
**AN INVESTIGATION OF THE FACTORS THAT AFFECT INVENTORY
MANAGEMENT WITHIN ESKOM'S DISTRIBUTION DIVISION,
LIMPOPO**

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ABSTRACT

The dawn of a democratic South Africa in 1994 compelled Eskom to electrify the majority of communities that were initially left in the dark for decades. Eskom had to adapt to the provincial demarcations, so as to have nine Operating Units in order for each province to have one Operating Unit. Limpopo is one of the Operating Units with the highest number of rural villages that have households to be electrified and numerous old electrical networks to be maintained. In order for Limpopo to operate effectively as a Business Unit, a large quantity of materials and assets are required. These quantities call for efficient inventory management to ensure sustainability of the Operating Unit for the survival of Eskom as a business. Due to lack of knowledge in inventory management, the huge number of material is lying unused in the business warehouses, villages, on abandoned electrical networks and in the possession of different contractors. Despite the abundance of these materials, the company still purchases more of the same assets which consequently this leads the company into financial crisis and unnecessary deficit. The study seeks to investigate “the factors that affect inventory management within Eskom’s Distribution Division, Limpopo”.

Key words: Inventory management, record keeping, monitoring and control

INTRODUCTION

All state owned companies in South Africa (SA) have been created in order to improve quality of lives of all citizens and economy of the country. The process compels all such companies to be run like private sectors where cost and profit is measured against the benefits of stakeholders.

In order for the above process to be achieved, Eskom managers and supervisors are expected to have sufficient knowledge in inventory management which is the pivotal tool for the firm to organize, manage and control their assets.

Inventory management is an art of ensuring that all essential commodities of a firm are traceable and accounted for. According to Chambers, Johnston and Slack (2001:344), inventory is the stored accumulation of material resources in a transformation system. For the purpose of this study, inventory management has been referred to as management of tangible materials that Eskom uses to ensure transformation and distribution of electricity which entails materials procurement, receipt, storage, dispatching, utilization as well as disposal thereof.

For Eskom's Distribution Division, Limpopo Operating Unit (LOU) to succeed, the Business Unit (BU) should improve its inventory management system, so as to minimize the effects of anomalies that are caused by different factors within the organization. The aforementioned process will assist the organization in the reduction of financial loss and ensure profitability in the area of the study. These good practices are not easily found in Eskom, LOU due to various factors hence this study.

Conceptual Framework

In this study, a review of relevant literature on factors that affect inventory management is discussed and analyzed. Literature on concepts which aided in answering the research questions stated in chapter one have been summarized. Lastly, the chapter will be summarized. The effectiveness of any state owned organization is affected by the extent of its inventory management. Proper inventory management warrants relevant training, ethical behavior, applicable standards, monitoring and control. In order for the aforesaid to be achieved, managers and officials should familiarize themselves with literature related to inventory management.

Inventory Management as a Concept

This section reviews literature regarding inventory management as described by various authors. This is done, so as to ensure that the study presents the intended knowledge to the reader of this study.

Bowersox, Closs and Cooper (2007:130) indicate that management of inventory resources requires an understanding of functionality, principles, cost, impact and dynamics.

To ensure effectiveness and efficiency, the firm must ascertain that the level of stock is kept as low as possible and consistent with the need to fulfil customers' order and in time (Armstrong, 2010:606). To support the above statement, Chandon (2007:41) asserts that management of inventory also entails building models to mathematically establish optimal inventory levels of raw materials and finished goods as well as how much to order at what time and when to place such order. It is important that managers and officials should be conversant with the term inventory before they relate the theory into practice.

The term inventory has been defined by different authors from various perspectives. In this section, this term will be briefly discussed as articulated. This is done so as to broaden the knowledge of

the terminology in order to further equip managers and officials of the state owned organizations with more insight.

According to Pycraft, Singh, Phihlela, Slack, Chambers and Johnston (2010:344), inventory is referred to as accumulation of material resources in a transformation system. For any state owned company to exist and operate effectively and efficiently, it is critical to keep relevant and auditable inventory. Indeed, for a firm's existence to be ensured, inventory is generally second to account receivable in desirability as short term loan collateral (Gitman, 2003:653).

However, Erasmus, Strydom and Rudansky-Klopper (2013:249), describe inventory as the reserves of resources held in readiness to produce products and service as well as the end products that are kept in stock to satisfy consumers' and customers' needs.

Moreover, to support the aforementioned authors, Ravi Kumar V & Veerachamy R (2010:745) define inventory as the idle stocking of tangible resources of any kind having economic value.

Economically, inventory is the money invested in purchasing items the system intends to sell (Hanna and Newman, 2001:613).

In support of the above, Mashau (2015:8) defined inventory management as follows:

- Understanding the functionality of inventory;
- Comprehension of the principles that are related to materials;
- Management of cost associated with resources;
- Understanding that management of resources is dynamic;
- Controlling the acts of purchasing, storing and dispatching of materials;
- Development of mathematical models in order to ensure that the correct stock levels are kept and recorded and
- Ensuring that only the correct as well as required stock levels are kept in order to ensure customer satisfaction.

From the above definitions it is clear that, if managers and officials can be acquainted with the knowledge of inventory management, can be in the position to ensure proper record keeping, monitoring and control of company's assets.

Statement of the Problem

It is clear from the above that there may be several factors that are caused by poor management of inventory in the area of the study. The negative issues as stated during the South African state of nation address and other media reports about Eskom's negative financial condition have placed tremendous external pressure in the organization's management to perform as expected by the public.

Some of Eskom's problems are caused by lack of inventory management skills, poor financial management, lack of managerial skills in general, poor leadership, lack of compliance to the set processes as well as failure to monitor and evaluate assets of the organization. There seems to be plenty materials which have been purchased that are not used but are not recorded or accounted for, which are left to rot all over the Operating Unit (OU). The aforesaid act results in the company losing a massive amount of money.

The above challenges which are faced by Limpopo Operating Unit (LOU) have prompted the researcher to embark on the study of this type, so as to suggest recommendations and strategies that can be used by Limpopo Operating Unit in particular and Eskom as a whole.

Objectives and Research Questions

In order to achieve the aim of the study, the following objectives were pursued:

- To evaluate the components of the current inventory management systems relevant to the area of the study;
- To identify the factors that affect management of inventory within the area of the study;
- To determine if there is adequate accountability of inventory management at various levels within the area of the study and
- To provide recommendations on inventory control measures that can be implemented by Eskom's Distribution Division, Limpopo.

From the above objectives, the following questions arise:

Q1. How effectively managed are the components of current inventory management systems relevant to the area of the study?

Q2. What are the factors that affect inventory management within the area of the study?

Q3. Is there adequate accountability of inventory management at various levels within the area of the study?

Q4. What inventory control measures can be adopted by Eskom's Distribution Division, Limpopo?

METHODS

Data Collection and Analysis

The aim of the study was to investigate factors that affect inventory management within Eskom's Distribution Division, Limpopo Operating Unit. The focus was on materials and assets which are unaccounted for by managers and officials who purchased them. This was done in relation to the degree to which personnel keep records, behave ethically, comply with the set processes, monitor and control the organization's said commodities. Due size of an Operating Unit, a qualitative approach was used to collect data. Purposive sampling method was applied in selecting a representative number for the population. Data was collected from the respondents using a phenomenological strategy whereby participants explain their day-to-day activities in their area of work. The collected data was analyzed to validate and ensure its reliability. The researcher engaged a total of 20 participants from whom, 4 were through case studies whilst 16 went through structured interview. Half of the participants were males whilst the other half comprised of female participants. The above participants were randomly selected from Projects Management, Field Services, Regional Distribution Centre and External contractor. For participants' protection and ethical reasons, the participants' identities and ethnicity were not revealed.

RESULTS AND DISCUSSION

Data Analysis

Case study 1 reveals lack of relevant training and experience, improper monitoring and control, failure to comply with applicable processes and lack of record keeping.

Case study 2 shows that there is a lack of adherence to inventory management processes, need to out-perform other employees, ignorant of the available systems, lack of financial implication of the wrong doing and lack of general management.

Case study 3 shows lack of experience and knowledge of inventory management, lack of knowledge and need of record keeping unavailability of storage facility, lack of monitoring and control.

Case study 4 reveals that although the official has relevant training and experience, there is a lack of adherence to processes, lack of discipline, unethical conduct, lack of monitoring and control by superiors as well as failure to take corrective measures.

Findings from The Case Studies

The researcher has used case studies and structured interviews to find out why most of the officials are not managing their inventories adequately and in a professional way. From the case studies, it was found that the majority of respondents were not complying with the principles, norms and standards of inventory management in LOU. Most of respondents claimed that lack of inventory management was mainly due to the following factors:

- Lack of appropriate training;
- Lack of strategic leadership;
- Lack of proper record keeping;
- Lack of relevant managerial skills;
- Lack of accountability at various levels of operations;
- Lack of monitoring and evaluation;
- Poor delegation and
- Negligence in the performance of duty by employees on issues of evaluating components of inventory management.

Findings from Structured Interviews

To augment the findings from the case study, the researcher has also presented findings derived from structured interviews. The findings from the structured interviews were derived from the factors that affect the OU officials in managing inventory in the sphere of the operations. These anomalies were based on the factors and variables such as lack of managerial skills, lack of inventories, poor performance management systems, lack of compliance to financial management principles and lack of work ethics on the part of the BU officials.

These officials were negatively affected by various challenges pertaining to inventory management. The following were regarded as the main causes of lack of proper inventory management:

- Lack of work ethics training;
- OU management failure to take corrective actions;
- Lack of materials reconciliation;

- Unclear business processes;
- Acts of insubordination by officials;
- Conflicting Key Performance targets and
- Lack of accountability in inventory management.

RECOMMENDATIONS

On the basis of the findings from primary research and structured interviews, the following recommendations are made:

Lack of Managerial Skills

The management of LOU should be encouraged to organize relevant management training so as to assist officials to do proper inventory management in the area of the study.

Lack of Accountability

The management of the BU should be encouraged to enforce accountability measures on all officials, so as to assist the organization to reduce financial loss.

Poor Performance Management Systems

The management of BU should be encouraged to link performance management systems with inventory management, so as to enhance work ethics in the area of the study.

Poor Record Keeping

The officials within LOU should be encouraged to keep proper records of company assets, so as to comply with the requirements of inventory management in the area of the study.

Monitoring, Evaluation and Inventory Management

The management of BU should be encouraged to monitor and evaluate inventory management records frequently, so as to compel officials to do proper stock taking within Limpopo Operating Unit.

CONCLUSION

The purpose of the study was to investigate factors that affect inventory management within Eskom's Distribution Division, Limpopo. The factors that hinder management of inventory were discussed in chapter four. Suggestions for the solutions of the problem stated in chapter one, have been briefly outlined in this chapter. This will assist management and officials of the BU to properly manage inventory in the areas of their responsibility. This study was meant to be the eye opener for the management and other stakeholders. It is now their responsibility to consider the recommendations of the study for possible ways to improve inventory management within Limpopo operating Unit.

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APPENDICES

Case study one: Mrs. Joyce Chinamse (pseudonym).

Background of Participant: Eskom's Distribution Division Limpopo Operating Unit (LOU) utilizes a Regional Distribution Centre (RDC) to store materials prior to the distribution thereof to the various destinations. The effectiveness of inventory management at this center is dependent on the training, knowledge and skills of employees who work at this site.

Mrs. Chinamse is a fifty one years old woman who works at RDC as a Senior Store Person. For the past three Months she frequented the health institutions at least once every month. This employee's main duties include forecasting of materials quantities, bulk ordering, record keeping, storage and other warehousing related duties. Joyce has been in the above position for the past 1 year. Prior to her being appointed in the current position, she worked as a warehouse yard cleaner for four years in the same department.

The department offered the Joyce an on the job training for a period of 3 months where after she was promoted to the current position. However, the employee did not receive any formal inventory management training. Although this employee has grade ten as her highest qualification, her current position requires formal training regarding material management, basic finance management and logistics. The required training interventions listed above were never attended to by this employee. As part of her daily duties, Joyce is required by Occupational Health and Safety Act to ensure that the work station is conducive to employee's health and ergonomics.

Work station: Due to the size of the Operating Unit (OU), the large quantity of materials requires a massive storage space. The RDC has been extended to an unbelievable fifty two thousand five hundred meter square. Materials stored in this yard range from new and scrap transformers of different sizes, wooden and steel poles of various sizes, a variety of circuit breakers at different voltages, new and scrap conductors as well as different control panels. Trucks of different sizes collect and deliver a variety of materials on a daily bases which activity calls for a need for a continuous record keeping.

The layout and lack of proper access control of this yard makes it difficult to manage the traffic and thus materials being loaded and or offloaded. This challenge results in poor record keeping. Although the shelves and stacking rags are properly labelled, types of materials stored and quantities do not correspond with what is on the electronic records seemingly due to time constraints and shortage of manpower.

Materials related record keeping: Warehousing requires proper, accurate and auditable record keeping. The study revealed that not all materials that are purchased are accounted for in the records which are kept at the warehouse above. Reasons for incorrect record keeping seem include fear of high stock exposure, lack of record keeping knowledge, lack of financial management skills, poor monitoring and control.

There are materials which are kept at secret bush stores which are not recorded. Lack of inventory management results in obsolescence of such secretly stored materials. Furthermore, the challenges seem to be due to lack of adherence to the laid down processes or ambiguity of set standards.

Applicable processes and standards: It is critical for the firm to take cognizance of the fact that there is a clear line between compliance and performance standards or processes. Although the RDC offices walls are flooded with numerous posters which list inventory management processes, systems and standards, it

would seem that the Senior Store Person in question does not have a clue of when and how to apply them (standards or processes).

Due to the issue of trust, management of this RDC relies on this employee's word of mouth to indicate the state of affairs in the sphere of work. The employee's day to day performance is managed telephonically by the managers whose office is at a three hundred kilometers distance. This had been a norm which was adopted in order to save travelling cost. Although the department is aware of the flaws of utilizing this method, the firm is of the opinion that the only time a site is visited will be when there is a genuine need like in the case of incident or accident investigation.

The study revealed that the main process of inventory management starts with purchasing and ends up with dispatching of materials. This process fails to indicate forecasting, processes adherence, follow up on dispatches as well as reconciliation of materials after related projects and or utilization. Due to the lack of adherence to processes, it would seem that the RDC staff that report to Mrs. Chinamseare forced to apply whatever practice(s) they deem easily applicable and fit for them.

Current practices: With lack of process enforcement by Eskom's LOU management, this supervisor permitted employees and thus the entire center to ensure that work is carried out through any means possible. Despite the fact that the currently applied endeavors are not formally sanctioned by the organization, the supervisor and her subordinates regard such behavior as good and acceptable practices as long as no one indicates to the contrary.

Currently, materials which depict a low inventory turnover get placed out of site. Concealment of these assets is done, so as to ensure that the warehouse personnel should look as though they are in control. This official is aware of the fact that materials which are not accounted for are continuously deteriorating and that obsolescence of these commodities result in the violation of Public Funds Management Act (PFMA).

Analysis: From the interpretation above, it is evident that the age, health, experience and lack of inventory management training caused this official to fail in managing inventory. Lack of proper record keeping and failure to enforce discipline on the employees by the Senior Store Person led to improper storage of materials. Disgruntled employees opted not to support their senior, so as to prove the point that she was parachuted into the position and has to be set to fail.

Due to the size and layout of the RDC, the space permits movement of a number of vehicles at the same time which makes it difficult to apply effective control. Permitting different size materials to be mixed causes confusion during physical stock count.

It is impossible for Joyce to adhere to the set processes and standards relating to management of inventory as she does not have the related training. Although the employees who report to this official are trained to use the current processes, the lost interest as they are of the opinion that using such standards will be to their own betrayal following the fact that LOU management did not consider them for the position.

Stacking of materials on the incorrect storage areas makes it difficult to account any specific type of item. Employees seem to be intentionally applying this practice in order to sabotage the Senior Store Person. Joyce's lack of relevant train relating to inventory management makes it difficult for her to reprimand and stop her employees from continuing with the current practice.

Interpretation: The appointment of this employee was done to comply with the Labour Relations Act (LRA), Act 66 of 1995 where the organization had to fill senior positions with female employees. It is perceived that gender instead of competency was considered in placing this official in the current position. Although Joyce's age and health poses a business risk, it seems as if the Business Unit would like to be seen as complying for the period of this employee's presence in the organization. Although the warehouse yard is of a massive size, stacking areas are demarcated. Wrong materials are stored at places which are not meant for them. It is therefore difficult to verify the presence or shortage of specific items due to improper storage. Shelves and bays are labelled but are not utilized for their intended purpose.

Joyce relies on the employee's diaries for the record keeping at this warehouse. Although some of the employees are capable of utilizing the inventory management systems, these employees are not prepared to assist the unit following failure of management to consider them for the senior position.

Inventory management processes and standards are available for use by this unit. Lack of relevant training hinders Joyce from utilizing the available systems. The stocks which appear in the available electronic documentation do not correspond to the information in the employee's diaries as well as the actual quantities in this RDC.

Case study two: Johan Steenkamp (pseudonym)

Background of participant: Electrical networks of Eskom require continuous maintenance and repair. Field Services (FS) is the department which is responsible to keep the lights burning. A minimum stock of materials needs to be kept at the Customers Network Centers (CNC's) to facilitate easy and quick access when there is a need to utilize such materials. FS comprises of a number of CNC's which have been allocated areas of responsibilities as per the clearly demarcated boundaries. Technicians of different levels fall under the jurisdiction of the CNC's. Each worker has been allocated duties relevant to his/her position.

Johan Steenkamp (pseudonym) is a thirty seven years old man who works as a Principal Technical Official (PTO) at Dukuza (not a real name) CNC. Although it has been two Month since he has been appointed in the current position, CNC management have allocated to him six substations with a total of twenty seven feeder lines to look after. Due to the shortage of staff, Johan could not complete the whole curriculum of a qualified PTO which includes financial management, logistics, business ethics, PFMA and inventory management. Although he has completed the trade test one month prior to his appointment, the trainings interventions as per the PTO's curriculum are essential for him to be able to handle the workload and ensure proper assets management in his area of work.

Work station: Electrical substations are meant to house electrical networks working at different voltages. Substation yards are dangerous due to the overhead electrical lines which carry high electrical current such that accidental contact may be fatal. Due to this reason, no materials should be stored in the said yards. Each CNC has a storage site at the yard which is a distance away from the substations to facilitate safe loading and offloading of materials.

The need to have spares closer to the area of work, Johan stacked piles of wooden as well as steel poles at each substation and he argues that should he store such materials at the dedicated store yards, it will take him more time to transport them to the lines at the time of need. Accordingly, Johan chooses the urgency of restoring power as opposed to ensuring safety of lives and limb. Materials such as porcelain insulators are also placed next to the poles stacks which indicatively resulted in damages of such gassy commodities. It has been reported in the past that a broken porcelain insulator caused a Lost Time Injury

(LTI) to one of the employees when it cut through his ankle. This incident is known to Johan who continues to store such materials unsafely.

Due to the fact that substations are not meant for storage, there are no shelves provided which results in materials being laid down on the ground. Although there was an incident of field fire which engulfed more than two hundred wooden poles in the past six Months, fifteen of the similar poles are stored in dry grass at Zaza substation (pseudonym). The nature of substation sites is such that it is impossible to label the different materials, thereby making it difficult to manage the CNC's inventory. The quantities and types of materials kept at these locations are excluded from those kept at the CNC store yard of which the record is kept by the CNC Store Person.

Materials related record keeping: Eskom's inventory management requires that all materials must be listed and accounted for in the inventory per site to ensure proper assets management. This case study revealed that materials kept at the unmanaged locations are not accounted for which in turn means that money is being spent without being accounted for due to lack of records.

When Johan utilizes any materials out of the storage at the substation, he does not report such activity back to the CNC Store Person because the latter may not be able to account as such commodities do not form part of his record. It would seem that Johan is currently running a separate business of his own which is not managed by the CNC Supervisor. The Supervisor, Mr. Ngele (pseudonym) is aware of this practice but does not seem to care about the anomalies and whether the applicable processes and standards are followed or not.

Applicable processes and standards: In March 1999 Eskom introduced a process of materials tracking with the aim of ensuring proper inventory management. Through this process, all materials are supposed to be scanned and recorded electronically. When this system is adhered effectively to, a reorder was intended to be triggered by an electronic system which would in turn inform the Store Person of the quantities and materials type to be collected from the RDC. It would seem that the aforementioned system has been bypassed by employees for the reasons only currently known to them. Materials storage other than that done by a CNC Store Person leads to an impossible CNC inventory management. Although the CNC supervisor is the most experienced in the area, it would seem that he lacks leadership qualities hence a fear of approaching and reprimanding Johan. Failure by the supervisor to stop the unacceptable behavior seems to be endorsing the current practice.

Current practices: Dukuza CNC has two other PTO's who have substations and electrical lines to look after similar to those of Johan. Having gone through a number of these sites, it is evident that the same practice can be identified. Collectively, the three PTO's at this CNC are in control of materials which amount to approximately R2.4m in monetary value. The challenge is that the aforementioned value does not reflect under any Eskom's records as the materials in question are not in the current inventory.

The current practice is seemingly leading the OU into financial bankruptcy and thus the organization. During the interview with the above employees it was apparent that they are in competition between employees due to the set Key Performance Indicators (KPI's). Each employee would like to be seen as doing better than the other.

This practice in turn leads employees to work in silos in order for each to win individually instead of collectively as a team. It was evident during the study that employees like Johan would opt to hide as much materials for themselves rather than having such commodities recorded in the proper inventory.

Although a CNC Store Person tries to keep inventory of what he is aware of, the actual CNC inventory management ends up being totally not a true reflection of the assets owned by the firm.

Analysis: This analysis has been drawn from the above interpretation of data. Johan Steenkamp would like to be seen as equal to the more experienced PTO's who have been with the CNC way longer than him.

The issue of performance related bonus and best performer recognition drives this young and energetic official to want to outperform his most experienced colleagues by doing whatever it takes. It is impossible for him to account for the materials which are stored at the substations as the storage areas are not conducive for the purpose. Although not officially trained, this official knowingly continues to disregard inventory management processes and the set standards based on the fact that his supervisor would not dare to reprimand him.

The supervisor's lack of control over this official seems to be the main cause of the escalation of the unacceptable practice towards inventory management. Lack of relevant training and failure to adhere to the set processes and standards makes Johan an arrogant employee who would undermine all norms and procedures as long as he is to be seen as being a top performer. Proper inventory management is rendered impossible due to the above factors.

Interpretation: Johan would like to be seen as a best performer of the three PTO's. Due to his age, this official has a long life time span in Eskom. The anxiety to outcompete his coworkers obscures him from thinking ethically. This official still is aware that he lacks training which is relevant to his current position. He is not conversant with the basic financial management principles and PFMA.

Electrical substations and feeder lines are not meant for materials storage. It is impossible to stack materials properly at these sites due to lack of shelves and storage bays. It is difficult to conduct physical stock taking due to improper storage of materials.

This official does not mind keeping stock for which he does not keep record. Although he is not a Store Person and that he did not attend inventory management training, he is aware that all Eskom's assets must be recorded. This information is readily available on the CNC notice boards which indicate inventory turnover per unit.

Johan seems to be undermining the authority of the Store Person due to the lower grade of such employee as compared to his. During all the CNC Monthly performance meetings, the Store Person is expected to account for all materials within his area of work and explain the relevant processes and standards to the team. This information is known by Johan who is expected to account for the stock under his control. It would seem that this official undermines both his supervisor and the Store Person.

The two PTO's who have been in the similar position for the past five years at this CNC were adhering to the inventory management principles prior to the appointment of Johan. The current practice which is exhibited by these officials seems to be as a result of the competition which has been introduced by Johan Steenkamp.

Case study three: Sylvia Maserumule (pseudonym)

Background of participant: The dawn of 1985 saw the South African government forcing Eskom to refrain from conducting all activities but to contract out most of them to external contractors. The aim was to empower the private and individual citizens of the country. Activities such as building of small electrical reticulation lines and electrification of villages are normally contracted out. This process affords Eskom's FS an opportunity to concentrate on the business of maintenance and repair of electrical lines faults with the aim of ensuring a continuity of supply to the customers. Contractors are appointed based on their location and their level of competency to do the intended work or project.

Large projects materials which include poles, transformers insulators and conductors are purchased and supplied by Eskom. All small items such as bolts, nuts, earth spike and washers are purchased by the contractors who get reimbursed by Eskom. All materials would then be delivered to either a contractors sites or projects sites where such commodities will be managed and looked after by an allocated contractor. Records of what has been purchased and allocated are to be kept by Projects Management (PM) department with such record correlating with the RDC's.

Sylvia Maserumule (pseudonym) is twenty six years old woman whose company, Maseru Electrical (not a real name) has been awarded a second project of electrifying Morolong (not a real name) village which has two hundred and thirty five stands to be connected. This company is currently six Months in existence and has a track record of connecting a sixty four stands village project as at the date of the case study. The owner, Sylvia did not attend electrical construction courses and inventory management related training.

The company has two experienced site supervisors, twelve general workers and a Store Person who had received on the job training from the supervisors on materials handling. Maseru Electrical does not have its own tools and equipment's as it has just been established. For the company to succeed during the tender evaluation, the owner had to borrow such tools and equipment's from an experienced company called Magagula Enterprises (pseudonym). The previous project was found not to comply with the electrical safety standards. The project had to be completed with assistance from an emergency contractor by the name of Shaolin Electrical (pseudonym).

Work station: The contractor's site was visited a week into the commencement of the latter project with the aim of evaluating the status of inventory management. The evaluation entailed checking the storage sites, safety files, site security, types and quantities of materials that are relevant to the current and previous project as well as compliance to Eskom's set standards for the contractor's site which includes records keeping of assets.

The site comprises of a home based office, a backyard materials store yard with trucks belonging to the contractor parked on the street outside the perimeter fence, 6 by 100KVA/ 22KV transformers were stacked on top of each other at the back of the main house due to lack of storage space, seventeen 11M wooden poles and three drums of Mink conductor (each of 1500M in length) were lying next to the transformer stack. The wooden drums which hold the conductors in place were eaten up by termites. There were no labels to indicate the different types of materials. Bees made a nest in one of the conductor drums. The materials that are listed in this paragraph have not been recorded anywhere as indicated by the company's Store Person. When asked how many of which items are available, the employee indicated that he was not sure but was prepared to count if requested to do so.

Materials related record keeping: When Eskom allocates materials to an appointed contractor for specific projects the expectation is that such materials will be entered into an inventory for accountability and audit purposes. The aim of such inventory is to ensure tracking of delivered materials as compared to the stock in hand which activity will ensure financial consolidation.

During the study, the company owner (Sylvia) indicated that she could not keep inventory of the indicated stock due to the fact that she could not link such materials to any specific order number as required by Eskom. She further indicated that the materials in question were delivered to her as per the instruction from a certain Mr. Admash (pseudonym) who was a Project Coordinator (PC) prior to Maseru Electrical being awarded the first tender.

When asked why she does not return such materials back to Eskom she indicated that she tried several times but was informed that without the proof of her inventory, Eskom is not in the position to locate the origin of such materials. It was clear that due to lack of record keeping and failure to follow the inventory management processes by the contractor and Eskom's PC respectively, such materials could not be accounted for.

Applicable processes and standards: Although it is a duty of a contracting company to have its policies, processes and procedures, when it comes to projects management it is required of Eskom's PM to provide the applicable guidelines which must be adhered to by the contractor. In the case of this contractor, no guidelines of processes were given by Eskom.

Current practices: Lack of processes and guidelines has driven this contractor to instinctively act as they did which is to try and keep the said materials as safe as they could per their own standards. This practice is seen as an act of violation of Public Finance Management Act (PFMA) as materials are bought but were never utilized to the benefit of the community to which they were intended. Furthermore, it was discovered that a week prior to the site visit 2 poles and a drum of Mink conductor was stolen and could not be reported due to lack of inventory to relate to. The aforementioned challenge is indicative of the fact that there is a strong prospect that more materials are prone to get lost due to the current practice.

Analysis: The tender committee did not consider Sylvia and her company's competency prior to awarding the project tender. Sylvia lacks both the inventory management skills and the required relevant training. She also lacks the sense of accountability over the assets under her control.

Due to the workstation setup, it is impossible to store materials in such a way that they may be counted and recorded. The storage area is not suitably constructed to facilitate proper inventory management. The current management of inventory is dependent on the memory of the Store Person who is unable to follow the relevant processes as they do not exist.

Interpretation: Sylvia Maserulmule is inexperienced in the field of electrical network construction. The BBBEE and gender statuses have influenced the tender committee to award her the job. This company owner and her Store Person lack knowledge as well as relevant inventory management training.

The work station of Maseru Electrical does is not suitably constructed for use as a business site. There is no provision for material storage within the company's yard. Stacking is done such that assets are unsafely stored. The area has no labels which indicate types of materials and where they need to be kept.

Sylvia's company does not keep record of the materials under its control. Assets which get damaged or stolen are not reported or recorded. Some of materials which are stored in this company's yard do not have anyone to account for.

Processes which are related to inventory management do not exist and are not known. Eskom's PC neglected the issue of providing the contractor with the relevant processes and standards as required by the policies of Eskom.

The Store Person seems to be the only one who knows the company stock. Sylvia does not seem to care to know what comes in or goes out of her company's yard.

Case study four: KrielPieterse (pseudonym)

Background of participant: As indicated in the preceding Case Study, Eskom's PM is accountable to ensure that all appointed contractors are supplied with materials for specific projects as well as project related regulatory documents to ensure compliance to issues which include inventory management. It is the duty of a PC to order and ensure delivery of correct type and quantity of materials from the RDC to the contractor's site or project camp.

KrielPieterse (pseudonym) is a PC who works for the electrification section of Eskom's PM. He is fifty four years of age man who has been working with projects for the past twenty three years. His highest schooling qualification is grade twelve which is supported by the experience he gained through the years of working in this section. He has attended and passed Program in Projects Management at the University of Pretoria in the year 2009 as well as projects management related internal training which include inventory management.

This employee is currently in the process of being developed with the aim of preparing him in line with the succession plan. Although he has few years left prior to retirement, Eskom enforces that he should be relevantly trained. It was revealed during the study that this employee has a connectivity web with most contractors in the OU. It was also found that Kriel has a separate office away from the other three PC's who share an open plan space. Although he is aware of the Eskom's code of conduct, Kriel is suspected to be involved in the acts of ordering and allocating materials to contractors with the aim of connecting customers illegally for his own gain.

Work station: As per the PM principles and requirements, all projects related documents are kept at a central point. The idea is to ensure that should there be an audit for any specific project, this process will ensure easy access to the required information.

As for this PC's work station, his documents are all kept in the cabinets which are locked by nonstandard locks. Access to the document was denied by the said employee although not tacitly as he indicated that he shall still have to find the keys which he could not for 4 hours of waiting. Eskom's security personnel had to be summoned to forcefully break the locks. It was apparent that although there were project files in such cabinets, there were no proper indications of projects tracking which includes inventory management. When asked about his knowledge of proper record keeping, the employee arrogantly indicated that he was experienced enough to look after the projects and all they entail.

Materials related record keeping: Eskom's project managers are overall accountable for all projects executed within their sections. Although Kriel's manager confirmed knowledge of the anomalies, he failed to explain the reason for allowing his employee to carry on with the unacceptable conduct. It would seem that this challenge was caused by the fact that this employee has been a tough nut to crack for the project manager and that the latter only started taking over the section a year ago.

The project manager displayed a good knowledge of record keeping although he failed to enforce discipline on all employees with regard to noncompliance. Due to the lack of strong leadership, the

employee took advantage and bypassed all relevant processes and applicable standards of inventory management. This challenge negatively impacted on the financial condition of the BU and thus the company. It is a known fact that Eskom has a strictly code of conduct which includes reprimand of employees who intentionally or negligently perform their duties (Misconduct 2.28 of the Disciplinary Code and Procedures).

Applicable processes and standards: The electrification section of Limpopo Operating Unit has a clear process which ranges from project commencement, execution and close up. Despite this process, the employee chooses to willfully disregard the instructions given to him by person(s) authorized to do so or by the laid down process which constitutes a bridge of Misconduct 2.2 of the Code and Procedures (Disregards or willfully fails to carry out lawful instructions given to him/her by a person authorized to do so).

As per the case study, there is no evidence that suggests lack of processes knowledge under this section. It would seem that the employee lacks discipline and a sense of ownership. An issue of business ethics is overlooked and never discussed at the section's operations meetings.

Current practices: The act of allocating materials to contractors based on ghost projects is alleged to be indicative of the following:

- Intentional ballooning of allocated budget;
- Lack of interest in saving the company's funds;
- Failure to exercise proper care of the firm's assets;
- An intention to illegal benefiting of oneself or another and
- Failure to evaluate components of inventory management and streamline proper processes which would ensure effective control.

Although the employee in question is aware of materials which have been allocated to contractors for the projects which never materialized, it is regrettable to learn that Kriel continues to apply the same practice despite its negative effects on the firm's finances.

Analysis: Kriel Pieterse was well equipped to perform all the duties assigned to him as a Projects Coordinator professionally and efficiently due to the experience, relevant training and years of service in the department.

The arrangement of this official's workstation is indicative of information concealment with the intention to commit the unethical conduct. The act of locking his cabinets is seen as a conduct of insubordination. Lack of accountability by his manager is evident that such superior did not have grounds to stand on with regard to taking corrective actions against this official.

This employee's length of service and experience afforded him the ability to extend the company's processes and standards of managing inventory with his own unethical and unacceptable practices. The aforementioned act aggravated the factors that negatively affect inventory management within Eskom's Distribution Division, Limpopo Operating Unit.

Interpretation: Kriel Pieterse is the most experienced of the four officials who were the subjects of the study. He is relevantly trained for both the current position and management of inventory. Amongst the four incumbents, he is the most senior in terms of age. He attended projects management training which equipped him with the knowledge of the principles of general management.

Kriel's workstation is purposely arranged to suit his ways of executing the daily duties. The workstation cabinets are always locked seemingly to facilitate secret record keeping. Due to his seniority in terms of both age and long service in the department, he would like to be Mr. Untouchable in who would not like his work being interfered with.

The information regarding projects under his control is arranged such that it is confusing to some but clear to him. I would seem that he is intentionally ensuring that the unethical dealings tracks are covered. Projects files are not labelled to ensure that whoever would like to look for such information would find it difficult to do so and will most likely refrain from searching. Kriel is aware that Eskom does not discourage the unethical behavior but he seems not to care. Although his manager is aware of this act, he does not seem to account for the overall management of the inventory as required by Eskom.

Failure to reprimand this official by the relevant manager is a promotion of the current practice. Although this unacceptable practice is known to this official and his manager, the trend does not seem to be diminishing. This official's incessant conduct aggravates the factors that affect inventory management within Eskom's Distribution Division, Limpopo Operating Unit.