Developing and Institutionalising Supply Chain Management Procedures

A Case Study of the Eastern Cape Dept of Roads and Public Works

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Abstract

This article presents findings from a case study research in the Eastern Cape Department of Roads and Public Works. It systematically investigates why public institutions fail to implement their Supply Change Management (SCM) policies and procedures. The article provides a clear context for the research and explains why policies and procedures are vital for organisations. It also illustrates how policies and procedures are a means to effective supply chain systems and describes the research method, population and sample. Findings based on the set out criteria for good institutionalisation of policies and procedures showed that although SCM policies and procedures are provided to employees and they were aware of the existence of these instruments, there was very little participation of employees in the development and review of these policies. Based on the findings of the research, a key recommendation is that practitioners, who are involved in the day to day implementation of the SCM process in public institutions, should also be involved in the development processes of SCM policies and procedures. The research also argues that for public institutions to be effective and efficient, clear departmental guidelines should be simple and straight forward language should be used so as to avoid different interpretations by implementers. These two critical points will contribute to the effective and efficient development and institutionalization of SCM policies and procedures in government institutions.

Keywords: Supply Chain Management, Work Procedures, Work Policies, Public Institutions.

Introduction

Public Administration can be explained as involving the practice of implementing government policy. Public Administrators and politicians are responsible for the development and implementation of government policy, which is done for the public good. It is generally accepted that public Administration entails the day-to-day activities performed by public officials who are intended to address the needs of the society in general.

In order to deliver public good, public officials have to operate within a specific framework. That framework consists of written policies and procedures that guide the public administrators in the execution of their daily responsibilities.

In order to understand the importance of policies and procedures in an organisation, it is important to first get an understanding of what is a policy and what are procedures. Page (2002:2) defines a policy as a *"predetermined course of action established as a guide towards accepted business strategies and objectives;"* and procedures as a *"method by which a policy can be accomplished".* From this definition it can be surmised that a policy is a generic guide and procedures can be said to be interpretation of the policy. Procedures flow from the policy. Policies as procedures are not an end on their own, but merely means to an end. Campbell (1998:1) defines a policy as a position statement that explains an organisation's stand on a subject and why there is a rule about it.

One of the strongest requirements for any policy and/or procedure is that it is anchored on strong legislative principles and that it recognises widely accepted standards and practices. In South Africa, there is an overall legal and legislative framework that gives guidance to departments and other government institutions to develop, within this broader national framework, their own procedure manuals. It is common in the South African context that broad development policies are the responsibility of the ruling party. When broad developmental strategies have been developed at political level and legalised through legislation by the legislature, administrators are expected to implement those polices. To do so, they have to further develop guidelines and procedures that seek to interpret and simplify these broad legislative provisions towards implementation. These can be referred to as departmental or institutional policies which are further simplified as procedure manuals. For instance, the Constitution of the Republic of South Africa (Act 108 or 1996) and the Public Finance

Management Act (PFMA) provides the fundamental principles that govern government's financial management. As such it not only provides guidelines, it is also a sound benchmark for good practice in developing policy and procedures that guide policy implementation and organisational operations.

Research context

The Department of Roads and Public Works was formed in 2009 when the Premier of the Eastern Cape Province split the then Department of Roads and Transport and merged the Roads component to the then Department of Public Works, forming a new Eastern Cape Department of Roads and Public Works (ECDRPW). This new department was charged with the task of providing infrastructure to the province. This consists of improving the roads network of the province and provision of office accommodation for provincial departments. Lack of service delivery by this department is therefore felt by the entire population of the province. Access to services in towns and access to schools and health care facilities in rural areas depend on the roads network. Such infrastructure includes roads infrastructure, social infrastructure and provincial government offices (Majodina, 2010:11).

This is an acknowledgement of the role the department has to play in as far as being a procurement agent for sister departments in the province. This mandate is not limited only to being a procurement agent but extends to the actual project implementation for the department itself as well as other departments in the province. It can be deduced from this mandate that the need for a fully capacitated supply chain management unit in the department is critical.

Supply Chain Management (SCM) was introduced in the public sector in South Africa around 2003 after the government decided to introduce procurement reforms. Section 217 of the South African Constitution (Act 108 of 1996), forms the basis for the introduction of Supply Chain Management in the Public Sector. This has been followed by policies developed to guide the implementation of SCM in the Public Sector. The South African Government introduced Supply Chain Management (SCM) as a government procurement system. The aim was to reform government procurement such that it responds to the needs of the citizens. Supply Chain Management is a Financial

Management function which is the cornerstone of service delivery. It is through supply chain that the infrastructure roll-out is procured and implemented.

However, public institutions, generally, and government departments in particular often do no not pay much attention to performance enabling tools like procedure manuals. These are sometimes done merely to comply with requirements as prescribed by directives and regulations issued by higher authorities. Policy guidelines issued by National Treasury pertaining to Supply Chain Management have to be institutionalised at departmental level. Some departments merely adopt those guidelines as they are and with little or no adaption. This article thus examines the extent to which the ECDRPW has gone in developing and institutionalising of policies and procedures that pertain to Supply Chain Management.

Why Policies and Procedures are vital for Organisations

Policies and procedures serve as a link between organisation's vision and its day-to-day operations and allow employees to understand and know their responsibilities. They serve as a guide to the employees and minimise the need for constant management involvement. According to Stephanie Widzinski (Widzinski, n.d.) the objective of policy and procedures is to answer the "what" and "how" questions for employees in the organisation

Policies and procedures are internal controls in organisation. Some of the reasons for having policies and procedures are explained by Campbell (1998:7) as follows:

- Policies and procedures enable managers and their subordinates to clearly understand the individual and group responsibilities including the boundaries within which they have to work and the demands upon them.

- They create a baseline to which subsequent change can be referred and through which the way things are done is enabled.

- They enable managers to decide whether a subordinate's improper action or decision was due simply to poor judgement or to an infringement of the rules.

- They provide individuals the freedom to make decisions in the execution of their duties within the defined boundaries and help avoid over-control by managers.

- They enable managers to exercise control by exception rather than by action and decision of their subordinates.

- They enable managers to control events in advance.

Policies and procedures serve as the roadmap as they present, in details, the expectations of the organization from its employees. Procedures simply lay down in detail actions to be undertaken in order to achieve a specific target goal. Procedures are usually drawn out of applicable policies in an organization. From the above, it becomes important for the employees to have a thorough understanding of policies and procedures as these influence their actions and behaviour everyday they are at work. It is also important that these policies and procedures are adaptable to the complexities of organisational internal and external environment. In this case, the expectations of the organisation from its employees also become a critical factor in the development and review of policy and procedures.

Policies and Procedures as means to effective supply chain management systems

Supply Chain Management is a financial management function and therefore requires the accounting officer to observe general financial management practices. Findings of the Auditor-General that point to unauthorised expenditure can be traced back to SCM procedures that have not been followed (AGSA 2012: 76). This may be as a result of challenges departments and accounting authorities face in their SCM Units. The development of policies and procedures does not constitute service delivery on its own. It is the extent to which those policies and procedures assist the institution in its daily operations. Therefore the availability of procedure manuals in public institution is not the end to means but means to an end. In some instances, government institutions develop or alternatively merely adopt national guidelines as institutional policies and procedures, and this is done merely for compliance purposes, which is intended to get a "yes" tick on a compliance checklist. These are not applied in the daily operations of the institution or if applied they are applied selectively and most SCM practitioners, especially at operational level, are not exposed to them.

The Policy to Guide Uniformity in Procurement Reform Process in Government, issued in 2003, sets a broad framework for accounting officers to set standards, assign responsibilities and promote the development of a supply chain management system that conforms to the Policy Strategy. Generic guides have been made available to departments. The expectation is that when implementing SCM government institutions should be guided by their policies. Thus, this article conceptualises SCM policies as not only the development and adaptability (institutionalisation) of the policies themselves but also whether the employees are aware of such policies and the extent of their participation in the development of such polices if any are available.

Study method, population and sample

The research was a case study of the Eastern Cape Department of Roads and Public Works. The findings of the study may not necessarily be used to generalize on the status of other provincial departments and/or government institutions. The study had mostly been exploratory in nature, as it sought to provide insights and understanding of the research problem and its findings may not necessarily be conclusive but tentative. This design was selected because of its flexibility with intent to mitigate limitations posed in terms of personal bias, given the researchers' familiarity with populations groups in the study.

Participants in this exploratory study were drawn from the employees of the ECDRPW who work in the Supply Chain Management division of the department. The study assessed the extent to which the department has developed its own Supply Chain Management policies and procedures. The study was limited to the period 2010/2011 and 2011/2012 financial years and therefore did not take into account what happened in the department thereafter or before the period. Its findings therefore cannot be viewed as conclusive but merely providing insight into some of the challenges departments may be facing.

It may be important to provide an overview of the biographic data of the sample included in the study. The target population were employees in the Financial Branch of the department and specifically the Supply Chain Management Unit. The structure of the department is hierarchical. The total population consists of employees according to the levels below:

Top Management	Chief Financial Officer and General Managers
Senior Management	Senior Managers
Management	Managers and Assistant Managers
Supervisory	Senior Admin Officers
Operational	Admin Clerks

Figure 1: Population

A stratified random sample was selected due to the fact that "it simplifies survey administration" (Fink 2005:49). Worth noting is that random sampling can lead to poor representation of the overall population, hence care had been taken to ensure that adequate proportions of officials at the different levels of the hierarchy have been included in the sample. The department has two main divisions although these are not distinct in the organisational structure. These are the administrative support (Corporate Services) and the core business unit (Infrastructure). All offices, regions and Head Office, were requested to submit the number of employees in the SCM Unit for sampling.

The breakdown of the sample was as follows:

Office	No of SCM staff and Managers	Sample Size
Head Office	24	5
Alfred Nzo	9	3
Joe Gqabi	3	3
Chris Hani	8	3
Amathole	10	3
Cacadu	8	3
OR Tambo	10	3
CFO	1	1
DDG Roads	1	1
General/Senior Managers Roads	5	1
General/senior Managers Buildings	4	1
General/Senior Managers Corporate Services	5	2
Regional Senior Managers	5	1
	93	30

Table 1: Detailed Sample Breakdown

Biographic breakdown of sample

It must be noted that not all those identified to be included in the study responded to requests for participation as in the sample breakdown above. However, about 95% of SCM staff included in the study participated in the study. About 60% of officials who participated in the study have worked in Supply Chain Management for a period of between 5 to 10 years and only 13% have been in SCM for more than 10 years. It was found that about 13% of operational staff in the sample were below level 6 of employment and all managers were employed at levels 9 to 12. All managers in the sample have been managers for a period not exceeding 10 years. Looking at qualifications in the sample is was found that about 71% of SCM staff possessed a three year post matric qualification and about 30% of the managers have a post graduate qualification. The distribution is as per the figure on the next page.
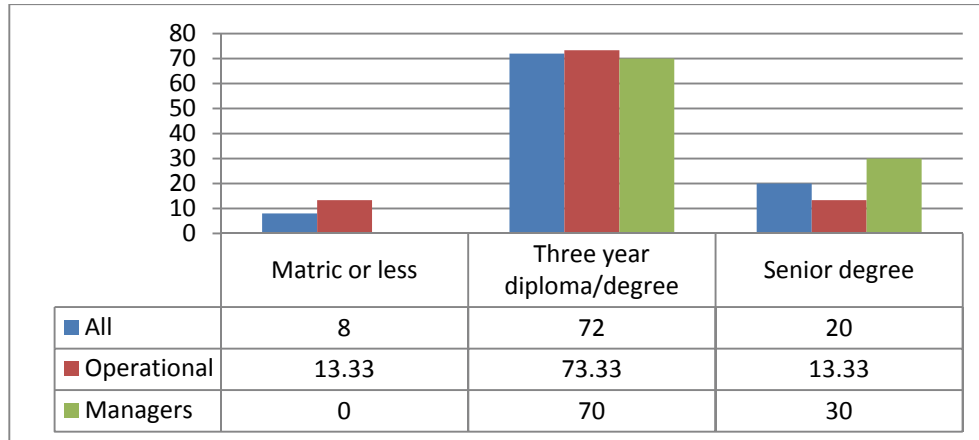
	Matric or less	Three year diploma/degree	Senior degree
All	8	72	20
Operational	13.33	73.33	13.33
Managers	0	70	30

Figure 2: SCM Personnel Qualifications

From this, it can be summed up that most participants had post matric qualifications. The implications are that these officials would be able to participate meaningfully in policy development processes.

Results

The approach adopted to analyse the data collected mainly focused on assessing the status of the department as a whole. Nevertheless it also involved a limited comparison either between Head Office and Regional Offices or between SCM managers and SCM operational staff. The term Operational Staff is used to refer to all staff below level 9. This consists mainly of Clerks, Administration Officers and Senior Administration Officers. The term management is used to refer to managers from level 9 to 12 consisting of Assistant Managers and Managers.

Availability and utilization of Policies and Procedures

It is a rule of general application that when an employee joins an organization for the first time she/he must be provided with all applicable policies and procedure manuals. This would be a legitimate expectation even if the employee is coming from a similar

work environment. Other than that, from time to time as the organization develops new strategies and approaches to service delivery, the policies and procedures are reviewed. When such processes have been completed it would be expected that employees are provided with the updated policy and procedure documents. The participants in this study were asked to indicate if they had been provided with policies and procedure that pertain to Supply Chain Management when they joined the department.
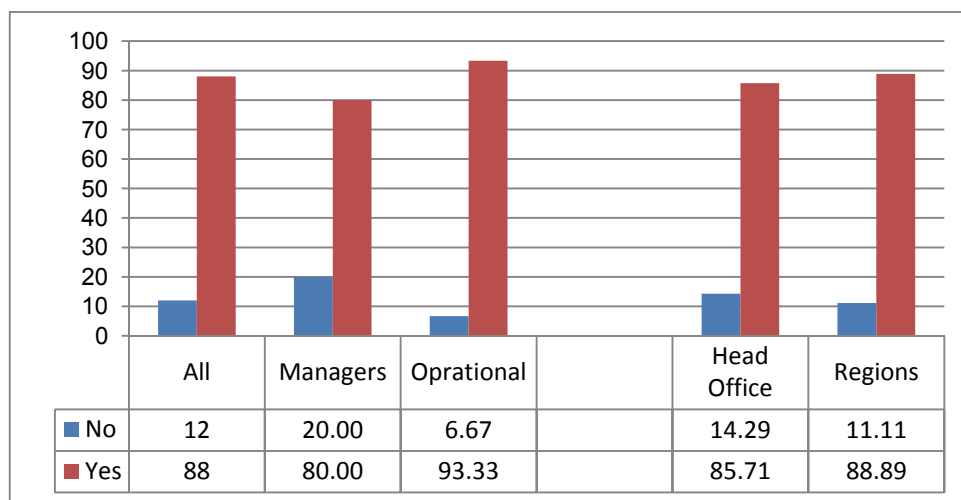

	All	Managers	Oprational		Head Office	Regions
■ No	12	20.00	6.67		14.29	11.11
■ Yes	88	80.00	93.33		85.71	88.89

Figure 3: Policies and Procedures Availability

As can be observed from figure three above, 88% of all SCM staff were provided with policies and procedures when they joined the department. As the department is divided into Head office sphere and regions sphere it was found that 85% of regional staff has seen SCM polices and 88% of Head Office SCM personnel have been provided with SCM policies and procedures.

Those who have been provided with SCM policies and procedures were further asked to indicate if they had read the policies and procedures documents. The graph above (figure 3) indicates that most of those who were provided or are aware of the policies and procedure documents, and have in fact read them. However, it is sometimes found that these policy and procedure documents are bulky. If the documents are bulky, officials sometimes get lazy to read and understand them. They are only used to reference a particular problem as and when it arises. Officials would rather spend time

while at work to read documents that relate to work than spend their out-of-work time reading documents that relate to their work. Their free time is spent on other personal matters. There is hardly time to spend at work reading in a normal office working environment. Subsequently, some officials merely take the documents and put them in their desk drawers. For this reason participants were asked to indicate if they had read the policies and procedures documents. The results, as seen in figure 4 below, revealed that about 91% of all SCM staff had, in fact, read SCM policies and procedures. Of this, about 78% of SCM managers have read the policies and all operational staff (100%) had read SCM policies and procedures.

There are several interpretations from these figures. The first is that perhaps it is mostly operational staff that has time to read policies and procedures compared to managers. It could also mean that some officials especially managers may believe that experience and exposure, over time, to the operational environment means there is no need for them to read these documents. These are questions for enquiry that this study did not focus on.
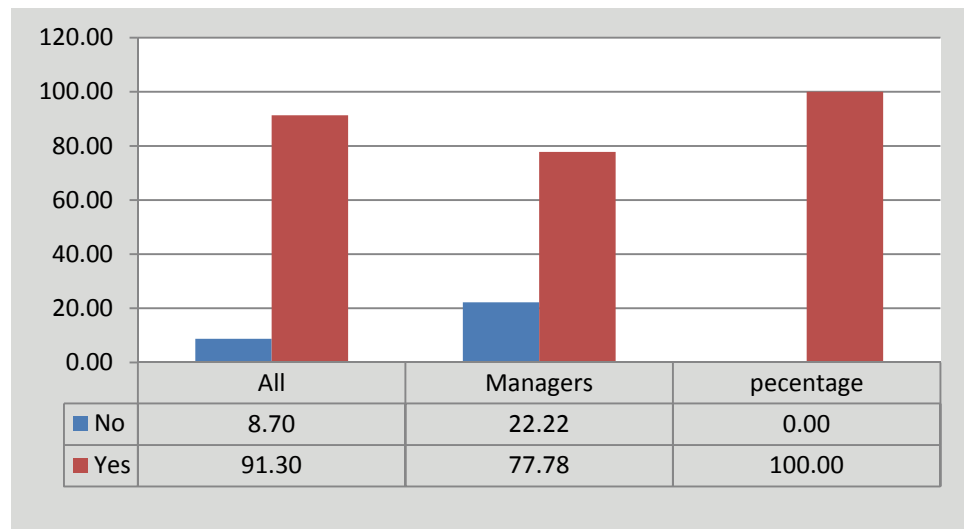
	All	Managers	pecentage
■ No	8.70	22.22	0.00
■ Yes	91.30	77.78	100.00

Figure 4: SCM Policies and Procedures Awareness

Turning to level of understanding of policies and procedures, the study used language used in the policies and procedure manual as an indicator. The participants were required to indicate if the language that is used in the policies and procedures was simple and easy to understand. The responses are represented in the figure below.
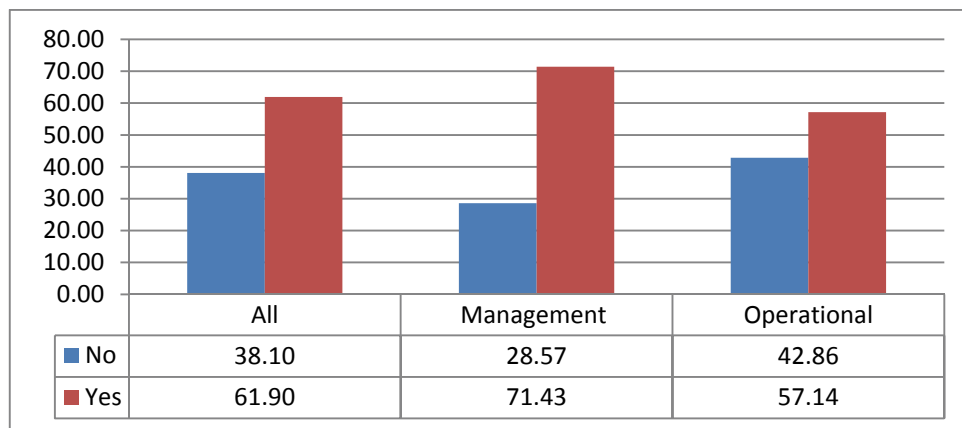
	All	Management	Operational
■ No	38.10	28.57	42.86
■ Yes	61.90	71.43	57.14

Figure 5 Level of understanding SCM Policies and Procedures

About 61.90% of all staff indicated that these documents are understandable. About 71.43% of SCM managers also indicated that the documents are understandable. When looking at staff below managers only 57.14% indicated that these are written in a simple language. Worth noting is that 42.86% of operational staff said the policies and procedure are not understandable. Can this be attributed to the fact that some officials at certain levels of the organization are excluded in policy development processes? If most of those responsible for implementation had been part of the policy evolutions process within the organization, the results may have been different. One tip, amongst others, from The Bureau of Business Practice (1998) for defining policies and procedures is that writers should avoid terminology that will not be readily understood by all readers, as policies and procedures are used throughout the organization. Also the Michigan Municipal League (2006, 60), suggests that well written policies do more than help supervisors and managers make difficult decisions and enforce rule. They provide means for accountability for decisions and actions.

Participation in policy and procedures development process

The process to develop policy needs to involve those who will be responsible for its implementation. Participants were asked to indicate if they had participated in the policy and procedure review processes of the department.
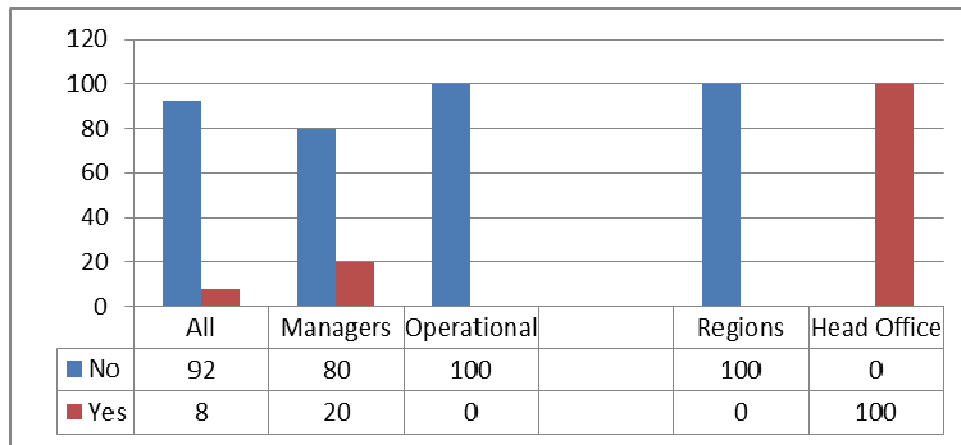

	All	Managers	Operational		Regions	Head Office
No	92	80	100		100	0
Yes	8	20	0		0	100

Figure 6: Policies and Procedures Review Participation

From the figure above, only 8% of those who participated in the study indicate that they participated in such review processes. This 8% is mainly those in management positions and the staff at lower levels did not participate at all in policy and procedure review processes. As the department is divided into Head office at a higher level and Regional Offices at a lower level, the study revealed that managers at regional level did not participate in the policy and procedure review processes. According to Roux (2002: 429) public officials who perform their duties on a daily basis at grass roots level are better positioned to provide valuable information for the development of public policy. These officials can better identify limitations and constraints in policy and can recommend strategies and measures to deal with such limitations and challenges.

The study revealed that policy and procedure review by the department is a prerogative of a chosen few and those being managers at the higher level of the

department. Much like Anderson's (2011) "Elite Theory" of public policy, decision making which affects inputs, outputs and outcomes in service delivery, values and preferences reflected in policies and procedures; even at the organizational level are often those of top level management. According to Anderson (2011), public policy can be regarded as reflecting values and preferences of a governing elite. Policy is not determined by the demands and actions of the people but by a ruling elite. Whose preferences are carried into effect by public officials who have been excluded in determining such polices. Without going to the merits and demerits of the above theory, the intention was to highlight the results of the study which suggest that the department tends to employ a top-down approach when dealing with policy and procedures review processes.

Participants were asked to indicate if they had ever heard about policy and procedure review in the department. The results are seen in the figure below.
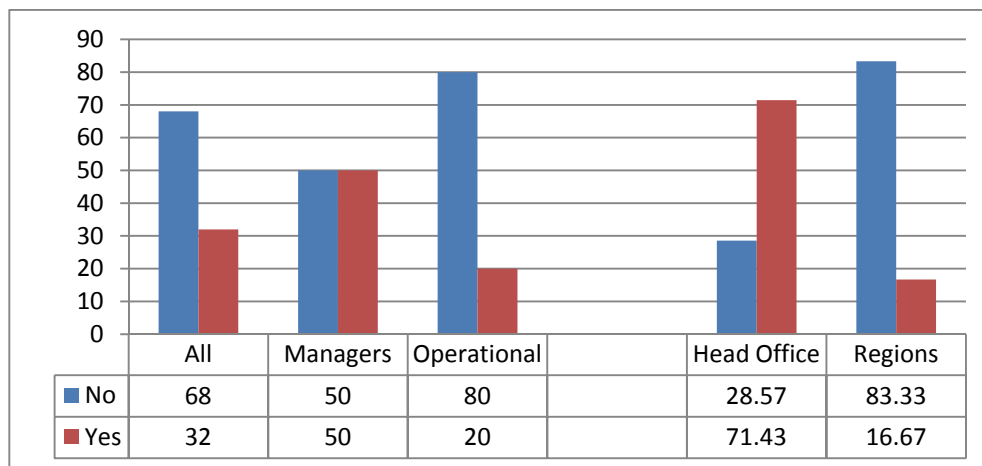
	All	Managers	Operational		Head Office	Regions
■ No	68	50	80		28.57	83.33
■ Yes	32	50	20		71.43	16.67

Figure 7: Policies and Procedures Review Awareness

About 68% of the respondents never heard about Supply Chain Management policy and procedure review in the department. Indeed, only managers indicated that they participated in policy and procedure review processes. Interestingly, only 50% of managers who participated in study indicated that they never heard about such reviews. In conclusion 80% of staff below management positions had never heard about such

policy review processes of which the larger percentage (about 83%) is staff based at the lower level of the department in the regions.

Conclusion

This article is a discussion of some findings based on a research conducted in the ECPRW with a view to explore the extent to which that department had moved in implementing Supply Chain Management. Although the research dealt with a much wider scope, this article focused on the development and institutionalisation (adaptability) of SCM policies and procedures. The reason for this focus is that policies and procedures enable managers and staff in general to clearly understand individual and group responsibilities as well as boundaries within which they have to work. Therefore these are enablers to service delivery.

The study revealed that these are available to almost all newly appointed officials in the department and are being read by those affected. However, the following can be seen as key issues that public institutions must take note of with regard to policies and procedures.

- Participation by SCM staff in policy development and review process is very low or non-existent. These are the very officials who have a responsibility of implementing the policies. They have day-today experience of all the challenges related to policy implementation. During review of policies, shortfalls and problem areas can be addressed. In the department the policy review process seems to be a prerogative of some managers and mostly head office managers participate in these processes.

- Policies and in particular work procedures are subject to review and simplification. Some employees seem to be experiencing problem in understanding the policies. There are a myriad of reasons for this. However this study found that language of policies and procedures may play a role in a lack of understanding. Also, the lack of participation in the development process could also be a factor. The language used in the policy documents should be

reviewed and further simplified such that they can be understood by both SCM practitioners as well as the end-users.

The article has argued that for public institutions to be effective and efficient, clear departmental guidelines have to be put in place in the form of policies and procedures manuals. Such guidelines should be simple and straight forward language so as to avoid different interpretations by implementers. To achieve that, the very practitioners who are involved on the day to day implementation should be involved in the development processes thereof. These are critical points for the development and institutionalization (adaptability) of SCM policies and procedures in government institutions.

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