

Procurement Practices and Operation Efficiency in State-Owned Enterprises: A case of Eskom Holdings Ltd and Airports Company South Africa Ltd

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Abstract

Governments around the world establish state-owned enterprises (SoEs) to drive revenue generation and promote socioeconomic development. In South Africa, SoEs face significant challenges in balancing service delivery mandates, economic objectives, and compliance with public procurement legislation. This highlights the critical role of effective procurement practices in fostering transparency, fairness, and efficiency. This investigation focused on procurement practices at Eskom Holdings Ltd (Eskom) and the Airports Company South Africa Ltd (ACSA), two key SoEs in South Africa. The study aimed to analyse and identify procurement processes that could enhance operational efficiency and effectiveness in both organisations. A purposive sampling strategy was employed to select fifteen participants from strategic business areas within Eskom and ACSA. The research used thematic analysis, a qualitative approach, to uncover critical insights. Findings revealed that although Eskom and ACSA both prioritise transparency, fairness, and compliance, Eskom places greater emphasis on cost competitiveness, sometimes at the expense of strict adherence to procurement legislation. Moreover, political interference emerged as a major factor undermining decision-making processes, reducing transparency and operational efficiency across both entities. This study contributes to the body of knowledge by synthesising current research, addressing gaps, and providing actionable recommendations for improving procurement practices at Eskom and ACSA to better align with governance principles and legislative requirements.



Keywords: SoEs, Procurement practices, Operational efficiency, Transparency and fairness, Political interference

Introduction

Governments worldwide build state-owned enterprises (SoEs) to boost revenue and socioeconomic growth (Mathebula & Masiya, 2022). Post-World War II, European SoEs aim to improve capital and market conditions, reduce unemployment, and exert economic control (Lwanga & VyasDoorgaperasad, 2008). SoEs drive economic development and growth in South Africa, according to the National Growth Plan (NDP 2030) (Gumede & Asmah-Andoh, 2016). The Public Finance Management Act No. 1 of 1999 (PFMA) classifies South Africa's SoEs (Balbuena, 2014). Eskom, a state-owned PFMA Schedule 2 corporation, generates, transmits, and distributes energy nationwide. According to the Electricity Regulation Act No. 4 of 2006, the agency must provide electricity to families, especially those in disadvantaged neighbourhoods, and improve the energy system's resilience. Airports Company South Africa (ACSA), a state-owned organisation under PFMA Schedule 2, oversees airport development, growth, and operations. Its primary goal is to ensure the aviation industry's smoothness, following the Airports Company Act No. 44 of 1993. Both institutions must improve the energy system's resilience and ensure home electricity supply (Dube & Moyo, 2022).

As state entities, Eskom and ACSA have more than only service delivery duties. Manage contracts and ensure efficient public procurement. Successful governance and public procurement management are vital for efficient and successful government service delivery at all levels. Public procurement and service delivery are interdependent, making differentiation difficult (Uyarra & Flanagan, 2009). Government agencies like Eskom and ACSA must use fair, equitable, transparent, competitive, and cost-effective procurement processes under the South African Constitution. This improves public service delivery and benefits businesses. The procurement strategy also promotes victims of apartheid and colonialism (Nene, 2018).

Problem Statement

Procurement inefficiencies and non-compliance within South Africa's SOEs, such as Eskom and ACSA, continue to undermine good governance, financial accountability, and service delivery. These entities play a critical role in the economy, with Eskom serving as the backbone of the national energy supply and ACSA managing critical aviation infrastructure. However, persistent challenges, including manual procurement systems, lack of transparency, and political interference, compromise their ability to fulfil their mandates effectively.

For instance, Eskom's reliance on manual procurement processes and the absence of an integrated procure-to-pay system results in inefficiencies, non-compliance, and a lack of



visibility in procurement activities. These deficiencies significantly affect South Africa's energy security and economic stability (Ambe & Badenhorst-Weiss, 2012). Similarly, while ACSA has implemented structured procurement systems and ERP technologies to enhance accountability, political interference remains a concern, threatening to erode public trust (Moeti et al., 2017).

These challenges are not isolated but reflect broader systemic issues within South African SoEs. This study seeks to evaluate the procurement practices of Eskom and ACSA to identify governance gaps, explore their compliance with statutory frameworks, and assess the implications of political interference on procurement efficiency and public trust. As such, the study's findings and recommendations can be applied in the broader context of other SoEs, which are critical for the South African economic recovery agenda.

Eskom and ACSA have difficulties balancing providing services, pursuing commercial goals, and adhering to public procurement legislation. This highlights the significance of implementing efficient procurement methods to ensure openness, fairness, and effectiveness (Nxasana, 2019). The study seeks to discover procurement strategies that can improve operational effectiveness and efficiency within Eskom and ACSA. Therefore, the research questions are formulated as:

- Which procurement approach(s) are relevant to Eskom and ACSA?
- What is the state of procurement practices in Eskom and ACSA?
- What regulatory frameworks underpin procurement practices in Eskom and ACSA?

The study examines the procurement procedures of South African SoEs, specifically addressing concerns such as infrastructure deterioration, corruption, inefficient spending, and financial mismanagement. The objective is to enhance SoE procurement methods by offering valuable insights and recommendations, ultimately resulting in enhanced performance and superior outcomes for stakeholders and society at large.

Literature Review

Overview of State-owned Enterprises in South Africa

South Africa has over 700 state-owned firms, encompassing utilities, transportation, and technology. These enterprises deliver dependable public services and promote social advancement (Fourie, 2014). The government is entrusted with ensuring the careful allocation of funds for these enterprises (Setino and Ambe, 2016:1). The Department of Public Enterprises in South Africa is responsible for supervising state-owned firms in critical sectors such as power, transport, and telecommunications. These firms substantially impact the South African economy, frequently engaging in competition with and deterring foreign investment due to the government's involvement (Department of Public Enterprises, 2018).



The Department of Public Enterprises in South Africa has called for SoEs to actively support economic transformation, industrialisation, and import substitution. The department has jurisdiction over six out of the 700 SoEs in the country, namely Alexkor, Denel, Eskom, Transnet, South African Forestry Company, ACSA, and South African Broadcasting Corporation. These seven firms collectively employ over 105,000 individuals and account for 21% of total investment, with private enterprise providing 63% (Nzimakwe, 2023:5). According to the International Monetary Fund, the debt of state-owned firms is projected to increase the entire national debt by 13.5% (Department of Public Enterprises, 2018). The Department of Public Enterprises is responsible for overseeing these firms at the national, provincial, and local levels.

According to Section 217 of the South African Constitution, all state organs, including national, provincial, and local government entities, must follow procurement regulations. The Public Finance Management Act No. 1 of 1999 is applicable to certain national and provincial government agencies, specified major public bodies, national government-owned businesses, constitutional institutions, and provincial legislatures (Bowmans, 2016).

The allocation of funds to private entities is uncertain, causing concern for SoEs. The tight operating environment created by the 'soft privatisation' of state functions and institutions is a challenge. The concern lies in the open competition policy faced by state departments and entities. The argument is that state-to-state business transactions are beneficial for economic activity and job preservation (Hadebe, 2020). However, the National Treasury's endless bailouts to SoEs may be seen as subsidies, as they do not significantly benefit general taxpayers (Hadebe, 2020).

South Africa's SoEs are crucial for economic development and strategic sectors like energy, transport, telecommunication, logistics, and manufacturing. They ensure sustainability and self-sufficiency (Fourie, 2014:33). However, recent pressures to improve operational efficiencies and service delivery have intensified due to nationwide protests, corruption, fraudulent activities, collusion, fronting, bribery, and maladministration of public funds (National Treasury, 2015). These issues aim to improve the state's developmental objectives.

Procurement Practices in State-Owned Enterprises in South Africa

The South African government's procurement system in SoEs is inadequately implemented, leading to governance failures, waste, and fraudulent activities. The weaknesses in procurement enablers, strategies, policy implementation, and enforcement of government Supply Chain Management rules result in inefficiency, maladministration, and abuse of power (Rukuni, Maziriri & Mulaudzi, 2020).

Procurement departments in SoEs often face illegal practices and lack support from senior management. This makes it difficult for procurement practitioners to execute their daily functions and comply with relevant legislation. Senior procurement practitioners are often



not involved in corporate strategy development, leading to misaligned supply chain and organisational strategies. This results in service delivery backlogs, high corruption levels, and ongoing strikes for better services. Given the massive expenditure and financial challenges faced by the government, effective public-sector procurement is crucial. Government leaders should be more strategic in using procurement as a tool to improve service delivery (Setino & Ambe, 2016:380).

SoEs rely on foreign suppliers for infrastructure maintenance. Strategic supplier relationship management promotes long-term relationships, leveraging suppliers' capabilities. However, progress in Broad-Based Black Economic Empowerment procurement still falls short of transformation targets (National Treasury, 2015). A strategic sourcing approach involves SoEs adopting a differentiated procurement strategy, using public procurement processes like bidding or quotations. They also collaborate with the private sector in infrastructure development projects, known as Private-Public Partnerships, achieving good value for money and superior whole-life outcomes (Setino & Ambe, 2016:383–385).

Key Hurdles in State-Owned Enterprises Procurement Processes

SoEs in South Africa face procurement challenges such as compliance with legislation, misalignment between strategies and supply chain management practices, customer service and value for money, supply chain performance management, strategic sourcing, highly inexperienced personnel, and tender irregularities, which are addressed through a public procurement process (Setino & Ambe, 2016:385–388).

The empowerment legislative framework is disjointed, with various instruments imposing different and sometimes conflicting obligations on SoEs. Compliance with the legislative environment is bureaucratic and time-consuming, reducing the capacity to execute primary objectives. Setino and Ambe (2016:385–388) argue that there is a misalignment between SoEs' supply chain management practices and government acts and regulations, leading to slow progress in reaching transformational agendas.

Supply chain management is crucial for South Africa's economy and government service delivery. However, it is vulnerable to waste and corruption, leading to a lack of strategic skills. A key challenge in government and SoEs is the absence of a skilled workforce, particularly in supply chain management. This lack of skills and capacity hinders the use of procurement to drive innovation, as procurement personnel lack knowledge and capabilities (Bolton, 2016:24). Addressing this issue is essential for enhancing the value for citizens and taxpayers in South Africa.

Public Procurement and Political Environment

In democratic systems, private sector entities like trade associations, professional groups, and businesses (interest groups) play a crucial role in the public procurement process.



These interest groups, driven by diverse interests, objectives, and beliefs, influence legislative bodies to shape procurement laws, implement regulations, and affect budgetary decisions (Qhobosheane, 2018). Politics, often associated with political parties and elections, is present in all aspects of life, including family, church, and work, as contesting interests drive various aspects of life.

Government programmes often involve compromises between diverse interests, including interest groups, policymakers, and management. However, forming a coalition can lead to lobbying influencing state capture. This is known as the 'iron triangle', where budget, scope, and schedule are interdependent. Changes in one element can affect the others, potentially compromising project quality. Therefore, robust oversight and convergence among interest groups and politicians are crucial (Coviello & Gagliarducci, 2017).

Witness protection programmes are crucial in preventing civilians from disclosing information that could implicate officials, including politicians. However, impunity among elite members and government officials challenges accountability in public procurement processes. Violations of procurement laws by wealthy individuals and officials undermine the rule of law, judicial bias, and poor service delivery, negatively impacting all citizens (Qhobosheane, 2018; Nwabuzor, 2005).

Manyathi (2022:97) highlights the prevalence of political interference in public procurement processes, often leading to increased fraud and corruption. This interference blurs the line between government responsibilities and political agendas, undermining the integrity of procurement practices. It compromises the impartiality and fairness of procurement decisions, diminishing the effectiveness of oversight mechanisms designed to ensure accountability and transparency. This interference distorts the distinction between government and politics, erodes the public's trust and integrity of the procurement system, and ultimately undermines the effectiveness of oversight mechanisms.

Methodology

The research utilised a qualitative approach, based on the interpretivist philosophy, to establish a social reality picture. This methodology allows for an in-depth investigation into the significance and needs of human actions (Haralambos & Holbon, 2016). It also helps examine the motivations behind individual behaviours, revealing the underpinning motives behind employees' desires (Kothari, 2016). The interpretivist paradigm was used to understand phenomena in their context and society, allowing for consideration of participants' ideas, experiences, beliefs, emotions, and biases through interviews, rather than the positivist paradigm's findings (Pham, 2018).

The study population consists of 15 participants, including Eskom and ACSA Heads of Procurement Operations, and employees with governance and procurement knowledge,



including seven employees from Eskom and eight from ACSA. The researcher employed purposive/judgmental sampling, a non-probability sampling method, to select employees that best meet research objectives. Based on the researcher's judgement, this method is particularly useful for small samples and informative studies (Saunders et al., 2016). Respondents were chosen based on their expertise, seniority, and experience in improving operational efficiency at Eskom and ACSA through sound procurement practices.

Data Collection Techniques

The process of collecting primary data entailed administering the created data collection instrument to the participants. The main data was gathered via semi-structured interviews. According to Brinkmann (2014), semi-structured interviews are dialogues between two individuals that occur at any given time and are enhanced by subsequent questions. As Rubin and Rubin (2005) described, the semi-structured interview is characterised by its conversational nature and lack of formality. This approach facilitates the establishment of rapport with participants and fosters a communicative atmosphere. Interviews were performed using MS Teams, Zoom, or face-to-face, depending on the participants' preferences, due to constraints in time and budget. The response rate was 100%, as all targeted respondents were approached and interviewed.

In addition to the data collected through semi-structured interviews, the researcher decided to gather secondary data from government organisations such as the National Treasury, StatsSA, and AGSA (Turner III, 2010). This approach helps to mitigate limitations associated with the collection of qualitative data and enhances the overall robustness of the investigation.

Data Analysis Approach

The analysis of the interview data commenced in an iterative manner once half of the interviews had been conducted. Barrett and Twycross (2018) recommend that analysis should not be postponed until all interviews have been completed, considering the large amount of data that needs to be obtained through interviews. Once the researcher was comfortable with the coherence of the information, a thematic content analysis was performed to ascertain the overall impression of the interviews and the data. The thematic analysis allows for the recognition, examination, and documentation of comparable themes or patterns within a collection of data (Scharp & Sanders, 2019). The interviews were analysed using an inductive coding approach, followed by the identification of themes using a deductive method. Both the repetition of codes and their connection to the research question should be analysed in order to develop a relevant theme (Barrett & Twycross, 2018). The software utilised for thematic data analysis was Atlas.ti version 9.

Ethical Considerations

The consent letter was sent to confirm that the participant's consent had been obtained for their participation in accordance with ethical approval. After receiving permission from



Eskom and ACSA, the researcher scheduled interviews with the respondents, who are employed by these organisations, in accordance with the agreed-upon timeframes and methodologies. Furthermore, the researcher respected and acknowledged the rights of participants who desired to maintain their anonymity or discontinue their involvement in the study at any time owing to personal circumstances.

Presentation and Discussion of Findings

This portion of the article covers the survey findings regarding the attitudes of the study population regarding the procurement practices of SoEs, specifically focusing on Eskom and ACSA.

Findings Related to Eskom

Procurement Practices in SoEs

The theme delineates the procurement processes implemented by Eskom in South Africa.

- ***State of procurement processes***

All the respondents from Eskom were interviewed from 01 September 2023 to 30 September 2023. The findings indicated that Eskom's procurement procedure involved acquiring items and services suitable for their intended purpose and offering the most competitive pricing and value for money. The survey findings revealed that there is no integrated procure-to-spend system, leading to the majority of procurement activities being carried out manually. Consequently, there is a lack of timely visibility about the implementation of procurement plans. Furthermore, there is still a clear separation between end-users and procurement practitioners, resulting in Eskom's procurement strategies being severely lacking in compliance. This issue arises from a lack of timely communication between end-users and procurement practitioners and a reactive strategy taken by the procurement practitioners.

Typically, a needs assessment is conducted, followed by the creation of a purchase demand. This requisition is then sent to the procurement department, which initiates the procurement process. As part of this process, the procurement team evaluates the procurement hierarchy, including determining if a current contract is in place. After completing the assessment, the procurement department releases a tender to the open market, as a standard procedure based on the type of product. The majority of transactions are conducted through open tenders. The respondents' statement highlights their opinion on the current situation of Eskom's procurement processes.

"The state of the procurement process is to source goods and services that are fit for purpose and most cost-competitive price and value for money. Scoping and/or requirements from end user-need analysis, market intelligence/analysis, procurement strategy compilation, approval by DAA, tendering (issuing of tender

to the market), contract award, contract management, and supplier relationship management.” P1

- **Approaches to procurement processes**

The study findings revealed that Eskom used diverse procurement techniques. Two procurement techniques and their accompanying processes have been identified: Low-Value Purchase Order procurement, which has a threshold of R30 000, and informal tendering, which involves soliciting quotations from central supply database (CSD) vendors and has a barrier of R1 million. The recognised procurement methods include formal tendering for contracts exceeding R1 million, single source procurement where only one supplier is considered, and panel contracting which involves numerous vendors selected through an open tender process. In addition, the present methods employed involved documenting the processes, which included the controls that guaranteed that procurement processes were in line with the constitutional values outlined in section 217. The survey findings also indicated that Eskom’s preferred and standard procurement procedure is formal open competitive tendering.

In a procurement method, the process starts with identifying a need, conducting market research, formulating a plan, procuring the necessary items, making decisions, negotiating, and finally awarding the contract. It is essential to adhere to the procurement criteria during these procedures to ensure compliance, prevent audit findings, and deliver the necessary goods, works, and/or services. The subsequent verbatim excerpt illustrates the perspectives of the participants regarding the existing methods employed in procurement practices.

“Below are some procurement mechanisms with corresponding processes: Low-Value Purchase Order procurement with a threshold of R30 000. Informal tendering request for quotation from CSD suppliers with a threshold of R1 million. Formal Tendering above R1 million. Single-source procurement is directed at one supplier with a request for quotation and award. Sole sources normally to Original Equipment Manufacturers. Panel contracting to multiple suppliers through an open tender process.” P2

Procurement processes policy, statutory and regulatory framework

The findings highlighted the presence of internal and external legal, regulatory, and policy structures designed to strengthen procurement processes inside Eskom.

The key internal policy, regulatory, and statutory frameworks for governance and procurement processes in Eskom include the Eskom Delegation of Authority, Eskom documentation standard 32-644, Eskom Internal Policies, Procedures, and Standards, Eskom Value Standardisation and Cataloguing Procedure, Internal Charters and governance rules, and the Disciplinary Code of Conduct. Externally, the investigation found many policy, statutory, and regulatory frameworks that control the good governance and



procurement procedures of Eskom. The mentioned regulations and acts are The King IV Code of Good Governance, National Treasury regulations, the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) and its associated Regulations issued in 2022, the Companies Act, the Broad-Based Black Economic Empowerment (BBBEE) Act 53 of 2003, section 217 of the Constitution, the Protocol on Corporate Governance, ISO 9001 Quality Management Systems, the PFMA, the Prevention and Combating of Corrupt Activities Act, and the PAJA. The regulatory, statutory, and policy frameworks that regulate governance and procurement procedures for Eskom include Supply Chain Management (SCM) Instruction Notes, SCM policy, SCM Procedure Manuals, and the BBBEE Act.

These legislative, statutory, and policy frameworks offer instructions on how to obtain goods, services, and works, and outline the dos and don'ts in procurement to ensure adherence to rules and regulations. In addition, they provide information on the regulatory framework and norms that businesses must adhere to to achieve compliance. In addition, bidders expect that public procurement complies with the Promotion of Administrative Justice Act (PAJA) as it is considered an administrative action. The PPPFA stipulates evaluation criteria, including the implementation of the 80/20 preferential point system for transactions ranging from R0 (VAT incl.) to R50 million (VAT incl.), and the implementation of the 90/10 preferential point system for transactions above R50 million (VAT incl.). Additionally, it mandates the utilisation of Eskom's default procurement approach, which includes open tendering and other permissible restricted procurement techniques, such as deviations in accordance with the National Treasury PFMA SCM Instruction note number 3 of 2021/2022.

Furthermore, the PFMA and other statutory, regulatory, and policy frameworks play a vital role in setting important guidelines that govern Eskom's procurement operations. According to section 51 (iii) of the PFMA, the phrase 'competitive' means that contracts for SoEs should only be issued if numerous bidders have had the chance to compete for a specific contract. This method is implemented to mitigate the risk of corruption during the tendering process. Additionally, it is compulsory to comply with Eskom's Commercial Policies and Procedures, which are authorised by the Accounting Authority, in order to conform to the provisions of the PFMA and the Constitution.

The respondents highlighted the importance of controlling statutory and regulatory frameworks, such as the modified PAIA and PAJA. These systems guarantee the effective handling of suppliers' and tenderers' data while maintaining the constitutional norm of transparency. It also protects the information of Eskom personnel and suppliers, manages financial transactions, and oversees the execution and evaluation of procurement deals. To summarise, the study results emphasised the vital importance of regulatory, statutory, and policy frameworks in enhancing governance and procurement procedures within Eskom.



Effects of Political Interference on Procurement Processes of SOEs

It was crucial to comprehend the repercussions of political intervention in the procurement procedures at Eskom. The participants concurred that political interferences undermine Eskom's procurement procedures. The following anecdotes can substantiate this

“Yes, political interference weakens good governance due to conflict of interest and impact on service delivery as a result of driving self-interest.” P1

“Yes, ... most of our shareholder representatives are politicians, therefore, some organisational decisions are expected to align with the shareholder's narrative or expectations.” P5

The quotes above support the idea that political meddling in the public sector and SoE is damaging procurement processes. The inefficiencies caused by personal political goals are weakening governance mechanisms. One of the respondents argued that political interferences weaken procurement processes due to structured and constrained performance requirements that are not aligned with organisational goals. Additionally, tenders may be provided to incapacitated companies to fulfil local development's political agenda. P2, the individual being interviewed, expressed the following:

“Political interference subjects organisations to structured and constrained performance requirements which at times are not aligned with the company's needs, operations and goals. Organisational key performance indicators are based on what the company should deliver in terms of its wide mandate and omit to have a view of what the company needs to be sustainable. State-owned entities are being ripped off as a result of political influence in that work gets channelled to entities with little or no experience in the name of local development.” P2

Political involvement poses a notable challenge in terms of the inadequate selection and development of CEOs and board members. Several members and executives on the board lack the requisite abilities and expertise, resulting in adverse effects on organisational performance due to increased managerial inefficiencies and incompetence. One of the participants emphasised that:

“Poor selection and development of boards and executives -there is a shortage of properly skilled and experienced directors on state-owned entity boards because many directors are chosen for their political affiliations without regard to the skills necessary to direct the affairs of the entity. For many a highly remunerative board position on a state-owned entity is seen as a reward for loyalty.” P4

Interviewee P7 corroborated the claim made by respondent P4 by recounting that:



“Yes, for governance, the internal conflict, discontent, and fragmentation within the ruling party is now a risk multiplier resulting in a failure to manage SoEs such as the indebted Eskom, and poor policy implementation. As for procurement, the current fragmentation not only reduces efficacy but also enables public procurement rent-seeking and corruption. Appointment of Board of Directors, group executives, and senior executives the political influence weakens good procurement and governance processes. Need to ensure all five pillars of public procurement Value for Money, Open and Effective Competition, Ethics and Fair Dealing, Accountability and Reporting are adhered to.” P7

According to P7, political intervention has the additional consequence of causing internal conflict, dissatisfaction, and division within the ruling party. This, in turn, increases the likelihood of failure to manage SoEs like Eskom effectively. It also leads to inadequate implementation of policies and encourages the pursuit of personal gain through corrupt procurement practices.

Findings Related to ACSA

Procurement Practices

The theme entails the procurement practices conducted by the South African ACSA SoE.

- ***State of procurement processes***

All the respondents from ACSA were interviewed from 01 October 2023 to 31 October 2023. The findings indicated that the procurement process of ACSA involved strict compliance with procurement legislation, including the guidelines outlined in the South African Constitution, particularly section 217. Additionally, ACSA followed the regulations set by the National Treasury and other important regulatory, statutory, and policy frameworks. These guidelines are then integrated into the internal policies and procedures that govern ACSA’s procurement processes. One interviewee reported that ACSA has implemented budget approval, demand requisition, and request for quotation processes, and follows the invited process for procurement. In addition, committees are authorised and selected for the RFX procedures, carry out bid assessments and talks with bidders who have successfully completed the pricing and BBBEE phases. In addition, the SCM compliance section provides training on SCM issues and also communicates with unsuccessful bidders to clarify the reasons for their tender losses. In order to promote openness, accountability, and fairness in the ACSA procurement procedures, the results of bid wins are made publicly available on both the Construction Industry Development Board and National Treasury platforms.

The goods and services are obtained using the Oracle System, which generates a purchase order, receipt purchase order, and process invoice payment in order to reduce corruption. Moreover, any deviations from the standard procurement procedures must be presented to the relevant committees for approval before being put into effect. This allows for the



resolution of any violations through the processes of consequence management. However, in the case of emergency procurements, it is necessary to adhere to the procedures outlined in the emergency policy and procedure guidelines. Overall, the respondents emphasised that the procurement process is advantageous due to its promotion of transparency, fairness, and accountability.

The respondents' statements provide insight into their perspective on the current situation of ACSA's procurement processes.

"The procurement process is actually from cradle-to-grave system that starts with the identification of a need, market research., development of a strategy, procurement, adjudication, negotiations and award. Along these processes, the procurement prescripts must be adhered to in order to ensure compliance and avoid audit findings while delivering the needed goods, works or services." P7

- **Approaches to procurement processes**

ACSA has created multiple procurement processes to resolve any instances of non-compliance that may occur during the procurement process. The implemented strategies encompassed various activities such as conducting feasibility studies, obtaining budget approvals, engaging internal and external stakeholders, forming tender preparation and evaluation committees, establishing bid adjudication committees, and assembling cross-functional teams consisting of different stakeholders and government institutions such as the Department of Transport, the National Treasury, and the Auditor-General of South Africa (AGSA). These entities provide guidance throughout the entire process of creating bids, issuing them, administering them, evaluating them, negotiating, and making recommendations for awards. Finally, the existing methods for procurement procedures promote the adoption of ERP systems as a means to combat corruption in procurement processes and enhance transparency and accountability.

"Feasibility studies, budget approval, cross-functional teams of various stakeholders for the project/goods/requirements, internal and external auditors/probity, AGSA and tender preparation and evaluations committee to draft the tender, to issue and administer the tender, to evaluate, negotiate and recommend for award. Bid adjudication committees to adjudicate on the tender award and to issue a mandate. These are all the different stages and stakeholders involved in a procurement process." P2

Procurement Processes Policy, Statutory and Regulatory Framework

The theme focused on the legal, statutory, and policy framework that governs procurement processes in ACSA. The study revealed that there are several legislative, regulatory, and statutory frameworks, both internal and external, that govern ACSA in order to enhance procurement procedures. The primary statutory, regulatory, and policy frameworks governing ACSA procurement processes include the Companies Act, BBBEE



Act, PPPFA, King codes, PFMA, Constitution of South Africa Section 217, SCM Policy and Procedure Manuals. Additionally, the Specification, Evaluation, and Adjudication Committee utilise product specifications, terms of reference, and Delegated Levels of Authority. Several individuals are involved in ensuring that the company operates according to the law, effectively manages risk, and complies with relevant regulatory agencies. The statutes, legal, and policy frameworks delineate the individuals or entities with the authority to authorise specific monetary values in procurement transactions.

In summary, the study revealed that several policies, statutory, and regulatory frameworks enhance procurement processes for ACSA.

Effects of Political Interference on Procurement Processes of SoEs

Considering the robustness of the many legislative, legal, and statutory frameworks that promote procurement processes in ACSA, it was necessary to assess the impact of political interferences on ACSA's procurement practices.

All respondents emphasised that political interferences have a substantial impact on ACSA procurement processes. Several detrimental consequences were mentioned, including the organisation's tarnished reputation resulting from stakeholders' perception of political meddling, the potential for corruption, a lack of openness, and injustice. One interviewee (P4) emphasised the importance of fairness and transparency in public procurement, noting that political involvement could undermine these principles. To address this concern, ACSA has adopted a policy requiring bidders to disclose any political links.

"Yes, it does, public procurement must be fair and transparent therefore all bidding entities must be given an equal opportunity. Political interference may jeopardise that, that's why in my organisation bidders must declare if they are politically exposed." P4

Moreover, political interferences undermine procurement processes by disregarding the policy, legal, and statutory frameworks that control and guide these processes. The findings are completely consistent with the responses provided by the respondents, as indicated below.

"Correct, it interferes with Section 217 of the SA Constitution which requires: Fairness, Equity, Transparency, competitiveness and cost Effectiveness. Political involvement in governance and procurement processes tends to ignore the above principles and taints the entire process." P3

Summary of Presentation and Discussion of Findings

Procurement Practices



The study's findings highlight significant differences between Eskom and ACSA's procurement practices. Eskom's reliance on manual procurement systems and limited use of digital tools contrasts with global best practices, which emphasise automation to enhance transparency and efficiency (McCue & Roman, 2012). These inefficiencies hinder the organisation's ability to comply with constitutional procurement principles, such as fairness, equity, and competitiveness (National Treasury, 2022). In contrast, ACSA's use of ERP systems aligns with international trends advocating for technology-driven procurement processes to reduce corruption and ensure accountability (Ambe & Badenhorst-Weiss, 2012).

Policy, Statutory, and Regulatory Frameworks

The findings underscore the importance of robust regulatory frameworks, such as the PFMA and the PPPFA, in guiding procurement practices. However, Eskom's inability to operationalise these frameworks highlights a gap between policy and implementation. This finding aligns with prior research indicating that weak enforcement of regulations in developing countries undermines procurement governance (Bolton, 2022). In contrast, ACSA's structured approach to compliance, including regular audits and cross-functional teams, demonstrates how effective implementation of statutory frameworks can mitigate non-compliance and promote accountability (Moeti et al., 2017).

Political Interference

Both Eskom and ACSA face challenges related to political interference, which weakens procurement governance. For Eskom, political meddling often results in the appointment of unqualified board members and executives, leading to inefficiencies and compromised decision-making. This finding supports existing literature, which identifies political interference as a major risk to SoE performance in transitional economies (Auriol & Blanc, 2020). While ACSA has taken proactive measures, such as requiring bidders to disclose political links, concerns about fairness and transparency persist. These findings emphasise the need for institutional reforms to insulate SoEs from undue political influence and align procurement practices with constitutional values.

The findings of this study contribute to the body of knowledge on procurement governance by revealing significant gaps in compliance and the detrimental effects of political interference in Eskom and ACSA. The comparison with existing literature highlights best practices, such as adopting integrated digital systems and enforcing statutory frameworks, which could improve procurement governance. Given their economic importance, reforms in Eskom and ACSA's procurement practices are essential not only for organisational sustainability but also for achieving national development goals and restoring public trust in SoEs.



Strategies to Enhance SoEs' Procurement Processes

Based on the results obtained from the qualitative data thematic analysis conducted on Eskom and ACSA, the following methods have been suggested to optimise procurement practices and promote operational efficiency in SoEs.

- ***Preventing political appointments***

Establish independent panels for the recruitment of board members and executives, ensuring they meet predefined skill-based criteria. Implement governance frameworks, such as King IV principles, to guide appointment processes. Monitor compliance with anti-political interference policies using external auditors and whistleblowing mechanisms.

- ***Transition to digital procurement systems***

Conduct a needs assessment to select appropriate e-procurement tools (e.g., ERP systems) tailored to organisational requirements. Offer training programmes for procurement staff on digital tools to ensure smooth implementation. Monitor system adoption using performance indicators like reduced procurement cycle times and error rates. Collaborate with the National Treasury for seamless integration with existing compliance systems.

- ***Embedding good governance principles***

Develop a governance code of conduct specific to procurement. Host regular workshops to reinforce the importance of transparency and ethical behaviour in procurement practices. Publish procurement policy updates and case studies of non-compliance to raise awareness among employees. Conduct annual governance audits to track adherence to these principles.

- ***Tightening internal control systems and risk management***

Establish automated control systems to flag irregular transactions. Designate risk management teams to perform quarterly reviews of procurement plans against organisational objectives. Provide regular updates on compliance mandates through an internal communication portal. Use predictive analytics to identify vulnerabilities and conduct targeted risk assessments.

- ***Effective Stock Control Management***

Implement inventory management software with tracking capabilities. Conduct regular stock audits and implement barcode/RFID systems to improve accuracy. Provide staff training on stock handling to minimise errors. Establish a feedback loop where procurement and inventory teams regularly meet to discuss system performance and address inefficiencies.

Conclusion

The study examined the procurement processes at Eskom and ACSA, revealing both

similarities and differences in their approaches. Both organisations are committed to transparency, fairness, and compliance, but Eskom prioritises cost competitiveness, while ACSA focuses more on strict adherence to procurement legislation. Eskom acknowledges challenges such as communication gaps and manual processes, yet it strives to enhance openness and efficiency throughout its procurement stages. On the other hand, ACSA has a comprehensive and well-documented procurement process, ensuring compliance with regulations and minimising audit issues, with stakeholder participation and strategic sourcing initiatives playing key roles.

Eskom's procurement methods include Low-Value Purchase Orders and formal tenders, ensuring efficiency and openness while adhering to constitutional norms. The organisation demonstrates its commitment to legality and transparency through meticulous documentation and strict compliance with procurement requirements. ACSA employs feasibility studies and cross-functional teams to address non-compliance issues and enhance transparency, supported by Enterprise Resource Planning technologies that streamline operations and combat corruption. Both institutions uphold procurement criteria through evaluations using scorecards and central supplier databases, reinforcing transparency and legality.

Despite operational constraints, Eskom and ACSA have received positive feedback for their procurement processes, recognised efforts to improve transparency, fairness, and accountability. Eskom's dedication to transparency and legality is evident in its tendering methods and thorough documentation. Similarly, ACSA's strategic sourcing and stakeholder engagement ensure compliance and transparency. Both organisations uphold ethical standards and compliance with procurement laws, promoting public confidence in their procedures. However, political intervention remains a significant obstacle, influencing decision-making processes and undermining transparency and fairness. Eskom faces conflicts of interest, and ACSA's procurement integrity is being compromised due to political ties in board selections. Measures to mitigate these risks, such as requiring bidders to disclose political ties, are not entirely effective in eliminating the adverse impacts of political intervention on governance and procurement practices.

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