errors were consequently revised.

3.3. Data Analysis

Qualitative data was collected from interviews. A non-quantifying approach was used for analysing this data and no statistical analysis was considered relevant (Collis and Hussey, 2003). In particular, thematic analysis was used enabling a broad reading of the data collected from interviews towards discovering patterns and developing themes. The use of purposive sampling, qualitative interviews and phenomenological approach to this study allowed for data review and analysis to be done in conjunction with data collection (Collis and Hussey, 2003; Babbie and Mouton, 2009).

3.3.1. Validity and Reliability

In an empirical study such as this one there is always need for validity and reliability for purposes of ensuring trustworthiness. According to Babbie and Mouton (2009) validity refers to the extent to which the research findings of the study accurately and adequately tie in with the real concept under consideration. Reliability refers to the ability to obtain the same results if the study were to be repeated over and over again (Collis and Hussey, 2003). Since this study is qualitative, trustworthiness will be ascertained based on credibility, transferability, dependability, and conformability (Lietz and Zayas, 2010). Credibility was ascertained by means of ensuring that data gathered and the resultant findings are linked back to participant’s experiences, insights and evidence in procurement planning process and its effectiveness at the municipality. To ensure this, only employees working within the municipality participated as respondents in the study.

3.4. Limitations of the Study

Only employees working for the municipality participated in the study. This study was limited to permanent employees working within the municipality. The study relied on respondents' experiences during their employment. There is a possibility that some respondents may lack the necessary experience regarding the procurement planning process for the municipality. The respondents selected had at least five years of operations and the questions forming part of the interview did not ask questions that would go beyond ten years to cater for those with limited experience.

3.5. Elimination of Bias

Pannuchi and Wilkins (2011) define bias as any tendency that prejudices consideration of a question. A research bias may occur when systematic errors are introduced by the researcher into sampling or testing to influence the results in order to generate a particular outcome. By using a qualitative approach for the study, an attempt is made to eliminate bias by triangulating data given by interviewees Shuttleworth (2009). The researcher also structured the interview questions in an impartial manner thereby avoiding leading questions.

3.5.1. Ethical Considerations

In academic studies, every study is bound to evoke some ethical concerns to the study clientele system. Saunders *et al.* (2012) explains that there is a need to take into account the ethical issues that could hinder research studies. To begin with, topic approval was done by MANCOSA research department after checking if the topic was not in violation of some ethical issues. Further, the following was done:

- Seeking permission to conduct study from the municipality;
- Maintaining anonymity of all the respondents was made possible by not revealing all the names of participants including their positions and work;
- Ensuring voluntary participation by explaining to participants that they were not forced to take part in the study and they were free to disengage from the study at any time without any negative effect on the entire research process;
- Ensuring that the confidentiality of the respondents is preserved by ensuring that the data gathered from participants was not made public. Data was also coded so as not to reveal its source.

4. RESULTS

Nine out of ten participants that were selected from the population were interviewed, equating to a response rate of 90%. Saunders *et al.* (2012) identifies the importance of a good response rate as equating to the fact that the data collected using an adequate sample is more likely to be accepted as being generalizable to the total population. Most participants were male, to a ratio of 7 to 2. There were no participants younger than 30 years, with the bulk of the participants (nine) being aged above 30 years. This may suggest the majority of employees might have reasonable years of service.

4.1. Question 1: What is your Understanding of the Procurement Plan, its Importance and the Implications of not using the Procurement Plan?

Participants 1, 2 and 3 viewed procurement planning as a forecasting tool used by the departments to inform the procurement section of how much budget the departments intend to use for the implementation of projects over a particular period. The procurement plan must be implemented at the beginning of the financial year when the municipalities Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and annual budget are approved. The procurement plan must assist the municipality in achieving its strategic goals, by ensuring that all goods and services required to achieve the strategic goals are procured at the right quantity, at the

right time and at a right price. The procurement plan also helps with managing and controlling the municipality's budget hence all the items included in the procurement plan must be budgeted for in that particular financial year. If the municipality does not properly implement the procurement plan, this may result in unauthorized expenditure and over-expenditure where the municipality merely react to purchase request that are not even budgeted for leading to deviations where properly SCM processes are not fully implemented because there was no proper planning on the procurement of goods and services in the first place. Participant 7 indicated that operating without a procurement plan would lead to total collapse of the service delivery mechanisms as the municipality would one day end up without any form of budget to procure critical goods and services. Participant 6 raised a critical point on procurement plans. Specifically, participant 6 said, "*A procurement plan is a very important tool to the municipality as it lists all the contracts for services and supplies which are expected to be procured in the coming financial year*". Participant 6 further emphasized, "*This would facilitate competitive procurement by following the best procurement practices and eliminates the need to place rush orders that may entail higher prices*". According to the participant a general lack of understanding of the procedures or non-compliance further creates opportunities for corruption and inefficient use of public funds. Procurement plans indicate what purchases an institution would undertake in the short, medium and long-term. The participant further noted that proper planning should reduce delivery delays, eradicate recurring contracts and unnecessary extensions, and eliminate the need for emergency procurement. The respondents were clear in pointing out that a lack of procurement leads to failure by the municipality in providing service delivery as the municipality would not have planned for the critical services or products needed. In the overall, participants also felt that procurement plans ought to be part and parcel of the municipal strategic plans, by ensuring that goods and services required to achieve the strategic goals are procured at the right time, quantity and price. Participants also indicated that the procurement should be related to the overall municipal budget as all items included in the procurement plan must be budgeted for in that particular financial year. Participants also felt that failure by the municipality to properly implement the procurement plan, may lead to unauthorized expenditure budget over-expenditure where the municipality merely reacts to a purchase request that are not even budgeted for. It is clear from this finding that the current officials dealing with procurement planning, know very well what they are supposed to do, but the question that remains unanswered at this stage of the study is "why are they not doing the right thing?"

4.2. Question 2: How is the Procurement Process Implemented within the Respective Departments?

The overall finding under this question two was that procurement planning at the municipality lacks formal implementation. From the interview trail, it is clear that procurement planning is not taken seriously to the extent that some departments may be operating without procurement plans at all. This could have serious implications to the overall management of the municipality taking into account the importance of procurement planning as alluded to by Handfield *et al.* (2010) when they argue that procurement planning is one of the best means for ensuring effective budgetary process.

4.3. Question 3: In what Way does the Procurement Plan Indicate the Method of Procurement to be followed to Avoid Delays and Offers from Unsuitable Bidders?

Under question three, the overall finding was that procurement plans at the municipality were meant to assist the procurement process by providing a description of the services or goods that need to be procured.

4.4. Question 4: In Your Own View and Observation, how Equipped are the People that Prepare Procurement Plan within the Sections?

The overall finding under this question revealed that municipal officials who are tasked to prepare procurement were not qualified and experienced enough to effectively carry out the tasks. Participants revealed that experienced HODs and senior managers who should offer expert advice on procurement matters do not focus on procurement

which ultimately undermines the procurement function due to lack of skills. The issue of skills also affects the needs analysis component of the procurement process with the municipality, as the unskilled officials fail to come to terms with providing an accurate record of budget estimates. In the overall, findings under this section the procurement planning function was being handled by officials who lack an understanding of procedures.

4.5. Question 5: How Accurate is the Need Analysis Conducted to Avoid Procurement of Unsuitable Goods/ Services and to Avoid Wasting Money and Time?

The overall finding under question five revealed that procurement needs analysis were not conducted and in cases where some department conducted the needs analysis process it lacked effectiveness. There has been a major shift over the past decade towards reducing the supplier base and to develop close links with preferred suppliers. One of the key aims of the procurement unit would be to select a supplier who meets the needs of the procurer.

4.6. Question 6: How precisely does the Procurement Plan Indicate the Procurement Requirements, Time Frames for Deliveries?

Participants were very clear on what should be included in the procurement plan. Almost every participant knew what the plan should contain. Unfortunately, all the 9 participants lamented the non-inclusion of these aspects. It is clear that the municipality's procurement plans, despite being informal, they indicated time frames and procurement requirements. In every organisation that includes municipal organisations such as the municipality, the respective procurement units or departments must have clear objectives. Objectives help guide the entire procurement function in terms of time frames and procurement requirements.

4.7. Question 7: How Often is the Procurement Plan Assessed, and if there is a Budget Adjustment, is the Plan Also Adjusted Accordingly?

In the overall participants revealed that procurement plans were never adjusted despite budget adjustment for instance Participant 1 indicated that procurement plans were done once at the beginning of the financial year and are never adjusted despite changes in the budgets. Participant 2 reiterated that plans are submitted once a year and had never experienced procurement plan adjustments over the several years the participant had worked for the municipality. A follow up question on the role of procurement planning revealed that procurement planning activity was a waste of time and energy as the documents were never used. The time used for planning could be used for something useful. Because the procurement is done without adhering to plans, ADM risk, over expenditure, under expenditure, poor quality and late or earlier deliveries. Earlier deliveries could lead to storage costs while late deliveries affect service delivery. The overall finding under this question seven revealed that budgets set out at the beginning of the year were not adjusted accordingly.

4.8. Question 8: How Aligned Is the Procurement Plan to the Approved Budget?

The majority of the participants indicated that the procurement plan was not aligned to the approved budget as it was run in isolation from the approved budget hence it is being poorly implemented and there is always unauthorized expenditure at the end of each financial year because the items procured are not budgeted for. In line with the above participant 7 noted that the procurement plan should be aligned with the budget and the SDBIP, however on the ground there was no alignment.

4.9. Question 9: What could be the Reasons Leading to Poor Procurement Planning?

Participant number 1 revealed that poor planning and lack of knowledge on the required goods and services was a major reason leading to poor procurement planning. This was in line with Participant 2 who also subscribed to the fact that poor procurement planning was a result of a lack of understating of what is a procurement plan and

the importance of it being implemented in the organisation. On the other hand, participant 3 believed that the procurement planning was hindered by the exclusion of the institution's procurement planning at the strategic management planning, delegating the function to unskilled officials and failure to appreciate the importance of a proper procurement plan by user departments. Also, the municipality's procurement planning does not take place at the beginning of the financial year when the institution's IDP, Service Delivery and Budget Implementation Plan (SDBIP) and annual budget have been approved. Consistent financial instability has resulted in employees citing the procurement plan as a mere compliance document which is not implementable. Participant 7 felt that poor planning was a result of lack of commitment to the plan by the organisation, inefficient specifications leading to delays and insufficient research on what needs to be procured, while Participant 8 attributed it to weaker monitoring efforts on (frequency of goods procured). Further, assessments are not done on the previous budget (unauthorised expenditure) as well as lack of knowledge on the goods/services being procured. Participant 9 indicated that poor procurement planning at the municipality was a result of failure to appreciate the seriousness of the plan and the effects/impacts of not following it accordingly. Also, budgeting and yet knowing very well that there is no actual money to implement the plan could be a source of demotivation on the part of the officials dealing with procurement plans. Participants also attributed the current poor procurement planning at the municipality to strategic misalignment.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. The Procurement Planning Process currently being used by the District Municipality

The interviews with the 9 participants revealed that procurement planning as a function and process is necessary to the District Municipality as it entails deliberate efforts by the municipality's senior management to prepare plans that pertain to future material/goods and service requirements. Thus the requirements should be prepared against the budget estimates as provided for by the municipality's central finance unit. In the overall, the findings under this aspect revealed that procurement planning is a critical tool that must not be omitted or ignored by the municipality. The specific findings at the District Municipality revealed that despite the importance it has, the procurement planning is merely a compliance document for fulfilling policy as the municipality officials do not implement the plans. A lack of proper plan implementation often leads to wasteful, unauthorised and irregular expenditure as user departments procure goods/services that were not budgeted for in an attempt to deal with emergent purchases that arise as a result of the lack of or failure to plan. The fact that procurement plans are not followed or implemented leads to what is known as reactive procurement. Reactive procurement at the municipality is common. Unfortunately, this is not a good procurement practice as the decision leading to reactive procurement is generally quicker and encourages the skipping of key processes or steps such as bidding, price comparisons and supplier selection. Respondents revealed that due to a lack of procurement plan implementation, competitive procurement is hindered leading to the procurement of goods/services that are either overpriced or of poor quality.

5.2. The Effectiveness of the Current Procurement Planning Process at the District Municipality

The narrations given by the interviews revealed that the current procurement planning processes at the municipality were not effective at all. Participants began by acknowledging the importance of an effective procurement process within the District Municipality to the regret that the procurement planning was not effective. Specifically, the findings reveal that effectiveness is measured in terms of buying at a competitive price, buying the right quality and delivering the procured goods/services on time without delays. Effectiveness also refers to buying within the budget limits without necessary over spending. In view of this, the procurement plans that are prepared by user departments within the municipality lack fundamental elements required by the SCM department. This requirement includes proper planning. For example, date of submission of specifications, date of advertisement of the bid, closing date of the advertised bid, estimated evaluation time, envisaged date of the bid Adjudication

Committee meeting and envisaged date of delivery need to be reflected in the procurement planning process. The study also revealed that the effectiveness of the procurement plans were hindered by misalignment of such plans to the budget. Participants indicated that the procurement plans should be a function of the budget, meaning that they should be prepared in line with the budget within any given year. The effectiveness of the procurement plan at the municipality is also affected by a lack of skills on the part of the officials drawing the procurement plans or managing the procurement planning process. Under this section the study findings revealed that procurement plans at the municipality were being handled by unqualified officials who do not have the requisite skills and competencies overall hindering the effectiveness of the plans.

5.3. Factors Leading to Poor Procurement Planning at the District Municipality

The findings of the study under this section revealed that poor procurement planning is a result of the following:

- Lack of knowledge on the nature of the good/services that need to be procured; insufficient knowhow was attributable to the fact that officials dealing with procurement planning at the municipality lacked the technical knowledge of what they needed to procure in terms of specifications. Lack of understanding of the municipality's current procurement planning process;
- Lack of strategic focus on the part of the procurement planning officials, due to the fact they are not part and parcel of the organisation's strategic team;
- Lack of capacity on the part of the procurement planning officials;
- Lack of organisational commitment to procurement planning: The municipality senior managers lack the commitment to the overall procurement planning process.

5.4. Recommendations

In view of the above findings, the following recommendations were made to the district municipality's senior management:

- Train existing officials on how to go about effective procurement. This could be made possible by sending the officials on secondment to other sister municipalities that have been managing their procurement effectively.
- Set up a committee that would develop a clear procurement policy for the municipality with clear terms of reference. Invite procurement experts who would run workshops on effective procurement in local government;
- Create a position of the procurement, monitoring and evaluation specialists to ensure that the procurement planning process is in line with budget. Specific training, education and awareness meetings with senior management should be held to communicate the importance of procurement planning.
- Procurement planning should be represented by a senior manager, preferably a director who seats in strategic meetings so that key items are not left out. Specific training of the officials that handle the administrative activities of the procurement function should be regularly held in order to keep the officials abreast of the changing activities within the procurement unit.
- Procurement of specialist goods/services should be done by technical officials who have knowledge of the service/product as well as the industry.

5.5. Scope for Further Research

Generally, the challenge of procurement planning is affecting a number of municipalities. It is critical that a similar study be conducted in other District Municipalities across South Africa in order to establish some form of checks and balances. Further, the same study could be conducted within the same municipality after five years in

order to establish whether improvements have been made or to determine the status of the procurement planning process. A call still stands for a more concrete and scientifically sound framework regarding successfully procurement planning process in local government administration.

5.6. Conclusion

Information pertaining to procurement planning is limited and therefore this study has contributed to existing literature on the topic. The study revealed that procurement planning at the municipality was ineffective as current officials lacked the necessary skills and competence levels. By addressing this lack it is expected to ultimately impact on the overall procurement planning process.

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