

Digital platforms can help cut down on corruption at struggling SOEs

Covid-19 accelerated the use of digital technologies in supply chain management, improving efficiency and reducing costs, while introducing tighter controls that lessen opportunities for corruption. These technologies could help hold South Africa's state-owned entities accountable, which again came under fire for [irregular expenditures](#) in the latest Auditor-General's report.

By [Joel Motaung](#), issued by [Milpark Education](#) 12 Jan 2023



Joel Motaung

It was an honour for me to represent the African continent at the International Conference on Tourism and Business (ICTB) which took place in Lucerne, Switzerland in August 2022. I presented to over 80 delegates representing 19 countries from across the world, including the USA, Scotland, the Netherlands, Sweden, Spain, Austria, and Thailand.

The conference theme was *From over-tourism to zero-tourism: Opportunities for a new beginning?* which tied in nicely with my own presentation: *Benefits and Barriers of Digital Procurement – Lessons from Airports Company*, developed from my MBA dissertation. My research paper looked at how the uptake of digital platforms was accelerated by the Airports Company South Africa (ACSA) during the pandemic, when lockdown and social distancing thwarted traditional business operating methods.

I completed my MBA five years ago through Milpark Business School (MBS) while I was the head of supply chain management performance monitoring and governance at ACSA. The company owns and manages nine airports in South Africa and employs over 3000 people. Like most companies in the aviation sector, it was hit hard by Covid-19. The company [revealed it](#) had lost R2.6bn in 2020/21. In 2022, revenue has increased but is still 30% less than pre-Covid.

Finding better ways of managing supply chains was not only of academic interest to me – it was of vital importance in my role as well. I led extensive interviews and research into how airport companies were leveraging digital technologies to build resilience and deal with the potential loss of billions in revenue due to continuing low traffic. I looked at how artificial intelligence (AI), robotic process automation (RPA), block chain (BC) as well as three-dimensional printing (3D) could improve procurement functions, and what were the biggest challenges to implementation.

I was able to show clearly that digital processes presented airport companies with an abundance of opportunities that could help reduce costs, especially in the procurement of various commodities that are key to airports operations. Airport companies each year receive thousands of tenders for these commodities. Each of these tender processes involve applications that can have large volumes of documents, which are traditionally submitted in person and checked manually.

Automation speeds up these processes, leading to improved turnaround time of approval on tenders, and crucially, reduce the opportunity for tampering with documents. This may involve changing bidder's documents, removing important files or

changing the manual submissions to be more or less favourable. Electronic submissions are not as easy to manipulate. It is especially helpful for state-owned entities, which also make use of extensive tender processes.

The risks involved in the tendering process were substantiated in the latest [report](#) by Auditor-General Tsakani Maluleke, which revealed that government has lost up to R12bn as a result of fraud and non-compliance with legislation by national and provincial departments and their entities, including state-owned enterprises. In her general 2021/22 report, most state-owned enterprises (SOEs) are described as facing significant operating challenges, with several facing uncertain futures unless they are able to tighten governance and operations.

It was evident from the results of the study that digital procurement can help airport companies to streamline procurement processes, identify candidates for automation, and then electronically submitting tenders. It can also open doors for collaboration with key technology players and help migrate to cloud technologies with mobile access to data via smartphones and data-driven sourcing from analytics reports. Adopting agile methodologies were also considered and implemented with professionals reskilled and trained in digital technologies.

Other researchers have come to the same conclusion. One 2022 study by Saudi Arabian researchers shows that digital procurement “may be a supply chain game changer in a competitive market.” According to consulting agency McKinsey & Company, digital procurement is particularly important for African companies trying to keep up with global trends in challenging times. A December 2022 [report](#) states: “There are four critical areas where African companies can address the wide variance in performance and improve their procurement processes and build resilience to ongoing price volatility and reduced supply: digital transformation, supplier management, procure to receipt, and capabilities and culture.”

And yet, the uptake of digital platforms in the developing world is slower than elsewhere on the planet. One big challenge is the possibility of job losses. For instance, if tenders are submitted electronically, there is no longer a need to ‘guard the tender box’, or for several officials to check the right documents have been submitted. In addition, companies need IT experts and data specialists to build systems and capacity to implement digital solutions and this presents a problem to companies already battling budgetary constraints. Perhaps even more importantly, companies need to ensure their cyber security is top-notch to minimise the threat from hackers and to protect valuable data.

While many might say that South Africans don’t have the technical skill or expertise to fully allow for digitalisation of the procurement process, in my experience, there are many experts and specialists out there able to do the job. If anything, my research shows that going digital is the inevitable way of the future. When looking at the feedback I received at the conference along with pressure and interest in pursuing research in this area, it is clear to me that the topic remains highly relevant in our post-pandemic era and of even more importance for South Africa, where SOEs must become more efficient and compliant. I believe that finding solutions for the challenges posed by digital procurement should be prioritised by companies – especially those dealing with manual tender process – as the research clearly shows that the benefits far outweigh the risks.

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Joel Motaung is a Milpark Business School alumni.

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