

The effect of privatisation of State-Owned Entities on public procurement practices in South Africa

By

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DECLARATION

I, Ndamulelo Mashamba hereby declare that this research article with the title: **The effect of privatisation of State-Owned Entities on private procurement practices** is my original work, with the exceptions as noted in the references and acknowledgements. The research is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Wits Business School, University of the Witwatersrand, Johannesburg. This research has never been submitted before by anyone else in any university for examination or towards fulfilment of a degree.

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Signed at

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DEDICATION

This research is dedicated to my immediate family, my mom, my dad and my siblings. I appreciate your understanding, your help, your support, and patience throughout this journey.

ABSTRACT

This research project employed a desktop study methodology to investigate the effect of privatisation of State-Owned Enterprises (SOEs) on public procurement (PP) practices. As the global economic landscape continues to evolve, privatisation of SOEs has gained attention as a strategy for governments seeking to enhance efficiency and stimulate economic growth. However, the potential difficulties of privatisation on PP practices are multifaceted, which warrants a thorough examination which this study employed. Through a review of existing literature, reports, policies, and case studies, this research explained the relationship between SOEs, privatisation and PP. The study analysed key indicators such as changes in competition levels, transparency, cost-effectiveness, and innovation in procurement processes following the privatisation of SOEs. Additionally, the research explores the role of regulatory frameworks and institutional activities that shape the outcomes of PP objectives post-privatisation.

By synthesising data gathered from diverse sources through document analysis, the study offers an understanding of the impact of SOE privatisation on PP practices. The findings are intended to inform policymakers, public administrators, and academics about the potential challenges and opportunities associated with privatisation in the context of procurement. Furthermore, this research seeks to identify best practices and lessons learned, providing valuable insights for SOEs, and entities contemplating or undergoing privatisation. SOEs need to focus on improving PP processes and promoting responsible and effective governance by strengthening accountability mechanisms. Although there are some challenges, the impact of privatisation on procurement practices is evident and the alignment with market dynamics brings about increased competition and innovation. To increase best practice, there needs to be efforts of collaboration. The findings in this study are not uniform across all entities, emphasising the importance of further studies.

Keywords: Procurement, PP, State-owned entities, Privatisation

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CHAPTER 1.INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Public procurement (PP) is centred around public service delivery, and it seeks to address social inclusion through job creation, economic growth, and environmental sustainability. However, there is vigorous rules and regulations that govern the PP process to ensure that there is no abuse of state resources or discrimination of tenderers through transparency (Fourie. & Cornel, 2021). Due to the policies and procedures implemented in PP, there is limited movement or exceptions in the process and because of the strict and rigid nature, the PP process tends to be monotonous and very lengthy which at times causes frustrations and therefore, a comparison with private sector procurement. PP directives are meant to focus mainly on the three factors Firstly, a wide distribution to promote accessibility and creating opportunity for perfect competition. Secondly, limiting technical specifications that may discriminate against potential tenderers. Finally, promotion of clear and objective criteria to be applied in shortlisting of suppliers and in awarding contracts. Improving accessibility to information (Commission, 2011).

Khongmalai (2010) suggests that State-Owned Enterprises (SOEs) have a mandate to promote social objectives of developing countries which is mainly to create jobs and provide provisions for basic resources to communities. According to Fitriningrum (2020) the influence of own interest leads to the development of multiple objectives. Though SOEs are expected to generate profit, this is not the primary objective like in the private sector. Over the years, South Africa has had an increase in legislative measures like PPPFA, however, there is limited evidence that suggests improvement of the management and state of SOEs, instead there has been lack of confidence by society and investors (Khumalo, 2009) and (Furlonger, 2010). Besides having several studies on PP practices by some scholars, none have extensively delved into the effect which PP practices have on the performance of SOEs in the context of South Africa. This knowledge gap is what forms the basis for this study. The study provides focus on SOEs and PP as an instrument

towards transformation through the promotion of socio-economic development in South Africa. The first contribution that this study provides is the elevation around the debate of PP and the implementation of the regulations by SOEs, the study also dives into the scarce literature on attention given to the effect of privatisation of SOEs in the efforts of transformation.

1.2 RESEARCH PROBLEM

Adams and Mengistu (2008) noted that there is growing evidence that suggests that the mismanagement of SOEs has a detrimental attribute on the state and independence thereof. Administrative transgressions of SOEs in South Africa are publicised, however there is no attempt that suggests the correction of wrongdoing through the introduction of best practice. Molefe (2006) and McLellan (2009) state that for SOEs to meet their primary and secondary goals of socio-economic development and increasing competitiveness of the country, the proper governance of these entities is very important because well governed entities are able to manage state resources effectively and efficiently as society depends on this sound management.

A study conducted in Nairobi by researcher (Mokogi, 2015) revealed that procurement staff lacked experience, skills, and integrity to excel in their duties. The study found many inefficiencies and ineffectiveness of the public procurement practices, the study however did reveal that there is potential for efficiency and accountability which can promote superior performance. According to Nkuna (2023) more than two decades post the introduction of public procurement legislation in South Africa for the improvement of SOEs and sustainable economic development, there is still great worry that the intended objectives and outcomes have not been successfully reached. Sato and Matsumura (2019) suggests that although there are research gaps still existing in and around the sound management of SOEs, the privatisation of the state enterprises is not the solution.

The question remains whether the private sector holds the same primary objective as the public sector in improving socio economic development whilst promoting fairness, equitability, transparency, cost effectiveness and competition (Bel, 2010). Bauby (2015)

goes further and states that SOEs exist for this purpose. Furthermore, Gumede and Asmah-Andoh (2016) suggest that post-democratic South Africa privatisation has minimal benefits to show especially to the poor, instead neoliberal privatisation might further hinder governments socio- economic agenda. The debate on privatisation of SOEs has been met by ideological hostility instead of in-depth sophisticated facts and the opposition to privatisation is not mainly motivated by principled and practical purpose (Awuah, 2019).

According to Leedy and Ormrod (2001) a research method helps to increase understanding of a phenomenon. The desktop analysis method employed for this study of a will help gather and analyse information with the objective of expanding ideas in the effect of privatisation of state-owned entities in public procurement practices. Through fair comparisons of the two types of entities, with the intention to answer specific questions fairly. It is for these reasons that this research utilised this approach to examine the challenges, constraints and opportunities faced by both entities (Otieno & Awuor, 2023). According to Thani (2009) this method conducts research without disturbing the setting, allows the researcher to determine where the emphasis lies once data has been collected. The information and care in which the analysis has been applied can also be checked.

1.3 RESEARCH OBJECTIVES

1. To generate new insights in the role of PP in the improvement of SOEs and social economic development.
2. To evaluate the procurement policies and procedures in SOEs and identify areas of strength and weaknesses.
3. To identify factors that contribute to the effectiveness of procurement policies and procedures in SOEs.

1.4 RATIONALE

This study focuses on the challenges faced by SOEs and ultimately the factors that directly and indirectly contribute to transfer of ownership of SOEs to the private sector and what it means for PP. This study addresses the research objectives and positively contributes to what is already known from existing literature and it provides valuable insights to interested parties in South Africa. From a policy perspective, insights from this study can assist policy makers and implementers of policies in an efficient and effective manner to promote effective implementation whilst ensuring that the policies allow for best practice. Additionally, to promote transparency and accountability with limited room for transgressions and abuse. From the practitioner's perspective in PP, will assist in ensuring that practitioners are well versed in the implementation process for the transformation of SOEs for the better and to improve the decision-making process. The theoretical and methodological perspective focuses on strengthening SOEs to improve sustainability and competitiveness which is necessary in South Africa, as many SOEs now require constant bailouts (Williams, 2010). The study provides more understanding of the importance of a well-functioning state for the long-term sustainability of the state and its society. Finally for scholarly purposes, the study attempted to fill the research gaps existing gaps and provide new insights.

1.5 DELIMITATIONS OF THE STUDY

The focus of this study is the importance of SOEs in South Africa, an emerging and developing nation. The study further alerts government to potential risk factors that may cause great harm to corporate governance practices, which require immediate attention and remedy if South African SOEs are meant to survive. The governance practices in all SOEs are not considered and the generalisation of findings in the local and international context should be taken into consideration. Amongst other similar studies, this study can form a foundation for other similar studies that will follow. the perspective adopted in this study is delimited to PP regulations that aim to change ways of how SOEs conduct their business to reflect transformation, democracy and increased inclusivity. The concept

of PP is operationalised by considering the contribution to SOEs. Privatisation is operationalised by taking a closer look at conflicting objectives between government and the private sector in relation to PP and socio-economic development.

1.6 DEFINITION OF TERMS

1.6.1 *Procurement*

Procurement involves the planning and managing of all sourcing activities which includes the synchronization and cooperation of key partners such as suppliers or service providers and the customers. Procurement ensures that the demand of an organization is met by the right supply through the acquisition process, and the main goal in procurement is cost savings through reduction of the buying price and the optimisation of the total costs. Procurement also involves the optimisation of the internal process, securing good quality suppliers and creating more visibility and transparency while meeting good quality guidelines (Gold, 2010). For this study, the definition is meant to demonstrate the role of procurement in organisations.

1.6.2 *Public Procurement*

Hawkins, Gravier and Powley (2011) defined PP as a tool used by government to promote socio-economic development, it seeks to promote transformation and social justice by minimising economic inequalities by good governance and sustainable development. PP seeks to promote fair trade, transparency, competition, cost savings and openness, in addition to this PP can improve the countries social, business and investment environments with its main focus being to optimise the welfare of citizens. The definition PP in this study, is meant to demonstrate the importance of well-functioning procurement in SOEs.

1.6.3 *E-Procurement*

E-procurement is meant to assist PP to improve transparency and openness, it allows for increased visibility in governments spend. It also allows for adequate information about SOEs procurement processes, from the advertising of tenders, evaluations, and award, ensuring that the process is transparent and easily available to the public. The visibility and openness that e-procurement provides helps to improve the management of state resources by eliminating the risks associated with PP such as fraud, corruption, colluding and abuse of funds (Touboulic & Walker, 2015). This definition attributed to the issues of transparency, accountability, and efficiency in SOE PP practices.

1.6.4 *Public-private partnership*

Public-private partnership (PPP) refers to collaborative efforts between the public and private sectors and increases the participation of private firms to being more than an outsourcing service to the public entities. The shared responsibilities between the sectors are financing, management, and investment the benefits are that government removes the rules, legislation and policies involved in management of the public sector (Murphy, 2017). The benefits and challenges of this partnership are important for this study, for addressing the research questions and objectives.

1.6.5 *Privatisation*

Privatisation is a means where the private (for profit) sector takes control of the public sector through transfer of ownership, privatisation is done through the change in ownership, financing, management and production and provision. Privatisation is said by mainstream to increase efficiency into the economy however, there is not enough evidence in literature to conclude that privatisation does indeed boost the financial and operating performance on firms. Many privatisation explanations are said to being incomplete by scholars because they neglect. the fundamental economic roots (Bel,

2010). Privatisation is explored in this study to assess its contribution towards sustainable economic development in South Africa.

1.6.6 *State-owned enterprises*

Bauby (2015) described SOEs as government legal entities created to run the commercial activities on behalf of governments, governed by legislation and the role of SOEs is to earn profits on the state's behalf. SOEs are meant to help control monopoly from the private sector by operating and providing products and services to citizens at a reduced price and promoting accessibility to most people in remote areas in the country. However, the key main responsibilities of SOEs is to promote microeconomic factors, transformation, promote national interest, redistribution of opportunities, by being the preferred employer and the reduction in external factors (OECD, 2015). This definition is vital in this study, and it explains the intention of SOEs, this study analysed whether in fact SOEs can meet these set standards.

1.7 ASSUMPTIONS

To guide this study, the following key assumptions were made:

- PP contributes towards successful SOEs.
- Privatisation on SOEs is not always a good idea.
- Private entities have different objectives from public entities.
- Gathered information from document analysis is enough to develop research conclusions that are useful for South Africa and the African context.

1.8 CHAPTER OUTLINE

The following section provides a summary of the chapters covered in this study. The primary objective of the study was to examine the effect of privatisation of SOEs in PP practices, this investigation is comprised of the following five chapters:

Chapter 1: Introduction and Background of the study

This chapter provided an overview of the study, portrayed the purpose by outlining the overall layout for the study, aim and provided the background information on selected and relevant concepts related to the effect of privatisation of state-owned enterprises on PP practices. The study identified the research problem and formulated the research objectives outlined. An emphasis on the motivation of the study and gave an overview of the approach to follow for this study. Finally, the delimitations and the overall structure of the dissertation were presented.

Chapter 2: Literature Review and Theoretical Framework

This chapter discussed the literature on the effect of privatisation of state-owned enterprises on PP practices. It started with a review of literature on the role of SOEs in the economy, followed by a general review of PP and the challenges faced by SOEs, and then moved to a discussion of the main reasons why some SOEs are privatised. The chapter also provides the conceptual framework and concludes with a chapter summary.

Chapter 3: Research Methodology

This chapter detailed the research methodology used to meet the objectives of this research study. The chapter began with a description of the research approach, then moves on to research design, data collection and research instrument. data analysis and ethical considerations were explained, ending with a summary of the research methodology discussed.

Chapter 4: Data Analysis and Interpretation of Results

provided data analysis, findings, and interpretation of results. The chapter began with the document analysis, followed by a discussion of the key findings, and ends with a conclusion.

Chapter 5: Conclusions and Recommendations

This chapter provides the final review, it concludes the study by outlining the effect of privatisation of SOEs on PP. This chapter started with the conclusions and recommendations for each secondary objective, then links secondary objectives to the empirical findings, limitations, and recommendations. The chapter then suggests future research and ends with a conclusion.

CHAPTER 2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK:

2.1 INTRODUCTION

The main aim of this chapter was to present the appropriate literature which has been conducted by other scholars, the literature reviewed is in relation to this study and it assisted the study in understanding the views from other similar studies which have been done on the impact of the privatisation of SOEs on PP. While referring to similar studies this chapter seeks to answer the research question: “To identify factors that contribute to the effectiveness of procurement policies and procedures in SOEs” by establishing how the policies and regulations implemented thus far are contributing towards the promotion of the socio-economic objectives and to determine if PP has been used as a catalyst in the promotion of the appointment of previously disadvantaged groups. According to Fourie and Cornel (2021) most of governments spend is towards PP which can be linked to skills development and the economic development of the country. The literature review presented attempts to answer the assumption developed in chapter one, of how effective procurement policies are in promoting equality and opportunities for all people of South Africa (Khongmalai, 2010). SOEs, Privatisation and PP were be explored and their relation thereof.

According to Bosio, Djankov, Glaeser and Shleifer (2020) the global PP spend in 2018 was recorded as 1.1 trillion USD, which amounted to 12% of global GDP. The rise in PP share in GDP is directly related to the countries capital income and represents one tenth of rich countries national output. State run enterprises from all over the world partake in the procurement of various goods and services and public works from individuals and from the private sector. Globally, procurement is known to being vulnerable to misconduct by organs of the state, private individuals and institutions are well able through various resources to bribe state officials to eliminate competition from the public,

this challenge amongst many other challenges faced by government compromises the credibility of PP. To eliminate this risk, many countries rich or poor have resorted to the introduction of restriction of discretion in PP which provides more transparency in the procurement process (Hart., Shleifer., & Vishny., 1997) and (Hart. & Moore., 1998).

2.1.1 *The Constitution of South Africa*

It is a constitutional requirement for South African SOEs to use the purchasing processes as a tool in promoting transformation. A key goal of governments legislation which provides support to the constitution is the utilisation of Public Finance Management Act through PPPFA and BEE audited by National Treasury (Kithatu-Kiwekete, 2017). Bolton (2006) goes further by stating that the granting PP constitutional status was a way to address historically prejudiced practices and policies. According to Dzuke and Naude (2015), PP has played a vital role in the governments performance in the global context, and the National Treasury (2009) states that government regards the procurement function as a serious socio-economic function committed to the wellbeing of the community and as a building block to the betterment of the country's economy.

2.2 THE ROLE OF SOES IN THE ECONOMY

Theoretically, economic growth is governed by many factors such as capital, productivity, and labor force or muscles of a country. Most of the state institutions are built based on this growth and it is supported by sources such as human development, trade, social progress, and investments. A State-owned enterprise is briefly defined as an entity which is completely governed by the state, with full control of all facets of the enterprise. The enterprise is then responsible for the operational management aspect of the state-owned entity (Upchurch & Marinkovic, 2011). Many scholars Bajra (2020), Hayat (2019), Bermejo (2018) and Buterin (2017) have said that the economic growth of a nation is directly influenced by the purchasing power of the country through its level of income,

capital stock and return on equity. They went further and said the level of education, new technology, trade and foreign investment and institutional reforms are other contributing factors that impact this type of growth. Below this research reviewed available literature on challenges which are currently experienced by SOEs, reasons for privatisation by some countries and the role that which PP plays in the country. This review of literature helped this study in addressing the research objectives, questions and some key assumptions made in chapter one on the role of SOEs in socio-economic development.

2.2.1 *Brief history on SOEs in South Africa*

Sithombela (2019) noted that commonly SOEs are usually one of the longest standing enterprises in a country and they generally have an impact and a level of importance on the country and its economy. McGregor (2023) agrees and adds that SOEs are important towards the growth of South Africa's economy and towards the development of sectors like the telecommunications, energy, transport, and manufacturing, to name a few of the prominent SOEs in the country are Transnet, Electricity Supply Commission (ESKOM), South African Broadcasting Corporation (SABC), South African Airways (SAA), South African Post Office (SAPO), Passenger Rail Agency of South Africa (PRASA), South African Road Agency Limited (SANRAL) etc. There are three main objectives of SOEs which are mainly: Economic development catalyst, social development agents and infrastructural development agents.

There are different classifications of SOEs in South Africa from National, provincial to local government and according to the National Treasury (2023) there are 291 SOEs in South Africa which are classified as follows: Schedule 1, 2, 3B, 3C and 3D these classifications are mainly used by the government for financial management purposes. The below table 2.1 shows the state-owned entities in South Africa and their PFMA classifications:

Table 2.1 State-Owned entities in South Africa and their PFMA classification

Schedule	Category	Characteristics: Funding/ Operations	Number of SOEs
1	Constitutional entities: Listed under Schedule 1	Government fully funded	9
2	Major public entities	Operating under business principles with limited borrowing	21
3B	National Government		21
3D	Provincial Government Business Enterprises		19
3A	Public National Entities and SETAs	Fully or significantly funded (National Research Foundation (NRF)/ imposed legislation tax levy) Operate under business principles and have limited borrowing	164
3C	Provincial Public Entities		57

Source: (National Treasury, 2023)

2.2.2 Links between SOEs and PP objectives

According to Setino (2018), Supply Chain Management (SCM) has developed to an operational domain of strategic importance mainly because of the allocated procurement budgets in SOEs. Strategic procurement is focused on the aligning of procurement objectives with the mandate of SOE's. Therefore, the responsibility of SOEs is to contribute to socioeconomic objectives of the countries they operate in. The high procurement spend in SOEs allow the entities some power both economic and social, mainly through their procurement decisions. SOEs need to leverage this high purchasing power and take advantage of procurement systems which serve as mechanisms to deliver quality service delivery and to positively impact on government's socioeconomic objectives. The below **Table 2.2** details the links between SOEs and PP objectives.

Table 2.2: Links between SOE and PP objectives

SOE objectives	Public Procurement objectives
Service delivery	Improving on procurement cycle time, improved products, quality and services
Socioeconomic goals	Uplifting women, youth and blacks owned entities through the use of preferential procurement
Improve profits, cash flow and return on capital	Negotiating of contracts, cost savings, improving reliability, reducing material on shelf
Eliminate non-essential activities	Outsourcing non-essential activities whilst focusing on essential activities
Introduce continuous improvement	Strategic customer and supplier relationships to increase reliability

Source: (Setino, 2018)

2.2.3 Global view of State-owned entities

According to Foray's (2010) SOEs are every so often one of the most valuable and largest entities in most of the global economies, often these entities are monopolies in sectors such as mining, heavy industry and infrastructure, whose responsibility is for the running of essential services and infrastructure, creation of jobs and the enhancing skills, major infrastructure development and upgrades and public value creation. PWC (2015) "SOEs became tools for some countries to position themselves for the future in the global economy provided increased global competition for finance, talent, and resources". SOEs in Singapore aided to kick-start industrialisation and commanded development which has piloted economic growth in the country in various sectors of the economy of Singapore. SOEs in India are considered as an integral part to the economy and as the spine of what we see as economic development which is achieved through a broad-scale of projects in infrastructure, resources and services (OECD, 2011), Whilst the Chinese SOEs continuously play an important part in the global and domestic markets (Gang. & Hope.,

2014). The objective of the government of Swedish for the management of SOEs is “to ensure long-term value, growth and to ensure that specifically adopted public policy assignments are performed well” (PWC, 2015). Some of the successful SOEs in the world are Brazil’s EMBAER, Singapore Airlines, Renault from France, and South African Transnet, POSCO from Korean. Similarly, in 2011 Qatar airlines was voted the world’s best airline (SkyTrax, 2011). According to (Turley & Perera, 2014) South Africa’s public sector SCM accounts for 19% of the GDP. According to Zitha (2016), PP has the potential to contribute towards governments socioeconomic goals.

2.2.4 Challenges in SOEs

For South Africa’s SOEs to fully function and become sustainable, it is extremely important that the goals of the organisations are understood and re-instilled by capable leaders whose responsibility is to ensure a well able environment for socio-economic development of the country and the communities (Kamal, 2010). However, Sithomola (2019) noted the many challenges faced by SOEs in South Africa. Some, generally known such as financial mismanagement, constant financial bailouts from treasury, limited accountability, political cronyism, little adherence to government policies and regulatory framework and general deficiency of respect for the law, shaky leadership structures, inefficiencies in productivity and a culture of feet dragging (Ngwakwe, 2012). It goes without saying, all these undesirable institutional complexities can be traced back to deficiencies in leadership that are evident in most of South Africa’s SOEs. Since most of these SOEs are regularly involved in the misdiagnosis of mandatory objectives is mainly based on leadership deficiency and dysfunctionality, which has led many SOEs into undesirable and irrevocable difficulties of maladministration (McGregor, 2023). Kamal (2010) suggests that the universal problem of conflicting objectives through political interferences is highly evident in many SOEs, the study adds to this concept by trying to establish how these challenges can be eliminated through PP practises.

2.2.5 *The recruitment process in SOEs*

Another challenge found in SOEs is in and around the process of recruitment, employment and promotions says Madueke (2010), which is mainly done through favouritism, nepotism and not based on qualifications, achievements, experience, skills and professionalism. This then promotes biased decision-making and ultimately low-quality work which opens room for cadre deployment or the appointment of enablers of the state capture at all levels the executive, technical and administrative levels in SOEs (Jonas, 2023). The system allows and accepts mediocrity which leads to the lack of the ability to critically diagnose problems and discourages proper planning and interpretation, therefore, failure to develop creative and innovative strategies necessary to curb against problems (Berman & West, 2003). The consequences of mismanagement of SOEs are 1. Impact on financial management 2. Impact on service delivery 3. Impact on good governance 3. Lack of trust from public 4. Calls for privatisation sometimes caused by sabotage.

2.2.6 *Reason for privatisation*

Based on what has been discussed thus far especially with the challenges being faced by SOEs, for this study it is necessary that in this subsection, privatisation is looked into, it has been mentioned by Baja, Halili and Berisha (2020) that privatisation, is expected to contribute significantly towards economic growth, however, most of the state-owned entities across the globe have been discriminated against citing the practice of unfair privatisation of state asset. Ever since the early 1970s a trend of privatising SOEs occurred in the global market which infiltrated and targeted utility sectors such as in the sector of transportation (railways and airlines), industries in energy (electricity, water, and natural gas), higher education, postal services and so forth (Junlong, 2022). Tan (2020) states that privatisation of SOEs has a huge impact on owners and employees in different ways and ultimately leads to some big gains to one party and detrimental losses to the other, this is relation to some of the assumptions made in chapter one. Tan, Tian, Zhang, and Zhao (2020) further stated that privatisation mainly seeks profits first before any social welfare,

in which social welfare is part and parcel of the primary objectives of SOEs. According to Iwasaki and Kocenda (2017) in most of the European countries, the process of privatisation has been criticized because of lack of noteworthy benefits to the growth of the economies. Most scholarly evidence concurs with this and states that privatisation has been ineffective towards the growth of the economy rather it has been detrimental in job creation and economic development (Upchurch & Marinkovic, 2011). Below are some of the methods used in the privatisation of state-owned entities in Kosovo (Bajra & Podvorica, 2021):

1. **Commercial leasing-** Allows for private companies the rental of SOEs for a 10-year period.
2. **Ordinary spin-off-** The establishment of a new company and then transferring SOE assets into the new company then selling the assets through the new entity.
3. **Special spin-off-** More commitment than ordinary spin-off, whilst owning SOEs there is additional investment in equipment required, maintenance of employment and the continuation of current business activities.
4. **Liquidation-** Associated with selling only parts of the SOEs or the assets within the SOEs.
5. **Leasing-** Not a complete buyout of the SOE or assets rather the interest in the temporary use of either or the two.

2.2.7 Public-private partnership

Public-private partnership is an innovative approach towards the co-operation of both these sectors to deliver a service to the public or to develop on the infrastructure while sharing the costs, risks and benefits (Koppenjan, 2005). The collaboration seeks to share risks and leverage opportunities which can be present to only one sector such as the access to a monopolistic or oligopolistic market. The joining of forces in the hybrid setup allows for joint efforts to eliminate weaknesses and threats and benefits in strength and opportunities through cooperation. Additionally, it promotes mutual trust and respect, constant and open communication, and information sharing (Wei, 2018).

2.2.8 Public procurement and the economy

In the South African context, PP is said by Murphey (2017), Fourie and Cornel (2021) to have fulfilled an important role into the economy, and further referred to PP as being at the core of the effectiveness of government through its public service delivery. Although recently PP in the country has seen many reforms, whether it is for the betterment of the economy or socio-development the reasons are unknown at this stage of the literature review (Treasury, 2022). However, PP, the system was designed to promote efficient, effective, and timely deliveries of goods and services while eliminating backlogs and redundancies with a process that is seamless. According to Gurría (OECD, 2015) “*Public procurement is a major part of the South African economy, and the public spending can also be regarded as an indicator of the efficiency in government administration*”. This study concurs with this literature being reviewed and seeks to analyse this concept further.

2.2.9 Public procurement in socio-development

PP is seen as an essential service towards the survival of the economy, and it is noteworthy to mention the PP socio-development factors which has contributed directly towards equality, fairness, and transparency in the economic arena (Fourie. & Cornel, 2021). PP is well within its rights to be labelled as a strategic policy lever which seeks to address environmental and socio-objectives. The primary aim of PP is procurement in the best possible conditions whilst the secondary aim is to promote broader social, environmental, and economic outcomes. Literature shows that post the apartheid era focus shifted towards the secondary objectives of PP, with specific focus on accelerating social and economic upliftment of previously disadvantaged groups of people in the country (Fourie. & Cornel, 2021). The below **figure 2.1** shows the goal triangle of PP.

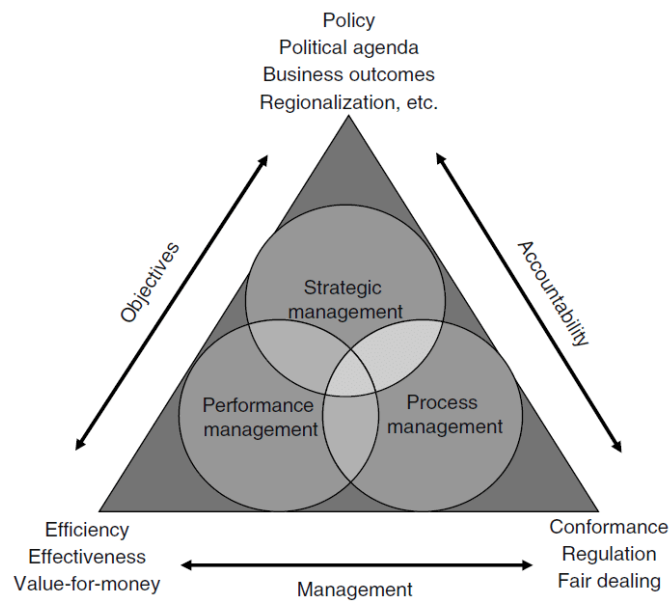


Figure 2.1: Goal triangle of Public Procurement

Source: (Schapper, 2006)

2.2.10 Elements in public procurement

The South African PP reform initiatives through the introduction of preference points system aims to address the socio-economic objectives. This reform was supported by the introduction of legislative measures such as the PPPFA which is a preferential points system to tender participants in PP that encourages the use of companies of previously disadvantaged groups. Ever since the post-apartheid era, there is strategic application of PP in the pursuit of these wider socio-economic priorities stipulated below:

- **Broad-Based Black Economic Empowerment (B-BBEE)**- point scoring system which assesses the level and percentage of the inclusion of black persons in the corporation seeking to promote the awarding of contracts to those with higher B-BBEE ratings, aimed at demographic and structural transformation (Republic of South Africa).

- **Local content-** The department of trade and industries PP also seeks to promote employment opportunities by boosting the capacity of local manufacturing which also improves skills locally. Local content is measured by percentage thresholds which reflects the component of local content in the tenderer's products (Department of Trade and Industry, 2007).
- **Prequalification-** Subcontracting of up to 30% of tenders above 30 million to QSEs and EMEs, issuing of some tenders as a set aside for previously disadvantaged women groups and supplier incubation. These are some of the common predetermined criteria of tenders, focusing on a group of people who are to be considered for that tender, it may also include the stipulation of a minimum B-BBEE status level as a requirement (Republic of South Africa, 2000).

2.2.11 E-Procurement

The policies and regulations mentioned in the literature review above are supported by the introduction of e-procurement which makes the measurement of implementation very easy, e-procurement was introduced in 2015 by the National Treasury for the purpose of centralisation and computerisation of all procurement systems and processes in all government spheres (departments, municipalities, entities, and agencies) to make the procurement process more transparent, in order to enhance visibility and accountability (Touboulic & Walker, 2015). The e-procurement platform consists of e-informing, e-auctioning, e-tendering, additionally it improves purchase order integration, vendor management, e-invoicing, e-payment, category management, supplier management and contract management. E-procurement is of particular importance in transformation and the promotion of participation of previously disadvantaged groups. The phases in e-procurement are monitored extensively and they must adhere to the way in which government purchases goods and services which makes it easier for tracking of the total procurement spend and overall preferential spend (Touboulic & Walker, 2015). The National Development Plan (NDP), in its Integrated Development Plan (IDP) has a list of economic transformation priorities, and one which is of particular interest to this study

is: Competitive transformation to improve the participation of SMMEs, Spatial transformation to dismantle old patterns and habits instilled during apartheid and Institutional transformation to support national development objectives (National Development Plan, 2020).

2.2.12 Critical success factors of public procurement

Burger (2014) noted that given the developmental nature of South Africa, the effective functioning of the country's PP through the elimination of waste in resources then becomes a critical success factor. Governmental means in addressing some of the countries challenges have resorted to PP as a catalyst in righting these wrongs, however, these policy developments show a rising dependency on PP to achieve the economic transformation and in addressing socio-economic inequities, there has been backlash recently that has questioned the need and use of these policies.

2.2.13 Challenges in public procurement

The below have been cited as current challenges in PP which needs serious addressing and may save SOEs amongst other factors that may lead towards privatisation (Odhiambo & Kamau, 2003):

- Contracts management which is poor and ineffective
- Insufficient planning and inability to properly link demand and current budget
- Overspending or underspending of budget
- Deficient monitoring and evaluation of procurement practices
- High decentralised procurement system from different organs of the state
- Lack of capacity, skills, knowledge, and training.
- Limited accountability and ethics which leads to potential fraud and corruption.
- Low consequence management
- Abuse of resources
- Limited or non-compliance with procurement policies and regulations.

2.2.14 *Private sector procurement*

Although this study is focused on PP, it is imperative to note the procurement in private sectors for the purpose of understanding the contribution of PP into socio-economic development, the priorities and goals of public and private procurement are different, the former tries to redistribute income whilst the later operates for the sole purpose of revenue generation (Europa, 2023). Private sector procurement has freedom to procure by any means that are favourable without having to worry and concern themselves with long procedures and social responsibility, they have the luxury of keeping their contracts private and confidential (Nijaki, 2012). It is difficult for PP to enter and sustain long term relationships which are said to offer consistency due to the high levels of transparency, high expectations of achieving value for money, procuring quality products and services, while promoting fairness and promoting the rotation of suppliers (Wontner, 2020).

2.3 ANALYTICAL FRAMEWORK

This chapter presents a conceptual and theoretical framework review together with a proposed model of maintaining sustainable SOEs through PP by improving PP practices in South Africa. The chapter focuses on the successful implementation of PP processes in improving the performance of SOEs. The framework is derived from literature discussed in chapter two, furthermore the chapter explores various theories which are a foundation of the proposed conceptual framework model, the theories provide support to the studies research problem, research design, data analysis, research objectives and research questions of this study. The key inputs into the current studies framework are the models discussed and how they can contribute towards the successful implementation of PP within SOEs to move away from privatisation of public owned enterprises to help sustain the socio-economic responsibilities.

2.3.1 *Theoretical Framework*

A theoretical framework provides the study with a perspective which is then utilised to view the world. This section of the research included the analysis of theories that have been identified for this study because of the relevance of the frameworks to the research problem. The frameworks assist in addressing the research objectives (Abeywardena, 2012). The following theories: principal agent theory; transaction cost theory; and institutional theory are discussed below together with some appropriate alignment framework models identified by this study.

2.3.2 *The Principal Agent Theory*

Coleman (1990) defined the principal agent theory as a precise social relationship, it may be through a form of delegation, where two parties are involved in an exchange of resources such as money in exchange of necessary skills vice versa and money in exchange of a product or service. In this theory, the advancement of the interests of the principal are very important. Williamson (1975); Moe (1984) and Miller (1992) went further to describe how the organizations can restrict the choices through contract agreements to avoid contractual breaches that may arise in the principal agent relationship. Sometimes agents become opportunists, when such a problem arises the organizations are normally side lined. Usually when actors develop strong self-interest and therefore, seek to maximise personal gains which includes cheating, lying, and stealing (Williamson, *The Economic Institutions of Capitalism*, 1985). Cheating is when the agent or principal has information that gives them an advantage.

Moral hazard occurs when the principal is uncertain whether the agent will do their best to complete their duties and tasks. The five principles of SCM by the National Treasury (NT) are: Transparency, Accountability, Cost effectiveness, Fairness and lastly Equitability. These principles govern the Public Finance Management Act (PFMA) which sets policies and regulations that need to be followed by state entities (Treasury, 2022). According to Guston (2003) this theory applies to various activities associated with procurement and the outsourcing function. The agency theory also helps in developing an

understanding of how procurement practitioners may attempt to exploit the system (Kwon. & Suh, 2005). The conceptualisation of procurement to just a mere economic exchange has had a undesirable impact the view of PP and what it is meant to be as a socioeconomic development catalyst (Fayezi, 2014). This theory was relevant for addressing the research problem of the study.

2.3.3 *Transactional cost theory*

According to Williamson (1975) The transaction cost theory TCT, as the name suggests refers to those costs which are associated with a form of economic exchange, the costs associated with transactional costs are almost independent from the market price of goods or services within that transaction. Although the costs are independent from the competitive price issues such as the difficulty of setting the right price and measuring performance of service have become a challenge. For healthy SOEs all procurement transactions need to be cost effective and make financial sense to promote a going concern. This has been found to be true in most PP processed therefore, relatable to the study. The theory is then relevant to this because it provides supportive evidence of the role of procurement in public enterprises. The theory justifies how SOEs through its PP processes can reduce transaction spend that comes with providing services to the public by correctly implementing regulations and policies to ensure effective and efficient processes. This can be accomplished by implementing strategies like increased coordination, supplier integration, and the identification of shared goal between suppliers and the entities through long term relationship management and utilizing procurement tools such as the negotiation of prices with suppliers which can result in the lowering of the transaction costs. According to Cuypers (2021) as transactional costs decrease, performance is expected to increase, the literature review went further so say that the TCT suggests more than 3 tenderers should be approached in order for a fair and a competitive procurement process to take place which has the capabilities to affect performance in a positive way by improving the quality of services and goods received and lowering costs. Therefore, this theory, informed objective 1: To generate new insights in the role of PP in the improvement of SOEs and social economic development.

2.3.4 Stakeholders Theory

The Stakeholder theory of agency relations focuses on the relationships between agents and the different stakeholders of a particular organisation. The theory proposes that organisations have various stakeholders, which consists of employees, shareholders, customers, public, suppliers and the community (Parmar & Freeman, 2010). According to (Harrison, 2010) it is important for an organisation to understand that all stakeholders have different interests and expectations from the SOEs. The theory further suggests that all stakeholders are important to the survival and success of the organisation and according to the stakeholder theory, profit maximisation is not the primary objective, instead the making of value for all stakeholders involved is important as well as the maintenance of long-term sustainable relationships by fostering positive and beneficial relationships with every stakeholder (Puncheva, 2008). The interests of stakeholders are interconnected and neglecting any stakeholder can be detrimental and have consequences in SOEs. According to Rossouw (2005) and Williams (2010) SOE appointments exist for the main purpose of pleasing the main stakeholder which is government. To avoid the compromise of the competence, independence of SOEs and for real transformation to happen, the right people who have the best interest of state resources, along with the right skills are needed to achieve the right performance and to promote accountability within the board and senior management while taking into account that society are the real owners and beneficiaries of SOEs (Minichilli, 2007) and (Kamal, 2010).

2.3.5 The Conceptual Framework

Based on extensive literature which was reviewed above, the study then proposed the following conceptual framework from which variable descriptions and relationships are shown and from which the propositions are then developed shown on **Figure 1.1**, The proposed conceptual research framework which was derived from (Schapper, 2006), it aims to explore the influence of privatisation on the successful implementation of PP processes in SOEs and incorporates the role that public private partnerships play towards the success as well as the weighing in of the public's perception, surprisingly the publics

acceptance has an impact on decisions although it may not always seem like it (Chisea & Frattini, 2011). The conceptual framework shows the relationship between two variables, the dependent and independent variable (Cohen, 2018). The dependent variable are the internal and external factors (government support, regulatory environment, effective and efficient procurement practices, improved skills, and capabilities) that contribute to the successful implementation of PP processes in SOEs, and the independent variables is the implementation of PP processes. The independent variables collectively affect PP adoption as shown in **Figure 2.2**. The proposed conceptual framework suggests that the presence or absence of the dependent variables can determine the successful implementation of PP (PP).

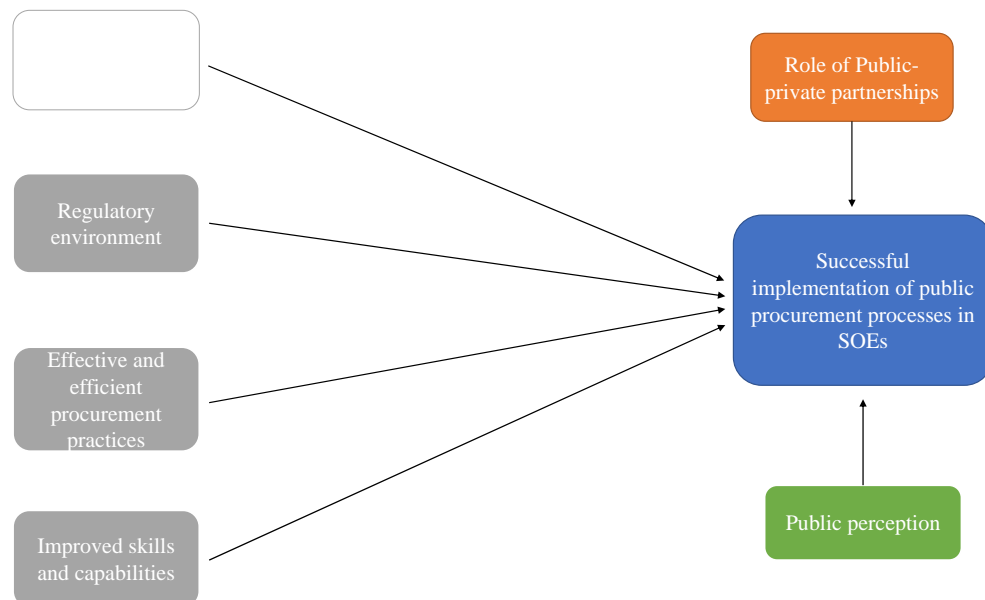


Figure 2.2: The Proposed Conceptual Framework for privatisation of SOEs in public procurement

Source: Developed for this study, April 2023

2.4 CONCLUSION OF LITERATURE REVIEW

There is no evidence found of the relationship between PP and privatisation or private entities. Additionally, there is little to no evidence of best practice by the collaboration of both entities, however, the literature reviewed proposes that the impact of privatisation has a negative impact on socio-development initiatives simply because it focuses on the profit generation. Chapter two presented both the theoretical and conceptual framework associated with this study based on previous research studies conducted and related them to the PP practices in SOEs. From there, formulated the study's research conceptual framework. The significance of the alignment of PP to the organizational strategy was outlined. SOEs deliver on socioeconomic goals through good PP practices and processes, PP is therefore, critical in ensuring service delivery in SOEs. The involvement of PP (PP) the strategy development process in SOEs is vital.

CHAPTER 3. RESEARCH METHODOLOGY

In this chapter of the research methodology an articulation of how the study was conducted will be discussed, in order to address the research objectives from chapter one, further to this, the study seeks to develop in depth understanding of the determinants of the privatisation of SOEs and the role of PP in the sustainability of the same SOEs. The chapter focused on the research approach, design, paradigm, strategy, and the administration of the research instrument which was been adopted by this study.

3.1 RESEARCH APPROACH

There are three types of research methodologies namely quantitative, qualitative, and a mixed method (a combination of both quantitative and qualitative) research methodology (Saunders, 2012). This study adopted the qualitative, desktop study methodology, (B2B International, 2020) refers to desktop study or desk research pertains to secondary data or information that is gathered without the need for fieldwork study it comprises of an assessment of documents and databases from accessible information (Cooperative Innovative Project, 2021), an illustration of research methodologies is depicted in *Figure 3.1* below. According to Bairagi and Munot (2019) there are two main ways of collecting data, it can be through new primary data or secondary data, for the purpose of this desktop study secondary data was used. Secondary data is further analysis of data which was initially collected for a different purpose, such as raw data, structured data, and unstructured data (big data). Secondary data consists of both qualitative (non-numeric) and quantitative (numeric) data (Kothari & Garg, 2019). Document secondary data analysis allowed this study to reanalyse data that is already available to provide for new insights than what the data was originally intended for (Saunders, 2012). This study used document analysis to provide a wholistic view and understanding of the research problem and provide a clearer consensus on the effect of privatisation of SOEs in PP practices.

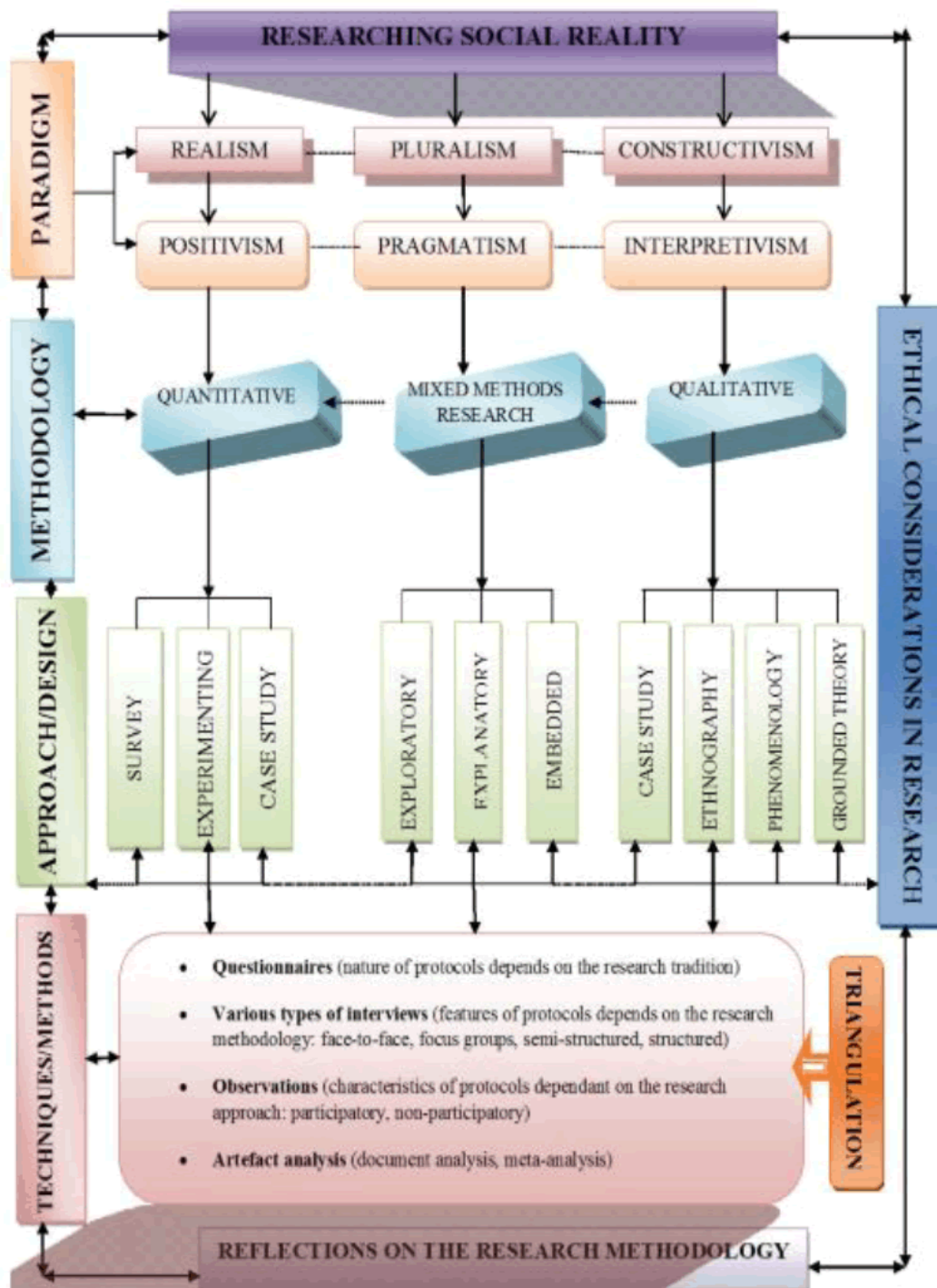


Figure 3.1: Research Methodologies

Source: (Ngulube, 2015)

3.2 RESEARCH DESIGN

Mohamed and Milimu (2016) describe research design as a plan of how a particular issue or inquiry is approached and addressed. This study adopts the evaluative research design approach to answer the question on the effect of privatisation of State-Owned Entities on PP practices in South Africa. McDaniel & Gates (2015) state that the evaluative research design investigates the processes and outcomes associated with an attempted solution. This was made possible by using archival and documentary research strategy accessed online. Babbie (2021) suggests that this method is seen as appropriate to address the research purpose. The research design was selected for its ability to collect data effectively and efficiently from various online data sources (annual reports, financial reports, and company results).

3.3 DATA COLLECTION METHODS

According to Bairagi and Munot (2019) data collection is a formularized systematic collection of information derived from a sample in efforts to answer the research question. This research was guided by Brewton (2001) who mentioned that scholars must consider the appropriate method to use for a study that is able to address the main research objectives. According to Otieno and Awuor (2023) desktop study is used where there is existing information for further analysis to draw vital conclusions, this research has relied on secondary data. Document analysis is appropriate for this study as the data collected through this method provided insights and properly addressed the research questions by conducting an analysis of the relevant documents, for a period of 2021/2022 financial year. The documents used for this study were annual reports, financial reports, and policy documents of two SOEs and two companies which have been since privatised in South Africa *Table 3.1* depicts the data collection types, with documents analysis being the selection for this study. According to Cohen (2018) This method seeks to comprehend, experiment, or appraise the effectiveness of something as it seeks to answer the fundamental question, “Has the intervention achieved its intended goals?” (Bell, Bryman,

& Harley, 2019). The data collected from this method provides valuable insights and it addressed the research questions properly. Furthermore, De Vos (2005) suggested that data analysis is the process of bringing order, meaning and structure to the mass of the data being collected. Content analysis is defined by Leedy and Ormrod (2005) as a systematic and detailed examination of the contents of a specific body of material for the purpose of identifying themes, patterns, or any biases within the material.

3.3.1 Table 3.1: Illustration of data collection methods

DATA COLLECTION TYPE	OPTION WITHIN TYPES
Observations	Provides first-hand experience with participants and the researcher. Information is recorded in real time. A researcher can observe certain behaviour. Useful in exploring topics that may be uncomfortable for participants to discuss.
Interviews	Beneficial where participants cannot be observed directly. Participants can provide information as required by a researcher. Interviews allow a researcher control over the line of questioning.
Documents	Allows a researcher to obtain the language and words from various documents. This method is convenient because it provides an unobtrusive source of information. It saves a researcher the time and expense of transcribing.

Source: (Creswell, 2018)

3.4 THE RESEARCH INSTRUMENT

The methodology entailed a desktop analysis of literature and official documents to conceptualise the area of investigation (Letsiri, 2018). For this study, document analysis is used as a form of data collection instrument, through the analysis of annual reports, financial reports, and company results from two SOEs and two SOEs which have been since privatised in South Africa were analysed for the period of 2021/2022 financial year, this provided the research project with a considerable scope allowing the study to get the most out of the diverse array of secondary data sources from the financial reports from trusted sources. The insights are valuable in addressing the research objectives, the below advantages of document analysis as a research instrument are noted: desktop study requires fewer resources such as money and time, allowing the this study ample time to structure the project in the best way and provides comparative and contextual data (Saunders, 2012). The generated information from this research instrument was scrutinised through a process of intellectual analysis, categorisation, classification, integration, reflection, comparison, and synthesis.

3.5 PROCEDURE FOR DATA COLLECTION

According to Terre Blanche (2006) documentary sources such as newspapers, letters, books, and official documents are useful sources utilised to gather data in research. The study gathered information by reviewing annual reports, financial reports, and company results using comparative and contextual data (Saunders, 2012). By so doing the study obtained valuable information which addressed the research objectives, where valuable information on the practices of SOEs and private entities were gathered. This form of data collection has been found to being less obstructive by (Cowton, 1998) and provide a comparison between the two types of entities which are being investigated in this study (Saunders, 2012). The data collection through document analysis was carried out conducted in September and October of 2023.

3.6 DATA ANALYSIS STRATEGIES AND INTERPRETATION

For this study, reports from two SOEs and two SOEs which have been since privatised in South Africa were analysed, this analysis provides the research study with a clear consensus of the effect of privatisation of SOEs in PP practices. The appropriateness of the reports which were used for this study were regularly tested by to ensure that the correct information from the reports is used to draw up distinct comparisons from the different entities that were analysed, the research study ensures that the interpretation of all reports which were reviewed are kept constant from the studies perspective. Nxumalo (2020) mentions that reliability in secondary data is done by the classification of data using Triple-Bottom-Line Frameworks. Data were analysed using automated content and comparative analysis. common themes were identified through comparisons of the two SOEs and two privatised entities using documents, the results from the specific economic period of 2021/2022 were then compared manually in table form.

3.7 POSSIBLE LIMITATIONS AND CHALLENGES OF THE STUDY

Provided that all research methods have limitations, the main limitation and challenge noted for this study is that the secondary data might have been initially collected for a different purpose than what the research project had intended for (Denscombe, 2017). This study validates the secondary data for accuracy and reliability by constantly checking for inconsistencies and errors, the method of triangulation was used to compare data from different secondary data sources. This study notes that while there are many benefits from using the evaluative and documentary research there may have been challenges experienced, these challenges were avoided thorough proper planning and timeous execution of the study.

3.8 QUALITY ASSURANCE

3.8.1 *External transferability*

To retain all valuable information from the document analysis, the study looked at annual reports as well as financial reports of the SOEs and SOEs which have been privatised to have a picture on “whether the intervention accomplished its objectives?” (Bell, Bryman, & Harley, 2019).

3.8.2 *Internal credibility*

Credibility is achieved through the development of confidence from the studies perspective of the credibility of the research topic and the document analysis research conducted. Various data analysis was carried out to ensure the credibility and thoroughness.

3.8.3 *dependability*

This study double checked and verified all the document analysis which were used for this research project by ensuring that the information gathered is from trusted online sources, such as the company websites. To ensure the dependability of the document analysis this was done according to the guidelines from the Companies Act No. 71 of 2008. The company Act serves as the principal legal structure that oversees companies that are established and/or registered according to the regulations of South Africa. The key objectives of the Companies Act is to promote transparency and uphold elevated levels of corporate governance, among other purposes (Johannesurg Stock Exchange, 2021).

3.9 ETHICAL CONSIDERATIONS

In research, ethics is viewed widely as acceptable moral principles that set a guide and behavioural expectations of conduct whilst the study is being conducted. The below sections discussed how important ethical considerations are and how this study ensured that it is being conducted in such a way that is acceptable and in accordance to the guidelines which have been established by the University of Witwatersrand and the Wits Business School (WBS). This desktop study did not have any human interactions.

3.9.1 *Permission to conduct the study*

For this study, permission was obtained and granted from relevant authorities, including the University of Witwatersrand and the Research Ethics Committee. All the relevant regulations and guidelines were followed, including the ethical considerations which were always maintained.

3.9.2 *Data Management*

All the data collected from the desktop study through secondary document analysis did not cause any harm as the data collected is only meant for the sole purpose of scholarly research. All results and findings were be treated with respect were be reported honestly. The dignity of all stakeholders was maintained, and the data adhered to data protection regulations. All data collected is kept in a safe and lockable area both physically and electronically. The data is kept for a period of 5 years in the schools' records.

3.10 CONCLUSION

This chapter of the methodology, presented a detailed account of how the study was conducted in terms of the research design, research strategy, the data collection instruments as well as how the critical research issues of data validity and reliability were always ensured was delved into. Additionally, this chapter addressed how research ethics were considered and then further summarised how data analysis for this study was conducted. This study used the desktop study methodology, in the next chapter the data analysis of the study's findings, the discussion and the interpretation of results are be presented.

CHAPTER 4: DATA ANALYSIS & INTERPRETATION OF RESULTS

4.1 INTRODUCTION

Chapter three presented and discussed the research design and methodology adopted to meet the research objectives of this study and provided an in-depth discussion of the data collection methods. In writing this thesis, a desktop research methodology was used. The first point of reference therefore will be using company instruments namely the Financials, Annual Reports, Policies and Manuals of Eskom, Transnet, Sasol and Iscor for the financial period of 2021/2022. A variety of governmental policies relating to SOEs, public procurement and privatisation that play an important role in substantiating some of the arguments in the paper or refuting the arguments were used. Academic texts namely, books and journal articles were used to gain insight on different arguments posed by authors that have had similar discussions as in this paper. In addition, focus will be on the regulatory frameworks, processes, financial performance, cost efficiency transparency, supplier diversity of the SOEs and the privatised entities. This chapter presented the findings of the study. The results are analysed in the context of a theoretical framework and paradigms relating to the study. The chapter starts with the data analysis followed by the descriptive analysis that provides the results of the documents analysed from the entities. The chapter also provides relationships between research variables. The next section delves into the analysis of these four entities in depth, the discussion will commence with the two SOEs then a focus to the two privatised entities. As mentioned in the previous chapter, secondary data is the data that already exists from other documentary sources (Douglas, 2024), the documents listed on *Table 4.1* were analysed, the table indicates the published data analysed for this study:

4.1.1 Table 4.1: Main documents used to conduct the document analysis

DOCUMENT	PERIOD
Eskom Annual Report	2021-2022
Transnet Annual Report	2021-2022
Sasol Annual Report	2021-2022
Iscor Annual Report	2021-2022
The company's official websites	
The Public Finance Management Act, Act No 1 of 1999	
National Treasury	
National and International Published articles	

Source: Developed for this study, April 2023

4.2 FINDINGS AND COMPARISON OF SOEs WITH PRIVATISED ENTITIES

The following section provides an overview on the entities under examination, it provides processes, regulatory framework adhered to as well as overall performance, which sums up the overall critical success factors. Openness and transparency in procurement, and the competitive bidding process can help to improve procurement performance in the organs of state (Owuoth. & Mwangangi, 2015). There are five pillars of procurement in the South African public sector as stated in the Constitution of the Republic of South Africa Section 217 (1), (Act 108 of 1996) which states that all procurement practices must be: fair, transparent, cost effective, equitable, and competitive (National Treasury, 2010). The below section shown as Table 4.2.1.1, 4.2.1.2, 4.2.2.1 and 4.2.2.2 shows a comparison of

SOEs practices (Eskom and Transnet) and those of privatised entities (Sasol and Iscor) to draw a comparison and formulate findings and an analysis on the effect of privatisation of SOEs on PP for 2021/2022 period. The following were found through documentary analysis of the company’s annual, integrated, and financial reports from the year 2021/2022 these findings provide a fair comparison.

4.2.1 SOEs

According to Polokwane Government (2024), the electricity crisis was due to Eskom’s inability to keep up with the increasing demand. Although power cuts are common in Sub-Saharan Africa, South Africa’s loadshedding is far worse (Trace, 2024). Maggot (2022) suggests that the energy crisis affects the social well-being, unemployment, and government’s developmental goals (World Bank Group, 2022). Furthermore, most often than not, Eskom has frequently been associated with sabotage and corruption scandals (Labuschagne, 2022), this contributes to the utility’s inability to end power outages due to these capacity issues. This decrease in electricity supply is also due to the average age of most of Eskom’s assets, which were built between 1960s-70s, with many plants now reaching and some nearing their end-of-lifecycle. The issue leads to continuous mechanical failures, ongoing maintenance (Department of Economic Development and Tourism, 2019) or shutdowns (Eskom, 2024).

4.2.1.1 Table 4.2: Eskom

ESKOM	
Regulatory and legal framework	<p>The principal piece of legislation that governs PP is Section 217 of the Republic of South Africa 1996 Constitution (Nzimakwe, 2023),</p> <ul style="list-style-type: none"> • Public Finance Management Act 1 of 1999 • Promotion of Administrative Justice Act 3 of 2000

	<ul style="list-style-type: none"> • The Promotion of Equality and the Prevention of Unfair Discrimination Act 4 of 2000 • Preferential Procurement Policy Framework Act 5 of 2000 • Construction Industry Development Board Act 38 of 2000 • Broad-based Black Economic Empowerment Act 53 of 2003 • Prevention and Combating of Corrupt Activities Act 12 of 2004 • Supply Chain Management Regulations (Nzimakwe, 2023).
Tendering Processes	<p><u>The tender process</u></p> <ol style="list-style-type: none"> 1. Describing the need 2. Preparing the RFQ 3. Issuing the RFQ 4. Evaluating the quotes 5. Awarding the order <p>(Eskom, 2023)</p> <p>Isobar states that Eskom has 3 main tender stages (2023):</p> <ul style="list-style-type: none"> • Pre-tender stage: Involves the preparation and issuance of tender documents. • Tender submission stage: Potential suppliers submit their bids within the given timeframe. • Evaluation and selection stage: Eskom evaluates the bids and selects the most suitable supplier based on a criterion stipulated on the tender document. <p><u>Number of tendering processes and their thresholds</u></p> <ul style="list-style-type: none"> • Petty Cash • Request For Quotation (RFQ) • Request For Service (RFS) • Request For Information (RFI) • Request For Proposal (RFP)

	<p><u>Tender advertising timelines</u></p> <p><u>Competitive tenders</u>: required to be advertised for at least 21 calendar days for suppliers to have a reasonable amount of time to respond, an acceptable shorter period is not less than 10 calendar days, the approval of the relevant Senior Manager is required.</p> <p><u>Informal tendering</u>: 5 working days must be given to the suppliers to respond to the RFQ. Where necessary, a shorter period which is not less than 24 hours may be allowed with the approval of the relevant Senior Manager.</p> <p><u>Minimum acceptable quotes received</u></p> <p>3/ 2 minimum quotes are acceptable, if less is received procurement professional re-issues tender for the second time (Eskom, 2023)</p>
Contract Awards	<p>Eskom National awarded 1 971 contracts worth R77.6 billion in 2022 and Local content of R67.4 billion and new build awarded 129 contracts worth R7.6 billion in 2022 and Local content of R4.4 billion</p> <p>The total measured procurement spend on all of the active contracts for 2022 was R176.8 billion, 75.89% was spent on B-BBEE compliant suppliers. Procurement spend with black-owned and black youth-owned suppliers was 47.08% (2021: 34.60%) and 5.40% (2021: 3.46%), exceeding their targets of 40% and 2% (Eskom Intergrated Report, 2022).</p>
Financial Performance	<p>Eskom contributes 2.8% to GDP</p> <p><u>Profitability</u></p> <p>A tariff increases of 15.06% for the 2022 financial year, had a positive impact on the profitability of Eskom. Amongst other challenges, there is the long outstanding municipal debt challenge that Eskom faces which affects its profitability.</p> <p><u>Revenue growth</u></p> <p>Revenue increased by R42.2 billion to R246.5 billion, due to the of 15.06% tariff increase by NERSA and a 3.4% recovery in</p>

	sales volumes to 198 281GWh (2021: 191 852GWh) (Eskom Annual Financial Statemets , 2022).
Transparency Measures- information	Eskom Annual Report Eskom did not obtain sufficient appropriate audit evidence that, all quotations were awarded according to legislative requirements and appropriate record keeping was not maintained. Goods, works, or services were not procured in a fair, equitable, transparent, and competitive, as per requirement the PFMA (Eskom Annual Financial Statemets , 2022)
Accountability Mechanisms- audit	Qualified opinion (Eskom Annual Financial Statemets , 2022), Eskom did not fully and accurately record irregular or fruitless and wasteful expenditure as required by the PFMA. Tracking case numbers contained missing numbers which no explanations could be obtained, the value of irregular expenditure did not agree to supporting documentation.
Supplier diversity	<u>2022 Procurement spend</u> Business with black-owned companies 47.08% and business with Black youth-owned companies 5.40%
Cost Efficiency	Eskom achieved a total savings of R20 billion in 2022 (Eskom Annual Financial Statemets , 2022).
Longitudinal Analysis or temporal trends	Eskom received 31 693 billion in bailouts in 2022 (National Treasury, 2023).

South Africa relies heavily on the transport entity Transnet for efficient railways and ports to be a globally competitive importer and exporter, however, the SOE has failed its task to deliver this service effectively and efficiently. Transnet is responsible for transporting 80% of all rail-friendly freight tonne-kilometres, it currently moves less than 40%. This underperformance affects the economy (South African freight demand model™, FDM™, 2022). According to Steyn (2023) Transnet has deep structural and financial challenges with poorly utilised networks, deteriorating assets, increasing costs and an unsustainable

shift of freight from rail to highways and roads, further damaging infrastructure. The severe underperformance within Transnet’s rail and port operations costs the South African economy nearly R505 billion, almost 7.5% of GDP, if direct and opportunity costs. Whereas if fully operational, Transnet can create nearly 900 000 jobs and contribute towards the country’s economic development (Havenga, Simpson, Neethling, Bod, & Swarts, 2023).

4.2.1.2 Table 4.3: Transnet

TRANSNET	
Regulatory and legal framework	<p>The principal piece of legislation that governs PP is Section 217 of the Republic of South Africa 1996 Constitution (Nzimakwe, 2023),</p> <ul style="list-style-type: none"> • Public Finance Management Act 1 of 1999 • Promotion of Administrative Justice Act 3 of 2000 • The Promotion of Equality and the Prevention of Unfair Discrimination Act 4 of 2000 • Preferential Procurement Policy Framework Act 5 of 2000 • Construction Industry Development Board Act 38 of 2000 • Broad-based Black Economic Empowerment Act 53 of 2003 • Prevention and Combating of Corrupt Activities Act 12 of 2004 • Supply Chain Management Regulations (Nzimakwe, 2023).
Tendering Processes	<p><u>The tender process</u></p> <ol style="list-style-type: none"> 1. Demand and category planning 2. Selection of suitable procurement mechanism 3. Bid preparation 4. Bid administration 5. Bid evaluation and recommendation

	<p>6. Post tender negotiation 7. Award of business 8. Contract management</p> <p><u>Number of tendering processes and their thresholds</u></p> <ul style="list-style-type: none"> • Transactional procurement < R500 000.00 (excluding petty cash) • Transactional procurement R500 000.000 – R2 000 000.00 • Strategic sourcing > R2 000 000.00 <p><u>Tender advertising timelines</u></p> <p><u>Competitive tendering</u> The reasonable time in the market is 10 working days or more</p> <p><u>Informal tendering</u> The reasonable time in the market is 48 working hours and more</p> <p><u>Minimum acceptable quotes received</u> A minimum of 3 quotes obtained/received is acceptable, permission to proceed with less than 3 quotes may be granted by procurement manager, if not granted the RFQ needs to be re-issued/ advertised (Transnet, 2023).</p>
Financial Performance	<p>Transnet has created 129 000 jobs and directly contributes 3.1% to the South African GDP</p> <p><u>Profitability</u> In 2022 the net profit was R5,0 billion.</p> <p><u>Revenue</u> Increased in revenue by 1,8% to R68,5 billion (Transnet Annual Financial Statements, 2022).</p>
Transparency Measures-information	<p>Awarding of contracts at amounts in excess of the prices per the bid submission, which is in contravention of the PFMA, resulting to material financial loss (Transnet Annual Financial Statements, 2022).</p>

Accountability Mechanisms- audit	Unqualified audit opinion Failure to prevent irregular expenditure amounting to R1,1 billion, insufficient audit evidence that goods, works and services were procured through a fair, equitable, transparent and competitive process, insufficient evidence of disciplinary steps taken against officials for irregular, fruitless and wasteful expenditure as per PFMA (Treasury, 2022).
Supplier diversity	<u>2022 Procurement spend</u> Total B-BBEE spend of R29,2 billion or 99,8% (Transnet Annual Financial Statements, 2022).
Longitudinal Analysis or temporal trends	High Court to review locomotive supply agreements with OEMs China North and South Rail and Bombardier for a just and equitable remedy, which allows Transnet’s retainment of locomotives and compensation for overpayments (Transnet Annual Financial Statements, 2022).

4.2.2 PRIVATISED ENTITIES

Sasol was privatised in 1979, when Sasol Ltd, the holding company was listed on the Johannesburg Stock Exchange (JSE), the company’s diversification strategy in the early years of privatisation was characterised by a serious drive to find reliable international partnerships (University of Pretoria, 2023). Since privatisation Sasol has grown to become a multinational corporation in the science-based industry that relies on continuous research and development (R&D) and its Intellectual Property (IP) (Barnard & Bromfield, 2009). The main reason of privatisation of Sasol was the need which arose to fund two massive new oil-from-coal plants amidst the oil shock; and Iranian revolution (Sparks, 2016).

4.2.2.1 Table 4.4: Sasol

SASOL	
Regulatory and legal framework	<ul style="list-style-type: none"> • General Terms and Conditions for Procurement of Services • Sasol Human Rights Policy slavery, child labour and forced labour • Protection of Personal Information Act 4 of 201 • Bribery and Corruption requirements • Sanctions • Broad-Based Black Economic Empowerment • Safety, Health and Environment requirements • Occupational Health and Safety Act No. 85 of 1993 (“OHS Act”) • Supplier Industrial Relations Procedure • Sasol Supplier Code of Conduct • Sasol code of conduct (Sasol, 2023).
Tendering Processes	<p><u>The tender process</u></p> <ol style="list-style-type: none"> 1. Confirm business requirements (scope of work) and compile bidders list 2. Publish RFx 3. Conduct bid clarification meetings 4. Receive bids from suppliers 5. Conduct bid evaluation and award contract <p><u>Number of tendering processes and their thresholds</u></p> <ul style="list-style-type: none"> • Request For Quotation (RFQ) • Request For Information (RFI) • Request For Proposal (RFP) <p><u>Tender advertising timelines</u></p> <p><u>Minimum acceptable quotes received</u></p> <p>As a private company SASOL is not required to publish RFx’s for public participation. 3 Bids & A Buy is a process used by</p>

	SASOL that collects pricing, without a formal RFP process, either verbally or through emails (Sasol, 2023).
Contract Awards	Total premium paid for contracts entered into in the year US\$nil million (2021: US\$93,8 million) (Sasol Annual Financial Statements, 2022).
Financial Performance	<p><u>Profitability</u></p> <p>In 2022 Sasol had an improved profitability of R72 billion</p> <p><u>Revenue</u></p> <p>The chemicals business delivered a 21% increase in revenue of R275 738 000.00 benefiting from a stronger average sale (Sasol Annual Financial Statements, 2022).</p>
Accountability Mechanisms-audit	<p>Unmodified audit opinion</p> <p>A reportable irregularity (Sasol Annual Financial Statements, 2022).</p>
Supplier diversity	B-BBEE/Diversity and inclusion Chemicals 13,50% Energy 2,45% (Sasol Annual Financial Statements, 2022).

The company Iscor now known as ArcelorMittal South Africa, was privatised in the year 1989. According to (Roberts & Rustomjee, 2010) the privatisation of Iscor was mainly due to the unbundling of the steelmaking, mining operations and pursuing an international partner. This was caused by the weak domestic demand and constant reduction of the number of grades produced to reach economies of scale. Through privatisation, Iscor aimed to focus on long term sustainability through quality and improved delivery times.

4.2.2.2 Table 4.5: Iscor

ISCOR/ Kumba Resources (ArcelorMittal South Africa)	
Regulatory and legal framework	<ul style="list-style-type: none"> • Code for Responsible Sourcing • Code of Business Conduct, human rights, health and safety, the environment and anti-corruption guidelines • anti-corruption guidelines Council of Europe • Convention on Preventing and Combating Corruption • Protection of Personal Information Act 4 of 2013 • Preferential Procurement- B-BBEE • SHERQ (Arcelor Mital South Africa, 2023).
Contract Awards	Capital commitments authorised and contracted for in 2022 is R1 101 billion (Arcelor Mittal Financial Results, 2022).
Financial Performance	<p><u>Profitability</u></p> <p>Net profit of R2 634 million for the 2022.</p> <p><u>Revenue</u></p> <p>In 2022 revenue was R40 771 million, an increase of 3% due to 17% rise in steel sales prices (Arcelor Mittal Financial Results, 2022).</p>
Accountability Mechanisms- audit	External auditor did not express an audit opinion (ArcelorMittal South Africa Limited, 2022).
Supplier diversity	<ul style="list-style-type: none"> • Socio-economic development R16,7m in 2022 vs R15,5m in 2021 • Procurement spend (excluding energy) R26,6m in 2022 vs R25,0m in 2021 • Taxes contributed R1 050m in in 2022 vs R1 497m in 2021 • Procurement – QSE and EME R2 930m in 2022 vs R2 260m in 2021 (Arcelor Mittal Financial Results, 2022).

Cost Efficiency	Reduced fixed costs to R6 644 million in 2022 (Arcelor Mittal Financial Results, 2022).
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4.3 DISCUSSION OF FINDINGS

The above section made an examination of the public entities Eskom and Transnet, and the privatised entities Sasol, and ArcelorMittal South Africa. This study aims to make a comprehensive comparison highlighting the difference in processes between regulatory frameworks, the tendering processes, financial performance, transparency measures, and accountability by the entities for the year 2022. These consolidated findings seek to depict how privatisation has shaped the landscape of PP. This analysis further seeks to develop an understanding of the challenges, opportunities, and areas of improvement in the SOEs PP practices and the consequences of privatisation on procurement practices, *Figure 4.6* reflects the findings by Moletsane (2023) which has indicated that transparency, accountability, fiduciary duties, and handling financial misconduct are the main financial legal obligations as indicated in chapter two which, if effectively observed, will ensure successful overall performance of any State-owned enterprise.

4.2.2.3 Table 4.6: Effective management themes and sub-themes

THEMES			
Transparency	Accountability	Fiduciary	Financial conduct
SUB-THEMES			
Effective Efficient Transparent Communication,	Willingness to be Transparent Allowing others to observe	Fair Equitable Transparent Confidentiality	Financial misconduct Failure to comply Irregular expenditure

and accountability Sharing company information Fair, Equitable, Transparent.	Allow others to evaluate performance. Acceptance of the responsibility.	Loyalty Obedience Accounting Trust Confidence Responsible loyalty Obedience	Fruitless and wasteful expenditure Financial misconduct Dismissal/suspension Disciplinary steps Criminal conduct Wasteful expenditure
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Source: (Moletsane, 2023)

4.2.3 Eskom

Eskom’s constant inability to meet the rising demand has led to an electricity crisis, impacting social well-being, unemployment, and development goals. Amongst others, corruption scandals and sabotage are a big contributing factor to Eskom’s challenges. The PP process at Eskom is governed by a comprehensive legal framework, including the Constitution and various acts which makes the entity heavily regulated. Eskom follows a structured tender process involving pre-tender, and post-tender management and different procurement types (RFQ, RFS, RFI, RFP) are used. Eskom awarded numerous contracts in 2022, emphasizing local content and B-BBEE compliance as stipulated in the regulatory requirements. Additionally, the transparent supplier criteria used in Eskom includes the use of CSD registered suppliers and tax compliant. Eskom is faced with huge unpaid municipal debts which impacts the entity’s profitability which is one of the multiple reasons for significant bailouts from the government.

4.2.4 Transnet

Transnet’s underperformance in rail and port operations has very serious economic repercussions. Like Eskom, Transnet operates under a comprehensive legal framework, and it is highly regulated, and the tender process involves stages from demand planning

to contract management. For the year 2022 irregular expenditure was reported in the external audit. Transnet emphasizes B-BBEE, diversity and inclusion in procurement spend. One of the biggest hurdles the entity is currently facing is the ongoing legal proceedings to review locomotive supply agreements with OEMs mainly China rail, aiming for cost recovery.

4.2.5 Sasol

Sasol, privatised in 1979, this came with some form of flexibility in procurement processes. Sasol reported improved profitability and revenue in 2022. The transparency measures align with international standards and as a multinational company Sasol has become a competitive in the global market. The reasons for privatisation as stated in the finding are like what Eskom and Transnet are currently experiencing.

4.2.6 Iscor

Iskor now known as ArcelorMittal South Africa was privatised in 1989, the privatisation of Iscor provided flexibility in their procurement functions while it still adheres to ethical codes and anti-corruption guidelines as well as B-BBEE as required by the South African government, this includes supplier diversity and socio-economic development initiatives. Pre-privatisation Iscor was also in a financial crisis, this shows a similar trend to the entities analysed above.

Mutize (2019) found that South African SOEs performance has been discouraging over the years. While these organisations receive large budgets, they ultimately become taxpayers' burdens through lower productivity with many resources committed to these SOEs. The continuing and serious financial weakening of state-owned corporations poses a major risk to the country's financial state. According to Losilla (2019) privatisation aims at achieving improved productivity, studies conducted by Swan (2013) and Németh (2011) show that private market factors can efficiently deliver more goods or services

than governments due to free market competition. Contrary to this, opponents of privatisation believe that certain public goods and services should remain primarily in the hands of government to ensure that everyone in the society has fair access to them, the below **Table 4.7** depicts findings by Moletsane (2023) for SOEs (Eskom and Transnet) and privatised entities (Sasol and Iscor) of the handling and management of the different entities and the success factors thereof.

4.2.2.4 Table 4.7 Findings SOEs vs Privatised entities

	FINDINGS
SOEs	SOEs have strict control through policy stipulations and implementation which makes these entities bureaucratic. More consulting processes are needed for SOEs like Transnet and Eskom in order just to improve poor performance.
	Monopolies tend to have corruption,
	Politics tend to run SOEs like Transnet and Eskom for political goals vs economic ones. There is lack of consultation with various stakeholders.
Privatisation	Private companies have more capabilities to produce goods and services effectively and efficiently while being profitable.
	cash flow and maximised profitability of the company is the main goal of private entities and consultation of teamwork-based communities.

Source: (Moletsane, 2023)

Research reports done, according to PWC (2015) have stated the following as the main reasons for state ownership: SOEs provide public goods which benefit all individuals in

a society and increase access to public services by ensuring affordability, improve labour relations and preserve employment, limit private and foreign control in the domestic economy, generate public funds, encourage economic development and industrialisation by sustaining sectors of special interest for the economy.

4.4 INTERPRETATION OF RESULTS

The following overall interpretation was observed. Firstly, both SOEs and privatised entities have regulatory frameworks which they adhere to, however, the regulatory frameworks in SOEs are vigorous making the procurement process lengthy with administrative and substantive compliance checks, emphasising on fairness and transparency this which may result to loss in opportunity costs, whereas private entities are mostly liable to the board of directors. Secondly, both SOEs and private entities contribute significantly to GDP and employment, although there are many challenges that impact profitability in SOEs, whilst privatised entities enjoy the benefits of having the ability to partner with international companies which improves the entities liquidity. However, on the other hand the longitudinal analyses reveal financial challenges and the need for bailouts for SOEs, this was the case for Sasol and Iscor pre-privatisation, it is evident that some decisions to privatise these entities was to relief financial burden and have a healthy cashflow. Thirdly, irregularities and challenges in transparency and accountability were identified in audit reports for both types of entities, showing that there is a lack of accountability. Finally, both SOEs and privatised entities are committed to B-BBEE and supplier diversity however, the performance of SOEs is measured on B-BBEE, whilst privatised entities are contributing to supplier development initiatives, their performance does not solely rely on this thus they have less responsibilities in this regard and it is evident that there are cost-saving initiatives in procurement practices from all four entities.

The study found that privatisation has indeed impacted PP practices within the context of SOEs in South Africa. Privatisation appears to have led to an increased emphasis on efficiency and flexibility in procurement processes. Private entities are often driven by market forces and market dynamics, allowing them to adopt streamlined and innovative approaches in real time, they do not have to go through revisions, new directives. This ability helps to improve competitiveness and responsiveness. Private entities have been able to create an ecosystem of responsive suppliers which maintains supplier relations. Privatised entities are profit-driven focus and financially stable however, there are audit findings and limitations reported. SOEs are committed to Supplier Diversity and B-BBEE Compliance, both state-owned and privatised entities emphasize supplier diversity and compliance with B-BBEE policies, which contributes to social and economic development goals. However, SOEs are constantly asking for exemptions from regulations to mitigate time, overlook processes such as B-BBEE, receiving 3 quotes and awarding to a supplier with higher costs. The SOEs need for constant bailouts and financial support are evident. Transnet highlight the persistence of challenges related to underutilized networks, deteriorating assets, and shifts in freight transportation methods which affects the success of the SOE.

4.5. DISCUSSION OF THE RESULTS

The above section presented and analysed the study's results. The following section focused on the discussion and interpretation of the results, by addressing the research propositions posed in chapter two of the study through the interpretation of the results and detailing the implications of the key findings. According to Ovasaka (2014), the discussion details how the findings relate to the existing literature on the effect of privatisation of SOEs on PP practices. This section of the study attempted to show the interpretation of this study's findings. The study's conceptual framework presented several propositions which have been tested and interpreted to draw some of the conclusions found in this section. The discussion is based on this thematic area of the determinants of the successful implementation of PP practices on SOEs, regulatory

environment of SOEs, effective and efficient PP practices and improved skills and capabilities.

The findings in this study highlight the need for regulatory reforms to address governance issues, transparency, and accountability in SOEs. Additionally, the relaxation of regulations should be considered for more competitive SOEs whilst implementing oversight mechanisms and transparency measures to prevent corruption and ensure the effective and efficient operation of SOEs. Policy makers should evaluate privatisation strategies, implement good practice and still be cognisant of socio-economic objectives and consider long-term economic impacts. Furthermore, SOEs should invest in infrastructure and infrastructure maintenance to eliminate capacity constraints and conduct regular facility audits by investing in infrastructure. Partnerships and collaborations in industries can benefit both public and private entities to address common challenges and leverage complementary strengths and resources to achieve shared objectives. Having the interests of the society organisations, labour unions, and end users, play a crucial role in advocating for accountability, transparency within SOEs. The findings contribute to the academic literature by highlighting the complexities between governance, regulatory frameworks, and performance outcomes in SOEs. The findings will help scholars from diverse disciplines and contribute to a deeper understanding of the multifaceted challenges and opportunities facing SOEs and privatised entities.

The findings in this study concur with the findings by Mrope (2017) who found that compliance is important towards the achievement of the five pillars of PP objectives, the PP legal framework and the. A study by Setino (2018) revealed that some challenges are still apparent within procurement in SOEs, such as the implementation of B-BBEE and other legislative framework and the implementation of consequence management. These findings also confirm the results of PRC (2024) who established that the implementation of B-BBEE and legislative frameworks in SOEs is ineffective. Furthermore, with regards to compliance and consequence management, the results concur with the findings of the Auditor General (2024) which found that the many of the SOEs do not have all the required instruments to deal with consequence management to ensure that those who fail

to comply with legislation are held to account. The results reveal that functional SOEs are significant in a developing economy of South Africa, this implies that effective implementation of PP practices is linked to the performance of SOEs. It is imperative to note that the findings in this study corroborate with a study by Fourie (2014) which found that the role in which SOEs play is crucial in achieving the developmental objectives of government. A study by Otiene and Awour (2023) and Thai (2007) agreed to this and went further to say that policy makers have increasingly used public procurement as a tool to achieve socioeconomic goals.

CONCLUSION

This chapter provided a report on and interpretation of the findings of the empirical investigation on the type of relationships and interrelationships between PP practices, performance in SOEs and privatisation of SOEs. The analysis was done using document analysis: reports, journals, company official documents and publications, news articles and historical records. For this study, the measurement items were found to be valid, reliable, and acceptable. Additionally, the findings of this research indicated that the conceptual model used in this study was a good fit. The following and final chapter focused on revisiting the objectives of the study from chapter one, the drawing of conclusions, and recommendations and suggestions of potential areas for further studies.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter provides a summary of the study, the research objectives in chapter one are revisited, and this section shows how they were attained. The recommendations of this study are in line with what research has found and are suggested as they are applicable to SOEs in South Africa, PP practitioners, public-private partnerships, supply chain managers, policy makers and scholars. Therefore, this chapter summarises the main ideas and the purpose of this study, the research frameworks and empirical results developed in the previous chapters of this study. This chapter also highlighted some recommendations on focus areas whereby more research could be done in future.

5.2 CONCLUSIONS AND RECOMMENDATIONS BASED ON EACH SECONDARY OBJECTIVE

The main objective of the study was to determine the effect of privatisation of SOEs of PP practices in South Africa. Four secondary objectives were formulated from the main objective. The answers to each secondary objective are provided below followed by recommendations.

5.2.1 *Secondary research objective 1*

SRO 1: To generate new insights in the role of PP in the improvement of SOEs and social economic development.

The literature analysis revealed how PP is deemed as a strategic lever for the success of SOEs and it can drive efficiency, innovation, and economic growth, by fostering competition among suppliers, promoting transparency, and emphasizing adherence to B-

BBEE policies, PP also becomes a catalyst for inclusive economic growth. PP is not just a function instead it is the backbone of any entity. The conclusion, recognising that PP is a strategic tool for improvement underlines the need for policymakers to design and implement procurement strategies that align with national and socio-economic development objectives. Based on the above conclusion, the following recommendations are made: SOEs and should strive for a balance between profit motives with social responsibility, whilst retaining low costs, ensuring adherence to the B-BBEE policies, and promoting supplier diversity which will contribute to the broader societal goals.

5.2.2 Secondary research objective 2

SRO 2: To evaluate the procurement policies and procedures in SOEs and identify areas of strength and weaknesses.

SOEs demonstrate a commitment to compliance with relevant legislation, including the Constitution, PPPFA, this adherence provides a legal foundation for procurement processes showcasing a commitment to fostering economic inclusion and empowerment and ensuring fairness. These strengths can be used to SOEs advantage. On the other hand, SOEs display some weaknesses in failure to meet the transparency and accountability requirements, constant recording of irregular expenditure and complex and lengthy processes which impact on the effectiveness and efficiency of the SOEs. Conclusion, addressing these weaknesses is important for the success of SOEs. This helps to emphasise on why SOEs should aim for continuous improvement in procurement frameworks, aligning them with best practices, to operate in the similar way as privatised entities. Based on the above conclusion, the following recommendations are made: Continuous monitoring and adaptation of best practice, regularly monitoring and benchmarking of PP process and those of private entities. Studies on the impact of privatisation of SOEs on PP practices needs to be deep delved into, this will help strategies to remain aligned with the evolving economic conditions.

5.2.3 *Secondary research objective 3*

SRO 3: To identify factors that contribute to the effectiveness of procurement policies and procedures in SOEs.

In the literature and analysis there is limited evidence that suggests the effectiveness of procurement policies and procedures, except for the commitment of implementation although there is evidence of promoting socio-economic development goals. However, SOEs are failing to implement the five procurement objectives simultaneously. Conclusion, this poor performance reflects the importance of a holistic and strategic approach. Policymakers and organisational leaders should prioritize these factors to optimise PP practices in South Africa. By addressing these key elements, SOEs can enhance their procurement effectiveness, promote economic growth, and promote inclusivity. Based on the above conclusion, the following recommendations are made: Enhance transparency and accountability measures, these strengthened mechanisms for transparency and accountability in SOEs can improve the current state. This includes knowledgeable experienced hires and serious consequence management for poor performance.

5.3 LIMITATIONS OF THE STUDY

The following limitations were observed during this study. Firstly, the study relies on existing data sources, and the presentation of the data varies. In some cases, some specific details needed for the analysis was not available, which limits the depth of the analysis, additionally the data analysis is limited to a specific timeframe (Financial year 2022). Secondly, Finally, there may be potential bias, because data interpretation involves subjective judgment, and different studies may derive varied conclusions from the same information. Some suggestions for further research are proposed in the next section.

5.4 SUGGESTIONS FOR FUTURE RESEARCH

These suggestions will guide academic scholars to improve future findings to focus on specific aspects to improve future findings. Below are suggestions formulated by this study for academic scholars:

- Future studies could pursue more entities to discover the effect of privatisation in order for the findings other to be compared.
- It is suggested that future studies can adopt a different research methodology, such as qualitative, quantitative, or mixed methods, which could possibly provide a different view.
- Future research should focus on the long-term impact analysis, to assess the long-term impact of privatisation on PP practices to depict sustained trends, challenges, and opportunities that can arise on a long-term period.
- A comparative analysis across industries can provide future research the ability to assess privatisation on PP practices across different industries to develop an understanding of different factors that may influence outcomes.
- Conduct in-depth case studies on privatisation initiatives, focusing on both successful and struggling entities to success or failure in procurement practices.
- Get the relevant stakeholder (suppliers, employees, and government officials) perspectives to gather a holistic view of the impact of privatisation on PP practices to enrich the analysis.
- Conduct policy and framework evaluation for both SOEs and privatised entities to identify areas which require improvement.
- Benchmark with other countries who went through the privatisation of SOEs for global best practices and potential pitfalls in managing PP practices in SOEs.

This future research will provide an understanding of the ongoing impact of privatisation of SOEs on PP practices which will contribute to informed policy decisions and improvements.

CONCLUSION

The final chapter presented a summary of the findings, the limitations, and conclusions of the study, and made some recommendations for future studies. The limitations discussed were based the literature review and the empirical study conducted in the preceding chapters. The structure of the dissertation was also presented based on the findings of this study, the research aim was achieved, and a formulation of conclusions based on the findings in this study was successful, and recommendations for PP practices in SOEs and procurement in general were formulated, this study will direct government, policy makers and academic scholars in contributing to future research.

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