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Title:

Improving Service Delivery in the Public Sector through Strategic Cost

Management:

The case of a Public Private Partnership in South Africa

Master of Commerce by Dissertation

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I acknowledge that this is my own original work and no plagiarism has been used.

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Abstract

The key objective involved the research to discover how strategic cost management may improve service delivery. How could strategic cost management support public private partnership initiatives to improve service delivery by the public sector? Thus a detailed review of literature was done, contributing to the debate and better understanding of this specific research question. The objectives are to research what were public private partnerships and how they work so that a contribution could be made to close the gap identified in management practice and inform practitioners how to deal with public private partnerships. To research how strategic cost management could potentially support public private partnerships initiatives in the government service delivery models by making a contribution to closing the gap identified in literature so that management practitioners could be informed. To research what are not clear in terms of strategic cost management and public private partnerships in the context of South Africa for the purpose to make a contribution towards closing this gap identified in literature and management practice so that management practitioners are informed to deal with this issue under study. A research methodology was applied for data collection by means of questions through a survey via e-mail, telephone, case study and interviews. Therefore a multi-method approach was applied for research. The key findings were the relevance and impact of the knowledge-based view, capabilities, efficiency, effectiveness, capacity, resource based view philosophies and principles. In addition, it was found that these philosophies and principles are relevant to strategic cost management. This contributed to the literature for further debate and research regarding the implication of these management practices when aligning the different philosophies and principles.

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

This chapter raises arguments regarding socio-economic and political impact on budgetary constraints. Arguments concerning strategic cost management and the relevancy in public private partnerships would be raised. The research questions and research objectives would be discussed in this chapter.

1.2 BACKGROUND

The process of improving service delivery by the public sector has become a priority since there are continuing scenarios that have been changing on a daily basis. The argument has been about scenarios that are caused by changes in the economy, technology, politics, commerce and environmental impact. Thus excellent, accurate, reliable and efficient systems are vital to deliver services that are rendered by government. Therefore to achieve improved service delivery by the public sector it has become important that costs are managed by the public sector to gain maximum benefits. During the down turn of the world economy, an increasing need to ensure government funds are spent efficiently and to eliminate waste became necessary. Various procurement methodologies have been used world wide to spend money to achieve strategic objectives which have been developed to care for the needs of the citizens that were formulated by managers of institutions for the private sector and the public sector. For example the public sector has made use of traditional or conventional

procurement methodologies to spend funds on capital projects. Outsourcing was another procurement methodology that has been utilized by the public sector to spend money on projects to achieve strategic objectives. Also, public private partnership initiatives would be used by the public sector to spend money on capital projects and services. During the use of these procurement methodologies there have been emphasis placed upon managing costs strategically by the public sector to improve the service delivery. Therefore to improve service delivery through strategic cost management has become necessary. Thus in the context of the current challenges with service delivery in the Republic of South Africa, focusing on value for money, given the impact of budget constraints, this have become a key area to be addressed. Therefore the arguments in this full dissertation would address an important and contemporary issue about service delivery which has become a major concern to stakeholders in the Republic of South Africa. Overview of various countries such as United States of America, United Kingdom, Australia and China would be researched to gain insight and information on the public private partnership procurement methodology. Furthermore, emphasis would be made about strategic cost management to improve service delivery by the public sector. Therefore it would be appropriate for a full dissertation to make a contribution to the gaps in literature and to inform management practitioners to deal with this issue under study.

1.3 BUDGETARY CONSTRAINTS AND COST MANAGEMENT

Management practitioners and other stakeholders in the public service would have to take into account when preparing their strategies, to “design in a manner that integrates

an understanding of” citizen needs similar to the private sector regarding “customer needs, and the creation of specific cost” (Ellram, 2002, p.19). The challenge involved spending in terms of budgetary constraints that would have good outcomes for the citizens of the country. It was argued that costs estimation and managing of costs ensures that the strategies would satisfy the needs of the citizen. However, satisfying the needs and expectations of the citizen amidst changing scenarios require governments to continually improve service delivery. Thus the argument was that to “be effective in strategic cost management, organizations need to have good sourcing and cost management tools and processes” (Ellram, 2002, p.18). During the structuring of strategic and project plans to ensure the improvement of service delivery by government, this involves management of costs requiring variety of cost management tools and processes. It was argued that managing costs could address the “cumulative effect of a number of different factors” which requires a “variety of strategies” (Morris and Willson, 2006 p.06.5). One of the strategies that government has embarked upon involved public private partnerships. Arguments and questions were raised concerning this strategy. Therefore it was appropriate to determine how strategic cost management plays a role and whether public private partnerships support the management of government resources efficiently and effectively.

The socio-economic and political landscape or structure requires that governments around the world provide the basic human rights to services such as healthcare, housing, education, sanitary services, potable water, electricity, roads, transport etc. However, the key challenge involves the strategic management of resources. There are “key management issues” and “dynamics of factors associated with this phenomenon”

(Mentzer *et al*, 2001, p.2). Thus budgetary constraints require spending funds effectively and efficiently. This means that each rand spent should achieve effectiveness and efficiency for government regarding service delivery. During these global scenarios and the budget constraints of a country, if strategic cost management has been ignored this situation would make “it impossible to offer the most cost effective intervention” (Ubel *et al*, 1996, p.1174). Therefore, it could be argued that effectiveness was about getting government priorities right in terms of service delivery. Whereas, efficiency involved using proper resources to achieve maximum impact for improved service delivery. This requires among other strategic approaches, such as strategic cost management. Furthermore, continuous pressure has been placed upon governments to provide service delivery to ensure that the needs of the citizens have been met within budget constraints. “This global orientation” has an impact on governments because of “increased performance-based competition, combined with rapidly changing technology and economic conditions” that contributes to the “marketplace uncertainty. This uncertainty requires greater flexibility on the part of individual companies” (Mentzer *et al*, 2001, p.2) in the marketplace. Therefore, the public sector has to drive and adapt their policies amidst this uncertainty in the marketplace surrounded with economic, social and political challenges. However, the challenge for the public sector involved the capacity and capabilities of governments to enhance significant efficiencies through cost management. An alternative to the government service delivery model may be the involvement of the private sector to provide capacity and capabilities to achieve efficiency and effectiveness. The argument pointed out that the private sector strives for “the effective (strategic) allocation of resources for future development as well as the efficient (operational) allocation of resources” (Walters and Lancaster, 2000, p.166)

through their business models. The private sector business models emphasize “capacities and capabilities on the core business activity of the business” (Walters and Lancaster, 2000, p. 166). For these reasons the private sector business and management models were appropriate for improved service delivery. The knowledge of these business models and cost management models resides with the private sector that could be useful for the building of capacity and capabilities in government.

“During the past decades, a wide literature in economics, governance, and public management has provided theoretical and empirical arguments in favor of further private sector involvement in what used to be public utilities” (Zhong *et al*, 2008, p. 863). Thus it could be argued that the private sector involvement has been based on the rationale of pre-disposed to efficiency through strategic cost management due to business models that are profit driven. For example the “value chain model” (Walters and Lancaster, 2000, p.161) a business strategy demonstrated that it has been predisposed to efficiency.

The public sector and the private sector encountered a meltdown of the global economy (Abedian, 2009, pp.1-28). For the different economic cycles it could be argued that managing costs has been seen as sustainable within the private sector business models which was built and tested in the past. These business models that have been built by the private sector were due to the realization that top-line growth has been subject to economic cycles. The management practitioners in the public sector need to be fully informed of these business models during a global meltdown and recovery of the economy since there have been challenges to manage within budget constraints.

Therefore the budget constraints and the current challenges with service delivery in South Africa need to be addressed. The former Minister of Finance, Trevor Manuel, who stated in the budget speech, that the “global economy” has been “experiencing a sharp downturn” (Manuel, 2009, p3).

Since the private sector has developed a tested and enduring cost management culture, therefore it make sense that management practitioners in the public sector should be informed about the appropriateness of the numerous cost management techniques and methodologies that could be utilized. Examples of cost management techniques and methodologies are benchmarking, theory of constraints, total quality management philosophy and JIT (just-in-time), capital budgeting and investment, balance scorecard, net present value, activity-based costing and management, process reengineering, continuous improvement, relevant costing etc. Therefore, it could be argued that the research and the debate of the contemporary costs management techniques are ideal. Since the arguments are that these cost management methodologies could improve service delivery for the public sector. Furthermore, the above-mentioned areas of research could contribute to the debate and understanding in the context of literature. Therefore, researching principles and philosophies regarding the culture of strategic cost management could be appropriate.

The arguments and reasons for this research are to provide information on how the perspective of cost management has been perceived to improve service delivery. “The public has rising expectations of what it wants from public services and the general perception” regarding service delivery, that it requires “much room for improvement’

(Bourne and O'Donnel, 2003, p.1). Furthermore, for "centuries, governments have used private contractors to provide a wide variety of public services" (English, 2006, p.250). However the argument that "more recently, partnerships between governments and private contractors have become a feature of the 'new public management' (NPM) reform movement" (English, 2006 p.250). Since governments have driven new ways to deal with budget constraints however there has been "a growing demand for its services" has been necessary "but its ability to meet this demand" has been "restricted by budgetary pressures" (Bourne and O'Donnel, 2003 p.33). This argument emphasizes the challenge that governments have with the limited resources, capacity and capabilities to improve service delivery. The argument that the value for money regarding service delivery given the budget constraints, need to be addressed so that service delivery could be improved across the country. Practitioners and stakeholders have been encouraged to strive to improve "the quality of the service and value for money by achieving the same or better result with fewer resources" (Nel, 2006, p.108). Also, the argument that improving the efficiency of the public sector service delivery could be achieved by eliminating waste. Since "an efficient operation wastes no resources in carrying out the operation" (Blocher *et al*, 2005. p.512). Thus the outcome and results of an operation indicates that costs were managed efficiently. Furthermore, it was argued that the use of cost management strategically enhances service delivery within the public sector. The application of the contemporary costs management techniques could be engaged to ensure cost effective strategies would improve service delivery. The argument about applying cost management could improve the strategic managerial decision making for an institution. Since "strategic cost management" are defined as "the development of cost management information to facilitate the principal

management function, strategic management” (Blocher *et al*, 2005. p.7). This point argues that strategic cost management could contribute to the facet of enhancing service delivery by supporting the strategies of an institution.

Furthermore, there was the argument that the need was to determine how cost management techniques have been used strategically in South Africa to ensure, “cost-effectiveness and service efficiency” (van Niekerk *et al*, 2001. p.257) through public private partnerships. It was argued that “costs” should be “kept under regular review and as, necessary, action taken to improve cost effectiveness”, (Bourne and O’Donnel, 2003 p.3). Since there have been costs involved in a process such as public private partnership, the costs need to be continuously reviewed so that effectiveness could be improved. Cost management information could enhance the control of operations on the issues of spending to achieve the objectives of the stakeholders. During the public private partnerships procurement process the challenge was to determine who could “make the right decisions because they have accurately assessed the costs and benefits of service improvements” (Bourne and O’Donnel, 2003 p.19). These include the argument for capabilities and capacity by practitioners to use enduring cost management techniques such as activity-based costing which could “distinguish between costs caused by the purchased product and the supplier, respectively. This enables the buyer” such as the government, “to identify costs caused by supplier per se rather than attributes of the product” (Axelsson *et al*, 2002 p.56). It was argued that these amongst other cost management applications could improve strategic spending in the public private partnerships and ensure that the citizens’ needs have been met through improved service delivery. Since there are such widespread interests in

improving service delivery within government circles, therefore various innovations and strategies have been applied to procurement processes. Therefore penetrating questions to achieve answers and solutions to improve service delivery would be debated and researched to gain understanding of these challenges through knowledge. In view of the foregoing, the arguments emphasized that strategic cost management principles and philosophies could contribute to improved service delivery in the public sector. Therefore the need for research regarding how public private partnership works, even though both government and the private sector interests could be the same and aligned but the objectives of government and the private sector would be different. Thus it would be appropriate to consider research questions and objectives for this dissertation.

1.4 RESEARCH QUESTIONS AND OBJECTIVES

The mere ability to use cost management models by the private sector does not explain how the service delivery model by government could be enhanced by including the private sector companies. Furthermore, the argument about whether strategic cost management models are enhanced through the involvement of the private sector within government was not exactly clear. On the other hand, if it was argued that the involvement of the private sector business models enhances strategic cost management within government, how this has been achieved was not very clear. In view of the foregoing, the argument could be raised about the construct of the relationship between the public sector and the private sector involvement in the government service delivery projects. The relationship between the public sector and

the private sector should be of such a nature that the cost management capabilities that have been cultured in the private sector could effectively achieve efficiencies while simultaneously capacitating government structures. Thus it was argued that through public private partnerships this was one way that this could be achieved. Therefore, the research questions are as follow:

- How may strategic cost management improve service delivery?
- What are public private partnerships?
- How do public private partnerships work?
- How could strategic cost management potentially support public private partnership initiatives in the government service delivery models?
- What are not clear in the context of South Africa in terms of strategic cost management and public private partnerships?
- How could strategic cost management support public private partnership initiatives to improve service delivery by the public sector?

Given the research questions, the research objectives that informed this study are as follows:

- To discover how strategic cost management may improve service delivery and make a contribution to close the gap identified in literature so that management practitioners could be informed.

- To research what are public private partnerships and how do they work so that a contribution could be made to close the gap identified in management practice and inform practitioners how to deal with public private partnerships.
- To research how strategic cost management could potentially support public private partnerships in government service delivery models by making a contribution to closing the gap identified in literature so that management practitioners could be informed.
- To research what are not clear in the context of South Africa in terms of strategic cost management and public private partnerships to make a contribution towards closing the gap identified in literature and management practice so that practitioners are informed to deal with the issue under study.

The above-mentioned key objectives are important and the arguments demonstrated the following rationale around the service delivery problems for municipality services, housing, tourism, roads, and hospital services in South Africa. There was a need for the public sector to capably provide a solution to issues that has an important influence on service delivery. The argument demonstrated that the “the majority of Africa’s people (about 70%) live below the poverty line. Their existence” has been “marked by poverty, inequality and disease, and a lack of access to basic and social infrastructure” (Levin, 2009, p.26). Therefore it was important that there should be research to identify the challenges in service delivery by government departments. Also, it was important that demands by the citizens to improve service delivery need to be researched.

Furthermore, it was important that “monitoring and evaluations systems need to be integrated across the tiers or spheres of government because monitoring service delivery at a local level” was “critical to improved service delivery” (Levin, 2009, p.37). To find a solution by researching the capability of the public service to be efficient during a global economy downturn was essential. It was important that the research should determine the causes of waste and how it should be eliminated to achieve value for money to improve service delivery. Since value for money should be embedded in service delivery even though there were problems that maybe encountered such as financial constraints. Research about strategic cost management was important since the problems that have an impact on service delivery by the public sector need to be addressed.

Thus, what have been the current challenges with service delivery in South Africa that need to be investigated? Identifying the current challenges with service delivery were important to apply cost management methodologies to ensure that costs are managed strategically to improve the service delivery. The need to investigate these challenges was justified for the reason of political, economic, environmental and social changes that have an impact on the service delivery in South Africa. Furthermore, how could the costs be strategically managed during the current global economic downturn, to ensure improved service delivery in the public sector? Governments were concerned about the impact of the global economic downturn that has an impact on their countries and the need to provide cost effective solutions was important. Therefore, the justification of this investigation was the demand to ensure an improved service delivery even under the global economic downturn scenario. Also, how could managing costs strategically

improve service delivery by monitoring and evaluating public private partnership projects? The monitoring and evaluating of the procurement process for a public private partnership to ensure that costs were strategically spent to improve service delivery was important. The public private partnership procurement methodology needs the cost management methodologies to provide information for strategic decision-making. Therefore this justified the need to investigate the procurement process in a public private partnership case and to determine the alignment with cost management. Moreover, how could the efficiency of service delivery in the public sector improve by eliminating waste? The importance of the efficiency of service delivery needs to be regarded as a culture of an organization and a way of life among its people. For this reason, it has been justified that it would be appropriate to research how the elimination of waste through cost management could improve service delivery in the public sector. In addition, why was it necessary to investigate and focus on the value for money notion, given the budget constraints in the country? It was important to investigate the value for money notion since the citizens are increasingly demanding improved service delivery from governments even though there have been budget constraints. Therefore, this research was justified since it would give evidence and articulate the reasons why cost management would enhance service delivery based on value for money. Furthermore, how could cost management be used as a way for enhancing service delivery in the public sector, to achieve value for money? It was important to recognize that cost management has fundamentally been an effective tool to be utilized to ensure improved decision-making at a strategic level in an organization. For this reason it was justified that to achieve value for money, strategic cost management methodologies could be used as a way for enhancing service delivery in the public sector.

Thus to improve service delivery for municipality services, hospital services, housing, roads, and tourism amongst other services in the public sector through strategic cost management in the case of a South African public private partnership, the goals of this dissertation are identified as follows:

- The challenges that need to be investigated are political policy-making, global economic downturn, environmental and social challenges that have an impact on service delivery in South Africa.
- To apply cost management methodologies in the procurement process for improved service delivery by the public sector.
- To achieve good governance in service delivery and by managing costs strategically in the public sector.

To achieve value for money and to eliminate waste by identifying areas that had an impact due to inefficiencies.

- To demonstrate the impact of producing a service delivery that would be of value for money to government and to the citizens with limited resources.
- To demonstrate that strategic cost management could have an impact and enhance service delivery in the public sector.

1.5 CONCLUSION

Chapter 1 argued that global phenomena have an impact on the socio-economic and political landscape. This scenario requires effective and efficient spending of limited resources. Thus the need for strategic cost management and an investigation of public

private partnerships as an alternative service delivery. Chapter 2 deal with a detailed literature review regarding the basic issues around service delivery and challenges in the public service regarding resources and capabilities; the potential of the private sector would be to provide the missing link by bringing in a commercial perspective that allows for effectiveness and efficiency in service delivery; the problems associated with tacit knowledge transfer would be discussed in the context of the knowledge-based view; including a high level argument to determine the relationship between the knowledge-based view, strategic management of costs and the public private partnerships would be given. Chapter 3 focuses on a research methodology for data collection by means of questions through a survey via e-mail, telephone, case study and interviews. Chapter 4 consists of the results and analysis of the literature review with data collection. While Chapter 5 concludes with philosophies and principles relevant to strategic cost management regarding the implication of management practices for further debate and research.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

A detailed literature review would be discussed regarding the basic issues around service delivery and challenges in the public service. This chapter includes the potential the private sector has to provide the missing link by bringing in a commercial perspective that allows for effectiveness and efficiency in service delivery. High levels arguments about problems associated with tacit knowledge transfer, the relationship between the knowledge-based views, strategic management of costs and the public private partnerships would be presented.

2.2 BASIC ISSUES AROUND SERVICE DELIVERY AND CHALLENGES ENCOUNTERED IN THE PUBLIC SERVICE REGARDING RESOURCES AND CAPABILITIES

2.2.1 SOCIO-ECONOMIC ISSUES

Basic issues around service delivery and challenges were encountered regarding services such as healthcare, housing, education, sanitary services, potable water, electricity, roads, and transport amongst other services. Therefore to achieve service delivery that would be efficient and effective, resources were needed. However, the challenges in governments would be the capabilities to manage the resources. This was required according to the argument that “capable states” are “developmental states that”

are “able to intervene effectively in order to confront the key political, economic, environmental challenges and social challenges of the 21st century” (Levin, 2009, p.26). It could be argued that governments have been under pressure regarding service delivery since “economists” are “for once united in the assessment that the world economy” are “in its deepest and most synchronized recession in our lifetime” (Busieka, 2009, p.77). So, “no one” could “avoid facing to a new situation created by the global financial-, and economic crisis” (Dekan, 2009, p.604). Thus it was argued that the spending power has been under pressure because of budget constraints in the public sector. Therefore, it becomes necessary to manage “spending in any discretionary areas to lessen” other “existing cash-flow needs” (Dekan, 2009, p.608). Therefore, the argument was raised regarding the “capability of the state” to manage its “government machinery” that should “be strengthened in order to do things better” such as been efficient and effective even in a “business unusual” scenario (Fraser-Moleketi, 2009, p.6). Thus governments and organizations around the world were “investing significant amounts of time and money in an extensive service delivery improvement programme” (Bourne and O’Donnel, 2003, p.1). Also, it was argued that costs should be managed by practitioners to gain “maximum benefits” (Bourne and O’Donnel, 2003, p.53). “World-wide, many governments” have been “face looming resource challenges and the daunting prospect of delivering more services to increasingly demanding public with fewer resources than in the past” (Matsomela, 2009, p.8). Therefore, management practitioners in “governments must strive for both cost reductions by eliminating ineffective programmes” and “increasing efficiency and creativity in satisfying people’s demands” (Matsomela, 2009, p.8).

It could be argued that local government has challenges at municipalities. The argument involved these institutions that “earn income primarily from local rates and trading accounts” (Pottie, 2004, p.607). This situation has placed municipalities “under massive pressure and many municipalities have been pushed to near solvency” (Pottie, 2004, p.607). Thus “the efficient and cost-effective provision of” municipality services “deemed a question of how best to manage these functions within the administration” (Chipkin, 2006, p.23). The “inadequate recognition of the capacity problem” such as clearing backlogs of municipal service delivery “at all levels” strategically “had profound implications for local government’s ability to deliver services” (Allan, 2006, p.34). In addition, the “visible lack of co-ordination of programmes” amongst municipalities has resulted “in duplications” (Mathenjwa, 2006, p.32). The former South African President Thabo Mbeki stated that, “serious capacity constraints in many of our municipalities arising from a shortage of properly qualified managers, professional and technical personnel” has become an issue (Mathenjwa, 2006, p.32). Therefore, the concerns about capacity constraints and capabilities to manage resources efficiently and effectively are challenges for government.

Furthermore, the housing backlog has been raised as an argument and as a challenge which are “a case in point” in South Africa” (Pottie, 2004, p.607). “For example, local government” has been “under pressure from national government programmes, as well as political pressure from citizens and interest groups, to meet development needs in the context of increasing capital expenditure demands, requirements for fiscal sustainability, and greater public accountability” (Pottie, 2004, p.607). These arguments demonstrated that there were challenges that had an impact on service delivery for

housing. This service delivery should not only be based on quantity but it should benefit the citizen in quality. As Chipkin (2006) puts it, “not against how many homes” that have been “built or sites” that were “serviced but against the degree to which” the citizens have sustainable households (p.18).

The issue about a service delivery model for hospital services in “South Africa” could be “debated whether or not to debate to implement” the Social Health Insurance (Mcintyre *et al*, 2003 p. 47). The challenge has been the “equity and sustainability” (Mcintyre *et al*, 2003 p. 48). It was argued that “the World Bank imply that competitive contracting with the private sector” are “likely to improve the efficiency of service provisions. However, very little evidence” has been “available on whether this” could likely be “the case, and in what circumstances delivery of services through contracts with the private sector” are “likely to be preferable to direct provision by the public sector” (Mills, 1998, p.32). The argument regarding this issue involves an alternative to the government service delivery model for hospital services was the involvement of the private sector. However, these “interventions need to be inexpensive, practical, efficient, effective and sustainable over the medium and long term. Achieving this” has been “a significant challenge,” (Brugha and Zwi, 1998, p.107).

The other issue involved has been tourism. Tourism has high potential for tourist attraction and revenue gains in South Africa and other countries. However, the challenge was limited resources. It was argued that “budget reductions” are “evident in the USA, South Africa, Mexico and throughout Eastern Europe” (Eagles, 2002, p.137). Therefore the challenge was as Sutcliffe (2007) pointed out the need to consider

whether our “tourism” has been “ecologically sustainable” (p.26). Budget constraints have an impact on the tourism industry and thus revenue could be lost under these circumstances. It was argued that the “African states” have been “encountering significant fiscal pressures” since this could be seen when the “revenue resources” started drying up (Manuel, 2009, p.5).

The argument about the environmental issues could have an impact on the cost of the service delivery. The challenge was to ensure that “environmental catastrophes” are been managed (Binns and Nel, 1999, p.391). Thus there should be “careful environmental management, with communities demonstrating a good awareness of the importance of sustainability” in environmental catastrophes (Binns and Nel, 1999, p.394). Challenges such as “social equity and economic efficiency within the context of sustainable development, and the choice of appropriate policy instruments to minimize negative impacts of externalities” could be “crucial” regarding environmental catastrophes (Nkomo, 2005, p. 10). This substantiates the argument that there was a challenge about the efficient management of resources to create sustainability in the event of catastrophes or other environmental disasters.

Regarding the socio-economic issues and challenges Matsomela (2009) puts it this way: “the former president of the United States, Bill Clinton, once said, “Elections” have been “often determined by the state of the economy; governments win elections when the economy booms, but” could likely “be defeated during the slumps. In South Africa, there has not been much economic turmoil to warrant that, but the problem might be with spending on priorities” (p.8). Therefore, the argument has been about getting

priorities right in terms of service delivery. Citing Luyt (2008), "South Africa" was "a case in point" since it was argued that "poverty levels in South Africa remain high and have not been greatly reduced since 1994" (Matsomela, 2009, p.8, 9). Furthermore it was argued that funds have been "allocated year in and year out to alleviate poverty and other developmental programmes, but spending these funds still poses a serious challenge" (Matsomela, 2009, p.9). This raises the issue regarding serious challenges in terms of capacity and capabilities that were required in government service delivery models to manage resources efficiently and effectively by practitioners. "President Barack Obama of the United States adds an interesting dimension to this thesis. He says that Africa needs strong institutions, not strong men", (Busieka, 2009, p. 80). "In view of the" argument "for a capable state" (Busieka, 2009, p. 80), therefore this requires that the institutions and organizations should demonstrate the capability to intervene to improve service delivery.

It was argued that "in the current economic gloom, even Africa's economic giant" has not been "immune to this significant challenge. Deputy President of the Republic of South Africa, Kgalema Motlanthe, recently cautioned that the current economic crisis has the potential to affect the revenue and tax base of municipalities, which may hamper service delivery. He advised local authorities to devise means" or strategize so that management practitioners could "lessen the adverse effects of the current economic crisis on the viability of our programmes" (Busieka, 2009, p.81). However, an issue in government circles has been about service delivery that should demonstrate value for money.

2.2.2 VALUE FOR MONEY ISSUES AND CHALLENGES

The next issue and challenge involved focusing on the value for money, given the budget constraints. This has been a key area that needs to be addressed if the country was to improve service delivery. The argument involved “public services” that should be “provided economically and efficiently in order to give citizens the best positive value for money” (Baloyi, 2009, p.3). Thus a “key strategic role” for agencies in government should be “to support value for money in government” (Bourne *et al*, 2007, p.1). Therefore it could be argued that historically the private sector has developed business models that have demonstrated the capability and capacity to achieve value for money regarding service delivery. However, further arguments would be presented to determine if this thinking and culture would be appropriate in service delivery models for government.

It could be argued that “achieving value for money in service delivery means delivering the most effective services possible with the available resources,” (Bourne and O’Donnel, 2003, p.19). The challenge for government was to ensure “value for money” that should be achieved with limited funding. However the argument was “that something” has not been “working right” (Naidoo, 2007, p.19). Furthermore, the argument was raised that, “the procurement framework” are “not designed for performance, speed or effectiveness” (Naidoo, 2007, p.19). On the other hand, the arguments of the private sector were about the “building” of “a dynamic view of the business” that “enhances the probability of establishing an acceptable descriptive theory of strategy that” could “assist practitioners in the building of long-run advantage and

competitive flexibility” for an organization (Teece, *et al*, 1997, p. 513). Thus it would be appropriate from a government perspective to consider the arguments of the private sector to make things work. To improve service delivery with limited resources “the pursuit of value for money” are “imperative if government” has “to improve service delivery standards” (Chabane, 2009, p.5). The argument was that government “must do with less”, on the other hand “the focus has to be on value for money” (Chabane, 2009, p.5). Furthermore, it was argued that the challenge government has, involved improving “value for money and to identify areas” to “eliminate or reduce wastage” (Manuel, T., 2009, p17). Also, it was argued that “wasteful and unproductive expenditure and corruption cannot be afforded” (Chabane, 2009, p.5). Thus, there would be the need to “completely reassess government’s spending priorities. The aim” would be “to promote cost-effectiveness and phase out or redesign ineffective programmes to ensure greater value for money” (Chabane, 2009, p.15).

2.2.3 EFFICIENCY AND WASTE ELIMINATION ISSUES

Improving the efficiency of the public sector by eliminating waste, consist of “two major strategic challenges facing governments: getting fiscal “allocative efficiency” right and ensuring operational efficiency in public service delivery” (Abedian, 2007, p.30). Therefore, it was argued that due care should be taken to prevent “failed programmes and money gone to waste” (Busieka, 2007, p.126). It was argued that the management practitioner in “the public service” has “to grapple” about “efficiency” and “effectiveness” (Fraser-Moleketi, 2006, p.5). Thus inefficiency and effectiveness should be demonstrated regarding service delivery by an institution. “This must be seen as awarding equal

priority to both aspects, i.e. cost in producing specific outputs as well as achieving valued outcomes” (Fraser-Moleketi, 2006, p.5).

Management practitioners are required to manage resources “effectively, efficient and economically” (Laubscher, 2007, p.47. “If managers in their decision-making process take the enhancement of service delivery into consideration” by “making sure that the decision-making process” has been “based on accurate information with financial gains, the economic gains” could “be achieved” (Laubscher, 2007, p.47). Through this prudent management of resources, the following could be achieved namely, “citizens” would “also enjoy their rights, poverty” could “be reduced and quality of life” could “improve” (Laubscher, 2007, p.47). It was argued that when a service delivery has “fail to meet the reasonable expectations of citizens and other users of the service”, management practitioners should address the challenge (Bourne and O’Donnel, 2003 p.47). Therefore management practitioners could heed the “clarion call on African countries to seize the opportunity to turn the current economic crisis to their advantage and reshape global institutions” (Busieka, 2009, p.78). Inculcating the values of efficiency in “the organization’s culture” was one way to do this. An organization from a commercial perspective should value the “customers and working with them to meet their needs while improving the efficiency and effectiveness of the supply chain” (Ellram, 2002, p.21). Likewise it could be argued that this business thinking could involve the private sector as an alternative to the government service delivery model for efficient and effective procurement mechanism. Therefore the argument was raised about the need for strategic cost management philosophies and principles that could be appropriately applied by management practitioners in the public sector.

2.3 THE ROLE OF STRATEGIC COST MANAGEMENT IN IMPROVING SERVICE DELIVERY

2.3.1 THE NEED FOR STRATEGIC COST MANAGEMENT IN THE PUBLIC SECTOR

It could be argued that, value for money requires using cost management as a way for enhancing service delivery, with specific reference to the public sector. Thus “a fundamental tool in managing” service delivery involved “high quality cost management” (Morris and Willson, 2006, p.06.7). Therefore the relationship between the private sector and the public sector should be of such a nature that cost management capabilities should result in efficiencies. “Effective strategic cost management has both strategic and tactical aspects that must be well executed in order to deliver results” ((Ellram, 2002, p.9). Moreover, citizens expect that the public services should be “provided cost effectively” (Bourne and O’Donnel, 2003 p.1). Utilizing cost management could “improve service delivery standards” (Chabane, 2009, p.5). Furthermore, it was argued that the management practitioners were required to management the “process” regarding “reducing the unit cost of the service” provided by government (Chabane, 2009, p.6). Also, it was argued that the management practitioners must ensure that the “most effective service providers” were those who could “make the right decisions because they have accurately assessed the costs and benefits of service improvements” (Bourne and O’Donnel, 2003 p.19). In view of the foregoing, it could be argued that managing resources which are a key challenge for government could involve the private sector with its business and cost management models.

2.3.2 THE POTENTIAL OF THE PRIVATE SECTOR TO BRING IN A COMMERCIAL PERSPECTIVE FOR EFFECTIVE AND EFFICIENT SERVICE DELIVERY

The private sector was pre-disposed to efficiency through strategic cost management based on profit driven business models. Therefore it would be appropriate to determine how a commercial perspective could bring about an efficient and effective service delivery. This argument was aligned to “two key aspects” that have not been “the main focus of attention in previous strategy perspectives. The term ‘dynamic’ refers to the capacity to renew competences so as to achieve congruence with the changing business environment; certain innovative” has been “required when time-to-market and timing” could be “critical, the rate of technological change” has been “rapid, and the nature of future competition and markets” are “difficult to determine” (Teece, *et al*, 1997, p. 515). In addition, “the term ‘capabilities’ emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competencies to match the requirements of a changing environment” (Teece, *et al*, 1997, p. 515). Therefore this raises the argument regarding capacity and capabilities culture of the private sector whether this could be appropriately applied in government service delivery models. The private sector’s enduring strategic cost management about efficiency and effectiveness has been demonstrated in the Ispat Steele Company particularly in terms of capabilities. Brouters and Roozen (1999) cited *The Economist* (1998) about “Ispat Steele, a company founded in India,” demonstrated success by “utilizing a strong low cost strategy, knowing and expanding on a firm’s capabilities and knowing your competitors” (p.315). Similarly, it could be argued that an appropriate strong low cost strategy and

knowing its capabilities could enhance the efficiency and effectiveness of a service delivery by government.

“Although most of the industrial management techniques seem to be tailored towards the manufacturing firm,” it could be argued that management techniques have been “now applied to new areas in service industries” (Motwani *et al*, 1996, p.53). This demonstrated the potential that the private sector could bring about a commercial perspective in the public service to improve service delivery. Since it was argued that the public services and industries were “facing the same kind of competitive pressures felt throughout the years by industrial organizations” (Motwani *et al*, 1996, p.53). Therefore it was “possible and beneficial to apply modern management techniques to service industries” including the public services which need to improve service delivery by strategically managing costs “and to generate ongoing improvement. The theory of constraints (TOC), TQM (total quality management) philosophy and JIT (just-in-time)”, could “be used effectively to assist managers of service organizations” (Motwani *et al*, 1996, p.53).

2.3.3 VALUE FOR MONEY FROM A COMMERCIAL PERSPECTIVE

Focusing on the value for money, given the budget constraints, it was argued that this was a key area that needs to be addressed if the country was to improve service delivery. From a commercial perspective, the value for money should outweigh the costs required for the service delivery. Thus customer expectation should be met. Yong and Wilkinson (2002) argued that the “quality product” should be “one that provides

performance or requirements' conformance at an acceptable price or cost. This notion of value has been included in some definitions of quality, for example, citing Feigenbaum (1983) "quality does not have the popular meaning of 'best' in any absolute sense. It means 'best for certain customer conditions'. These conditions" were about "(a) the actual use and (b) the selling price of the product. Product quality cannot be thought of apart from product cost", (p.103). Furthermore, Yong and Wilkinson (2002) argued that a neck tie could be purchased for 700 pounds although "however well made", to find a buyer for such a product maybe difficult. "Thus, for firms to offer value in their products they must", citing Reeves & Bednar, (1994) "concentrate on both internal efficiency and external effectiveness ... (they)" have been "forced to consider both the cost implications of internal conformance to specifications and the extent to which external customer expectations" could be "met" (p.103). This commercial perspective argues that value for money involves the efficiency and effectiveness of service delivery. This example demonstrated the potential the private sector has to bring about an enduring cost management culture regarding service delivery in the public sector.

The commercial perspective regarding value for money could permeate in government service delivery models. One such service delivery model involved the public private partnership. According to Ke *et al* (2008), citing Her Majesty's Treasury (2004) "the PPP model should only be pursued if it delivers value for money (VFM), where the VFM" has been "the optimum combination of whole life cost and quality (or fitness for purpose) to meet the user requirements, which does not always mean choosing the lowest cost bid." (p. 703). Through cost management the value for money (VFM) could be achieved

strategically to ensure the enhancement of improved service delivery within the public sector. It was argued that the “VFM criteria has been used to measure whether the government has obtained the maximum benefit within the available resources”. Moreover, the difference between the public sector comparator “and the bidding price” was “the VFM of the potential project” (Ke *et al*, 2008, p.703). Thus these arguments demonstrated that through public private partnerships it was possible to achieve value for money from a commercial perspective so that service delivery could be improved.

2.3.4 COMMERCIAL PERSPECTIVE FOR EFFICIENCY AND EFFECTIVENES

Available resources need to be managed efficiently. From a commercial perspective the argument was that “resource measures include: inventory levels, personnel requirements, equipment utilization, energy usage, and cost. Resources” are “generally measured in terms of the minimum requirements (quantity) or a composite efficiency measure”, (Beamon, 1999, p. 281). Therefore “efficiency measures the utilization of the resources” that has been “used to meet the system’s objectives” (Beamon, 1999, p. 281). Therefore, efficiency measurement could be appropriately applied in a government service delivery model.

However, from a commercial perspective “one of the main challenges of today’s manufacturing” in the business environment, was “to be both efficient and contribute to high effectiveness i.e. customer satisfaction” (Heikkilä, 2002, p. 747). This raises a pertinent question from a commercial perspective, namely, “how to find a good balance between good customer satisfaction and supply efficiency?” (Heikkilä, 2002, p. 747). To

determine the answer to this question and to ensure a balanced rationale on this issue, Heikkilä (2002) argued that “to start from understanding the situation and need in distinct customer segments”. The next step” should be “to develop manageable number of alternative modular service offerings to be adapted to individual customer situations and needs. The final step” should be “to take the relationship characteristics into consideration and develop a joint improvement agenda together with the customer to develop optimum operative efficiency within the constraints set by the objectives important for customer, and if the joint improvement agenda” was “implemented in good co-operation,” it could be argued that “high customer satisfaction” would “follow” (p. 747). In view of the foregoing argument, it should be to understand and determine the needs of a situation. The next step involves developing alternative service delivery models. The third step includes building a relationship and to develop a joint improvement programme. In this way the effectiveness and efficiency of service delivery by government could improve.

2.3.5 COMMERCIAL PERSPECTIVE REGARDING ELIMINATING WASTE

Managing and controlling waste which was defined “as the loss of any kind of resources-materials, time, (labor and equipment), and capital-produced by activities that generate direct or indirect costs but do not add value to the final product” (Formoso *et al*, 2002, p. 317). So the argument from a commercial perspective was that, any activities and resources that do not add value to a service delivery could be wasteful. Thus measuring waste could be “an effective way to assess the performance of production systems because it usually allows areas of potential improvement to be

pointed out and the main causes of inefficiency to be identified” (Formoso *et al*, 2002, p. 316). Similarly, it could be argued that determining waste and to eliminate it in government programs would be appropriate. Formoso *et al* (2002) argued that “waste elimination” involved “a major focus for process improvement” since this trend was based on “the Total Quality Management (TQM) and Just in Time (JIT) production philosophies” (p316). Therefore, applying such cost management techniques within the processes of government service delivery models, waste could be reduced or eliminated. From a commercial perspective “the concept of waste” are “directly associated with” the “use of resources that do not add value to the final product. This means there” has been “two approaches to improving processes.” The first approach was “to improve the efficiency of both value-adding and non-value-adding work, and the other” was “to eliminate waste by removing non-value-adding activities” (Formoso *et al*, 2002, p. 317). Thus the argument substantiated the potential that this commercial perspective and culture could be transferred in a government service delivery model.

2.3.6 THE ROLE OF STRATEGIC COST MANAGEMENT

The use of cost management techniques such as “net present value” could be effective in government service delivery models such as the public private partnerships. The NPV (net present value) concept involved “the discounted value of benefits minus costs; one” should therefore be “looking for positive values and, *ceteris paribus*, a scheme with a higher NPV” was “better than a scheme with a lower NPV” (Heald, 2003, pp. 347,348). Furthermore, the cost management techniques and philosophies “for assessing financial viability” was argued as “the average accounting rate of return, payback period,

net present value (NPV), and internal rate of return (IRR) methods. These methods” are “based on cash flow forecasts. However, forecasts for PPP projects” have been “more difficult because of the high capital outlays, long lead times and long concession periods. These require financial evaluation methods that also adequately reflect the characteristics and risks involved” (Ke *et al*, 2008, p. 703). Using cost management as a way for enhancing service delivery with specific reference to the public sector could effect efficiencies. The private sector has numerous cost management techniques and methodologies that have been developed to achieve efficiency and effectiveness. The argument was that the cost management culture could be supported during a public private partnership.

The strategic cost management “discipline offers a means of examining the value chain of a firm, the cost drivers that underpin such activities and the value created from performing this mix of activities. Overall, the examination of the efficiency and effectiveness of a firm’s value chain” could be “enabled” regarding an organization’s activities (Silvi and Cuganesan, 2006, p.313). Strategic cost management perspective could “be usefully applied to examine the management of knowledge and its effectiveness and efficiency in particular” (Silvi and Cuganesan, 2006, p.313). Thus, the potential of the private sector to bring in a commercial perspective through public private partnerships could support strategic cost management.

However, the issue was to improve service delivery linked with strategic cost management that was relevant to a public private partnership. Strategic cost management which embraces dynamic capabilities and organizational learning has

been linked with strategic alliances such as public private partnerships. Hemphill, and Vonortas, (2003) argued that “both the dynamic capabilities approach and the knowledge based-view of the firm embrace the organizational learning perspective. ‘Organizational learning’” has been “defined as the process through which managers seek to improve organization members’ desire and ability to understand and manage the organization and its environment so that they” could “make decisions that continuously raise organizational effectiveness” cited by Senge (1990), (p.263).

Furthermore the culture of innovations by employees could enhance service delivery by government through public private partnerships. The argument was about enhancing service delivery which could add value. De Jong and Den Hartog (2007) cited Van de Ven (1986), Amabile (1988), Axtell *et al* (2000), Smith (2002), Unsworth and Parker (2003) that “many practitioners and academics” argue that innovation by individuals enhances “organizational success” (p41). Therefore leaders of an organization could encourage and stimulate innovations. De Jong and Den Hartog (2007) argued that “behavioural research on individual innovation has focused on creativity, for example, on how leaders” could “stimulate idea generation (p.42). Therefore it could be argued that innovations stimulated by leaders of an organization as a result of partnerships linked with strategic cost management could improve service delivery.

According to the commercial perspective, to achieve a value strategy “three important perspectives emerge. First” was “the emphasis on relationship management between activities (possibly organizations) in the value chain. The second concerns the need for the first to result in competitive advantage. The third identifies the role of information to

evaluate the nature of opportunities offered, to identify optional methods for competing and to coordinate the value chain's activities", (Walters and Lancaster, 2000, p, 160). In view of the foregoing, the arguments were about relationship management, competitive advantage and the role of information that could be a basis for a value strategy. Furthermore, knowledge generated from partnerships could improve the value of money regarding service delivery to a customer. Similarly this perspective could be appropriately applied to a service offered by government. Also, service delivery through public private partnerships could be improved by "centralised specialists" who have the knowledge (Walters and Lancaster, 2000, p.161). In addition, Walters and Lancaster (2000), argues that a commercial value-adding partnership perspective should be "concerned with meeting customer expectations which" need to be "identified first and then configuring the value chain to meet these and, at the same time, optimise the return to all members of the chain" (p.171). Similarly, in the public private partnerships the needs of the citizens should be met. The value chain should be configured according to these expectations of the citizens and stakeholders in such a strategy. Thus, the arguments demonstrated that knowledge generated from partnerships has been linked with strategic cost management that could improve service delivery.

Furthermore, to improve service delivery in the public sector through partnerships from a commercial perspective the well known private sector company brand Caterpillar could be used as an argument. According to Walters and Lancaster (2000), "Caterpillar uses information management and relationship management to construct an effective value chain through dealer network. Given the commitment to the distributor organization, many decisions" demonstrated that it has been "simplified" (p.172). It

could be argued that from a commercial perspective, information and relationship management play an important role to construct a value chain that would satisfy customers. Similarly, in a public private partnership, managing information and relationship to achieve improved service delivery could be beneficial to the citizen and stakeholders in government. The firm Caterpillar invested “in the expansion of the remote monitoring system and the worldwide sharing of inventories by the company, suppliers and distributors” (Walters and Lancaster 2000, p.174). The service delivery was improved by “the remote sensing facility” that “permits the company to deliver a part *before* a customer realises the need for it” (Walters and Lancaster 2000, p.174). The firm managed the partnership by ensuring that the “linkages with both customers and distributors” could be “maintained in order to monitor product performance and subsequently, product development. Both dealers and customers” have been “involved in programmes on product quality, cost reduction, and other manufacturing issues” (Walters and Lancaster 2000, p.174). Also, to ensure that the life cycle of the partnership was maintained it was argued that the “strength of relationships between Caterpillar and its distributors” could include the “actions taken to ensure the longevity of the partnerships during periods of difficulties. During recessions and foreign exchange fluctuations, the company undertakes whatever financial actions” that became “necessary to insulate the dealers from financial difficulties” (Walters and Lancaster 2000, p.174). Furthermore, Walters and Lancaster (2000) argued that “two functions manage the value chain: *information management* and *relationship management*” (p.178). Thus strategic cost management could embrace information management and relationships during a public private partnership initiative.

2.4 THE NEED FOR PUBLIC PRIVATE PARTNERSHIPS

It was argued that the private sector has the potential to provide the missing link by bringing in a commercial perspective regarding effectiveness and efficiency in service delivery. This commercial perspective was about the need for public private partnerships that could provide the missing link to improve service delivery. “The 1990s witnessed the spreading of privatization and a variety of public-private partnership (PPP) constructions in developing countries” (Zhong *et al*, 2008, p.863). The argument was to improve service delivery through public private partnership. An overview of various countries such as United States of America, United Kingdom, Australia and China would be given regarding public private partnerships. Although reference would be made to these countries, the models could be adapted to the South African conditions.

2.4.1 UNITED KINGDOM (UK)

The utilization of public private partnerships by the UK government was supported by its ruling political party regarding a “programme of public private partnerships” (Heald, 2003, p.342). This was raised by Heald (2003), that the UK government “wanted to send a ‘strong message that the wealth-creating agenda and support for public- private partnerships [and] the encouragement of small business” have been “central to everything we as government do’ ” cited by Groom and Crooks (2002), (p.368). Furthermore, the argument by Heald (2003) states that, “PPP contracts” could be “only pursued where they represent, the *best* value for money option” cited by Treasury,

(2002)", (p.368). Therefore, the argument was that public private partnerships should only be considered when it addresses the best value for money option. Similarly, in South Africa the value for money was a criterion for public private partnerships.

2.4.2 UNITED STATES OF AMERICA

In the country of United States of America, it was argued that "P3s have come back in fashion not only in the United States but also around the world" (Vining and Boardman, 2008, p. 149). Thus public private partnerships have been used in the United States of America as an alternative service delivery model. However, the argument involved transaction costs which have an impact regarding public private partnerships. The "overall P3" has been "similar to the contracting-out story: It's the transaction costs." The argument "to understand how transaction costs arise," therefore it was "essential to consider the conflicting goals of the partners in a P3. The relationship between the partners" involved a "longer-term and more complex than in most contracting-out transactions". Furthermore, the argument demonstrates that it was "impossible to write complete contracts." Since, there was "a longer time frame for opportunism to emerge from either side of the transaction. By understanding how transaction costs" could be determined, it was "possible to develop some rules for government to minimize these costs – if government" could "discipline themselves to impose them on themselves" (Vining and Boardman, 2008, p. 151). So, what could "government do to avoid high transaction costs and P3 failure?" (Vining and Boardman, 2008, p.156). They are proposed to be as follows:

- “Rule 1: Establish a jurisdictional P3 constitution
- Rule 2: Separate the analysis, evaluation, contracting / administrating, and oversight agencies
- Rule 3: Ensure that the bidding process is reasonably competitive
- Rule 4: Be wary of projects that exhibit high asset-specificity,” that would be “complex or involve high uncertainty, and where in-house contract management effectiveness is low
- Rule 5: Include standardized, fast low-cost arbitration procedures in all P3 contracts
- Rule 6: Avoid stand-alone private sector shells with limited equity from the real private sector principals
- Rule 7: Prohibit the private-sector contractor from selling the contract too early
- Rule 8: Have a direct conduit to debt holders” (Vinning and Boardman, 2008, pp. 156-158).

The above-mentioned rules could be practical and appropriate since the United States of America has been participating in public private partnerships for a longer period of time compared to South Africa. Therefore, about the issue to avoid high transactional costs and public private partnerships failure could be relevant in South Africa.

2.4.3 AUSTRALIA

In Australia, the “Victorian Government recognizes two distinct PPP models that” have been “characterized by different payment scenarios based on demand for services. The chief differences between the two PPP categories” has been identified as “the source of the revenue stream and the nature of government guarantees” (English, 2006, p.253). “The first PPP model” in Australia “has been in use since 2000 and closely resembles the UK’s PFI model (also known as ‘social’ privately funded projects (‘PFPs’) in New South Wales (‘NSW’)). Under this model, core public services (health, correctional, educational)” have been “delivered, by government agencies and associated ancillary services (maintenance, fittings, furniture, equipment, grounds etc.) by the consortium”. The arrangements regarding this public private partnership model in Australia are about

“government assumes demand risk, guarantees a minimum revenue stream, and pays directly for service provision. Deductions occur, if the consortium does not meet specified performance standards. The service elements of contracts”, it could be argued are “usually subject to recontracting at five-year intervals, providing governments and consortia with the opportunity to fine tune the service component to ensure that it meets current market conditions in terms of cost-effectiveness” (English, 2006, p.253).

The “characteristics of the second PPP model (which includes toll roads and utilities)” involve “the transfer of revenue risk to the consortium. In these arrangements, there” have been “no direct government revenue guarantee. In the case of toll roads, for instance, the revenue” were “received directly from motorists”. In this example, it could be argued that risks were transferred to the private party. “These projects are known as ‘economics’ PFPs” (privately funded projects) “because the service provider theoretically faces market risks such as traffic and revenue risks. However,” it could be argued that “ in these arrangements, governments effectively underwrite an agreed real rate of return, on investment through lengthy terms, toll escalation arrangements, and undertakings to minimize existing and future competitive public transport options, for example, through ‘traffic calming’ measures. This ensures that the tolls cover the cost of the asset, its financing, maintenance and the consortium’s operating costs” (English, 2006, p.253). Both the models from Australia demonstrate that public private partnerships could be considered as an alternative service delivery model. However, these models developed in Australia, could be adapted to South African conditions.

2.4.4 CHINA

In China, “a public-private partnership (PPP)” was about “collaboration between the public and private sectors for the purpose of delivering a project or service traditionally provided by the public sector” (Ke *et al*, 2008, p.702). Furthermore, “recent years have seen an increasing market for PPPs for the development and operation of infrastructure projects. However, in China for example, only a few PPP projects have been successfully completed” cited by Wang (2002). “One reason” it involved “the commonly used evaluation financial methods” which only considered “the benefits of the private sector. With the fast pace of market-orientated transformations in infrastructure, a delicate balance has to exist among the private sector capacity, government regulatory function, and public satisfaction” (Ke *et al*, 2008, p.702). Therefore, “an equitable financial evaluation method” regarding the “incorporating” of “risk analysis for the delivery of PPP projects” was required, “taking into account all the viewpoints of the relevant stakeholders including the government sponsors and lenders” (Ke *et al*, 2008, p.702). Although the labor environment in China was different from that of South Africa, efficient cost management models could be adapted to South African conditions.

2.4.5 AFRICAN COUNTRIES

It could be argued that the challenges were about “developing and applying expertise”, gaining knowledge and developing business models. Management practitioners should have the ability to resist “unreasonable demands” from the private sector who want to shift risks to government. Also, management practitioners should be able to resist “undue pressure or influences” for “short-term” political gains. During a public private partnership, the management practitioners may find it a challenge to obtain

“information” from the private sector. Management practitioners need to build “public support” regarding the sustainability of public private partnerships. There must be visible social achievements regarding service delivery that has been improved by the public private partnership. Also, government needs to deal with “unpopular tariff increases” required by the private sector (Farlam, 2005, p.50).

So, what does public private partnerships involve, in the context of South Africa how do they work, how could strategic cost management support public private partnership initiatives in government service delivery projects? According to the Accounting Standards Board in South Africa, it states that: “PPP agreements are an alternative to the traditional procurement methods used by public entities. PPP agreements are aimed at improving value for money through high quality services, resulting in a net benefit to the entity in cost, price, quality or risk transfer, or a combination thereof. The infusion of private capital and management” could “ease fiscal constraints, increase efficiency and lead to better quality services for citizens”, (Accounting Standards Board, 2008, p. 7).

In South Africa, public private partnerships for public institutions were supported by legislative instruments. “Certain acts in South Africa deal with the establishment and functioning of PPP agreements in the public sector environment. The Treasury Regulations, issued under the PFMA,” (Public Finance Management Act, Act No 1 of 1999 as amended) “define a public-private partnership as a commercial transaction between an institution and a private party” (Accounting Standards Board, 2008, p.8) Therefore, the marrying of the public sector and private sector in a joint venture to achieve a common goal was viewed as a commercial transaction. Also, the public

private partnerships in a municipality environment have legislative support and guidance. “The definition of a PPP agreement in the MFMA Regulations issued under the Municipal Finance Management Act, Act No 56 of 2003, (MFMA), is similar to the definition in the Treasury Regulations to the PFMA” (Public Finance Management Act, Act No 1 of 1999 as amended). “The MFMA Regulations define a PPP agreement as a commercial transaction between a municipality and a private party”, (Accounting Standards Board, 2008, p. 8).

In view of the foregoing, it could be argued that there was a link between strategic cost management and the relevance in public private partnership procurement methodology. However, public private partnership case studies in South Africa would be presented to demonstrate the relevance of strategic cost management to improve service delivery.

2.4.5.1 CASE STUDY: N4 TOLL ROAD FROM SOUTH AFRICA TO MOZAMBIQUE

The issues about transport and challenges regarding the “N4 toll road” from South Africa to Mozambique had to be resolved to improve service delivery. In “1996” the “governments” of “South Africa” and “Mozambique” “developed the concept of the Maputo Development Corridor” to strengthen the “transport and trade links between the two countries”. Both governments “faced” serious “fiscal constraints” “to maintain an efficient and well-maintained road system” infrastructure on the N4 highway. At that time both governments required an alternative solution to improve service delivery. The alternative solution involved implementing public private partnerships (Farlam, 2005, p.9). “The governments of South Africa and Mozambique signed a 30-year concession”

involving “a private consortium”. The “control and management” of the project would revert from the private party to the governments after the “30-year” concession period. According to the “1996 estimates” the “contract was worth R3 billion”. “The N4 was financed from 20% equity and 80% debt”. The sponsors included “construction companies” and “investors” (Farlam, 2005, p.9, 10). The cost of improving service delivery on the N4 toll road from South Africa to Mozambique demonstrated strategic qualitative achievements and benefits to the citizens. For example, road maintenance improved, “tourism” increased, “stability and peace to the region” was achieved “through improved infrastructure”. The “N4 toll road” demonstrated “the viability of PPPs” where the users of the road were willing to pay a toll fee. The overloading strategic management of road maintenance has improved. Decreasing the “overloading” of vehicles reduced costs regarding the road infrastructure on the South African portion of the area. The benefits included the “development” of the surrounding industry and communities (Farlam, 2005, pp. 11, 12). The N4 toll road PPP was argued to be successful. Firstly, “the commercial risk was shared between a range of partners” (Farlam, 2005, 10). Secondly, the “cross-subsidization (from the more affluent South African users) and substantial discounts for regular Mozambican users helped to reduce the user payment risk” (Farlam, 2005, 11). Thirdly, “the road facilitated further private sector investment in Mozambique, which in turn raised traffic volumes” (Farlam, 2005, 11). The sharing of commercial risk, discounting and increase in demand regarding the traffic volumes demonstrated aspects of where this public private partnership was successful.

2.4.5.2 CASE STUDY: PRISON CONTRACTS IN SOUTH AFRICA

The South African Department of “Correctional Services and Public Works” “called for bids from the private sector to design” and construct “security prisons”. “The South African government eventually signed two 25-year concessions for the maximum security prisons in Bloemfontein and Louis Trichardt”. The “winning consortia” were “responsible for designing, building, financing, operating and transferring the prisons”. “The facilities” were able to “hold approximately 3,000 inmates each and at a cost of R1.7 billion” for the prison in “Bloemfontein” and “R1.8 billion” for “Louis Trichardt” prison (Farlam, 2005, p.15). “National Treasury” and the Department of “Correctional Services (DCS) and Public Works” conducted a “review” in 2002 (Farlam, 2005, p.16). Furthermore, Farlam (2005) argued: “that the prisons provided significantly higher quality facilities and levels of service than the public prisons and that the operating costs per prisoner per day were comparable with those of the public sector prisons” (p. 16). It could be argued that the public private partnership linked with strategic cost management brought about this turn around achievement. According to Farlam (2005), the argument was that the public private partnership, Prison Contracts in South Africa, was successful for the reasons that “the government subsequently adopted a step-by-step process to PPPs, rigorously regulated by the Treasury”. Also, “the tests for the regulator at all phases” were “affordability, value for money, and appropriate transfer risk”, (p.17). In view of the foregoing, public private partnerships should demonstrate affordability, value for money, and appropriate transfer risk. The lessons that were learnt in this public private partnership were about a thorough feasibility study that would clarify the “affordability limits of the Department of Correctional Services at the

start of the process. Experienced private sector operators” could “provide a better quality service at comparable rates to the public sector. Overly high specifications at the planning stage have cost implications. High base interests could have been avoided in favor of floating interest rates or CPI-linked interest rates” (Farlam, 2005, p.17), (CPI, the Consumer Price Index, was the major indicator of inflation).

2.4.5.3 CASE STUDY: ECO-TOURISM CONCESSION IN SOUTH AFRICA’S KRUGER NATIONAL PARK

“In 2001, South African National Parks (SANParks) signed a build-operate-transfer (BOT) concession with Nature’s Group a consortium”, “for just under 10 years”. The Nature’s Group would pay a monthly concession “fee equivalent to approximately 13% of turnover.” The positive effects were the increase in “SANParks profit, the upgrading of restaurants and shops, and eventual improvement in” the quality of the service. On the other hand, the negative effect involved the initial staff resistance and the unhappiness about the “new conditions of service which emphasized improved performance and strict control of stock”. The “poor customer service” in the first year of the concession period had to be addressed by SANSParks. An “intervention programme” developed by SANSParks, that the private party had to give attention has been put in place. This included finding a “new technical partner to improve customer service, drawing up an operations manual, improving skills development and implementing an incentives programme for staff”. “Target”s were set, the results were that many of the targets have been achieved (Farlam, 2005, pp.29, 30). The “upgrading of the restaurants and the shops” enhanced service delivery. The emphasis on

“improved performance” required by “staff” amidst “resistance” was eventually achieved. The “strict control of stock” improved service delivery. To ensure total quality management a “12-point intervention programme” has been implemented within this public private partnership. The “improving of skills development and implementing incentives programme” for the staff had an impact on service delivery (Farlam, 2005, p. 30). According to this case study of Eco-Tourism in South Africa’s Kruger National Park it was argued that improving service delivery could be linked with strategic cost management. Furthermore, it was argued that the public private partnership for the South Africa’s Kruger National Park was successful. Since the reasons were that it demonstrated “good transaction skills” by the management practitioners and knowledge from an “experienced” private sector service provider”. There was an “attractive” “business opportunity” for the private sector. The capability to manage the “impact” of “competition” was demonstrated. The management of human resources through an “assessment” has improved service delivery. Implementing a “culture” to determine operating risks has improved service delivery. “Strong commitment” by the management practitioners of the public institution to intervene and prevent “potential failure” of the public private partnership service delivery was demonstrated (Farlam, 2005, pp. 30, 31).

2.4.5.4 HOUSING POLICY CASE STUDY

The South African Housing Policy involved remedying “the acute housing shortage among poor populations discriminated under the apartheid policy. That partnership set the goal of producing 1 million houses within five years (1994 to 1999)” to eliminate the entire backlog thereafter. Under this scheme a low income household could qualify for a

“subsidy up to R17 000 toward housing”. This money would be paid to the developer who purchases the land and build on behalf a group of households. “The developer need not be a private sector company” but could include the local authority and a community based organization (Miraftab, 2004, p.95). Furthermore, the argument involved rectifying the inequalities of the housing scheme experienced by the “poor populations” in South Africa. The partnership had a “goal” to build houses and eliminate the “backlog” of houses. The parties to the partnership involve the government and a “developer” from the private sector, “local authority” or a community based organization (“CBO”). This policy was “challenged”, since the “quantity” of houses delivered did not match the planned achievements. Similarly, the “quality” of the houses that were delivered was of a poor quality which did not meet the expectations of the citizen (Miraftab, 2004, p.95). The reasons for the failure of certain aspects of this public private partnership were raised. “The first point to note in this example of PPP” raises the argument that it was “conceived outside the terrain of the homeless communities concerned and their allied organizations” (Miraftab, 2004, p.95). Furthermore, “little attention was given to identifying the range of capacities among the partners” (Miraftab, 2004, p.95). Also, it was argued by Miraftab (2004) citing Bond (2000a), the “banks” arrange and “made relatively fewer, but large loans to groups of applicants through developers, rather than making small loans to individuals, to reduce their operating costs” (p.96). In addition, it was argued that “it has been predominantly private sector developers who have received the subsidies” (Miraftab, 2004, p.96). Also, it was argued that the “credit and financial resources,” were a “major problem for the poor in obtaining adequate shelter” (Miraftab, 2004, p.96). Since government has the money the citizens expect that there should be sufficient resources to manage the costs of service delivery

for housing. Thus the argument involved the “lack of cash flow among the communities hindered the possibility of community groups acting as developers” (Miraftab, 2004, p.96). In view of the foregoing, it could be argued that public private partnerships could fail for certain reasons.

2.4.5.5 UKUVUKA CASE STUDY

The following case study involved “the emerging opportunities for the comprehensive management of the Cape Floral Kingdom in South Africa” (Stoll-Kleeman and O’Riordan, 2002, p.162). In this case study of Ukuvuka the arguments were about challenges that could prevent the progress of this public private partnership. According to Stoll-Kleeman and O’Riordan (2002), “in the Cape Peninsula, the ecologically diverse and popular region south of Cape Town, an intriguing partnership for biodiversity protection and fire management” has been “emerging. This region was ravaged by fires in January 2000. Over 11,000 hectares were affected. But for fortunate changes in wind direction, many valuable properties and countless shacks (occupied by the vulnerable poor) would have been lost. In the wake of this catastrophe, a public private partnership of four private-sector sponsors and five private-sector service providers plus a wide range of governmental bodies have combined to create a biodiversity enhancement and fire management program called Ukuvuka (meaning “wake-up!” in the Xhosa language”), (p.171).

This partnership would involve the following goals to improve service delivery by government. Firstly, to “co-ordinate all relevant public and private actors into a single

fire-management collective linked by improved communication, education, training, and contracting enterprises” (Stoll-Kleeman and O’Riordan, 2002, p.171). Secondly, it was to “identify all alien invasions, soil degradation, and slope instability so as to manage land systematically for clearance and stabilization” (Stoll-Kleeman and O’Riordan, 2002, p.171). The third goal was to “provide job creation schemes for disadvantaged people” (Stoll-Kleeman and O’Riordan, 2002, p.172). However, since the programs were still in “design stage”, there were critical issues that need to be dealt with to prevent failure of this public private partnership. The argument was that “the money was not in place” and the financial resources still need to be structured. The buy-in by “donors and sponsors” were desirable. Furthermore, there was a “lack of administrative and financial capacity” that needs to be addressed. It could be argued that “biodiversity” enhancement was important for the improvement of service delivery regarding the “protection” of the environment and the quality of life for the citizens. Therefore, the challenge would be the buy-in by the local “political authorities” (Stoll-Kleeman and O’Riordan, 2002, p.172).

2.4.6 THE DYNAMICS OF STRATEGIC COST MANAGEMENT AND PUBLIC PRIVATE PARTNERSHIP INITIATIVES IN THE REPUBLIC OF SOUTH AFRICA

In view of the foregoing case studies, the arguments demonstrate that the private sector was profit based. On the other hand, the public sector was concern about managing the offering of a service to the citizen. The private sector was driven by profit orientated goals; on the other hand, the public sector was expected to meet the expectations of the citizen regarding the offering of a service. Thus, “efficiency and effectiveness” are

“important in the delivery of government and public services and increasing social welfare. Efficiency in its widest sense also implies that consumer preferences” were “served optimally, and effectiveness implies that social goals” were “maximally served. However, not in all cases” could “both efficiency and effectiveness be maximised simultaneously. Their interrelationship” could be “complex, and trade-offs may have to be considered” (Fourie and Burger, 2000, p.6). It was argued that profit maximizing by the private sector was determined by incentives and competition (Fourie and Burger, 2000, p.6). The “argument” regarding ‘profit-maximising private firms in a market environment’ that would “be efficient” was, “based on two core ideas. First, that the pursuit of profits and the promise of personal financial gain for owners and managers create powerful *incentives* to push the production and marketing processes to their most efficient and cost-minimizing limits via good management and, secondly, that in a market environment the pressure of *competition* from existing competitors as well as potential entrants into the market, acts as a disciplining force on firms to be efficient in order to survive” (Fourie and Burger 2000, p.6). Therefore, the culture would be to determine the most efficient and effective methodology of providing a product or rendering a service linked with strategic management cost techniques.

Knowledge was required based on the private sector partnership relationship with government for the success of public private partnerships. The argument involved understanding the dynamics of this relationship in government. There was “a need for managers to analyze the context and business environment carefully, and to choose the right strategy accordingly. Public-policy makers should also focus on assistance services or programs that aim to provide the “right knowledge at the right time” ”

(Saarenketo *et al*, 2009, p.542). Therefore management practitioners should have the knowledge to choose the right strategy.

Where knowledge was lacking in a private sector firm to deliver a service for government, it could be argued that a partnership could be constructed to improve the intellectual capital and service delivery. “Studies of outsourcing, partnering and collaboration indicate that knowledge” would be “a key basis for participation” as cited by Grant and Baden-Fuller, (1995, 2004). “Particularly in cases where firms lack knowledge or do not find knowledge to be able to deliver significant value, they” were “likely to pursue partnering” (Casselman and Samson, 2007, p.73). Thus knowledge based on a public private partnership relationship with government could ensure strategic management of costs linked to improved service delivery.

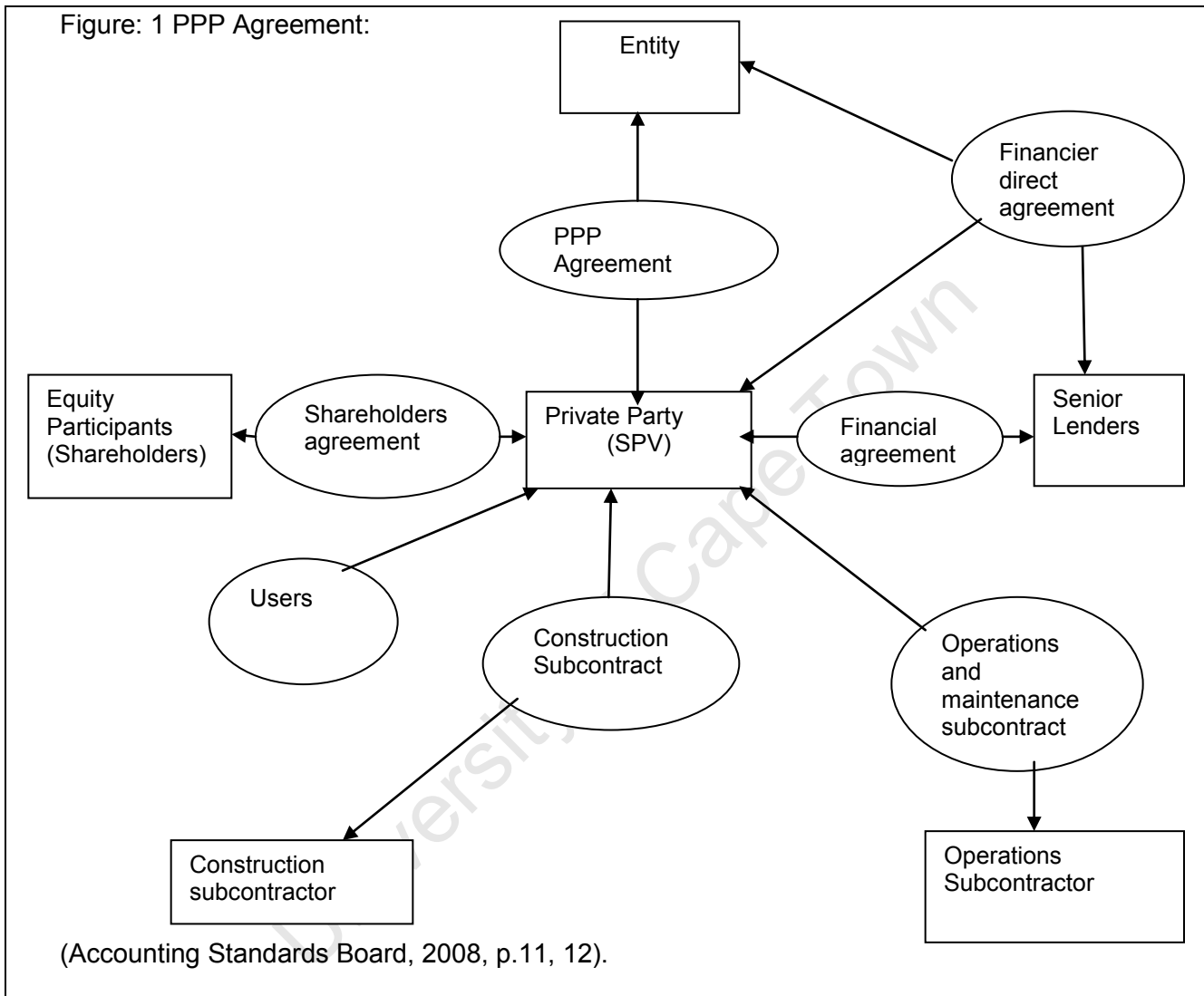
Private sector linkages to service delivery culture which stand for making money whereas knowledge resides in the private sector. The private sector has the knowledge and capability to construct a service delivery model that was capable to perform “efficiently and effectively”. Also, it could be argued if the firm “has the best and most appropriate stocks of resources for its business and strategy” (Collis and Montgomery, 1995, p.119). “Apparently, it” has been “generally *assumed* that production, ‘in the market’ by profit-maximising private sector institutions acting under competitive pressures” could “more likely to be efficient, whereas government production of goods and services” were “assumed to be less efficient” (Fourie and Burger, 2000, p.5). The argument was that the private sector has to perform under the conditions of competitive pressures and would be more efficient than government. Furthermore the argument was

that “the regulating government department (in the role of principal)” could likely be “less knowledgeable of the intricacies of the particular service delivery process than the PPP partner, particular over time” (Fourie and Burger 2000, p.24). The private sector linkage to service delivery culture was about making money and has the knowledge to achieve this in comparison to the public sector.

Furthermore, it was argued that “the differences in organizational culture” are “evident, in the different values held in two sectors. The private sector places the emphasis on flexibility, while the public sector emphasises accountability” (Fourie and Burger 2000, p.28). The private sector could adapt to different scenarios by appropriate innovations. Whereas the public sector need to account for an action in terms of its mandate issued by the legislative authorities before a decisive action could be implemented. Also, the argument was that “the private sector” are “efficient when the return of the capital” has been “maximized, while the public sector” was “efficient if it maximizes return *within the constraints* of public policy goals” this leads to a situation when “flexibility and accountability may at times be in conflict, causing a decline in efficiency and in some cases even a breakdown of the PPP” (Fourie and Burger, 2000, p.28).

The dynamics of the public private partnership in South Africa has legislative requirements. According to the Act 108 of 1996, The Constitution of the Republic of South Africa, section 217 (1), states that, “when an organ of state in the national, province or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective” (p.127). In South

Africa, the public private partnership was one such procurement system. “The diagram below illustrates a PPP agreement where a” special purpose vehicle (SPV) was “established”:



All citizens were entitled to basic human rights regarding government provision of services. Thus it could be argued from a commercial perspective “that partnerships and alliances” were “a central part of almost any company’s business model”. Furthermore it was argued that the “balance scorecard management system” could “help companies” to manage their alliance” (Kaplan *et al*, 2010, p.117). In South Africa, the historically

disadvantaged individuals were given opportunities. Therefore, the “identified elements and their indicative targets are summarized in the *PPP Balanced Scorecard*”

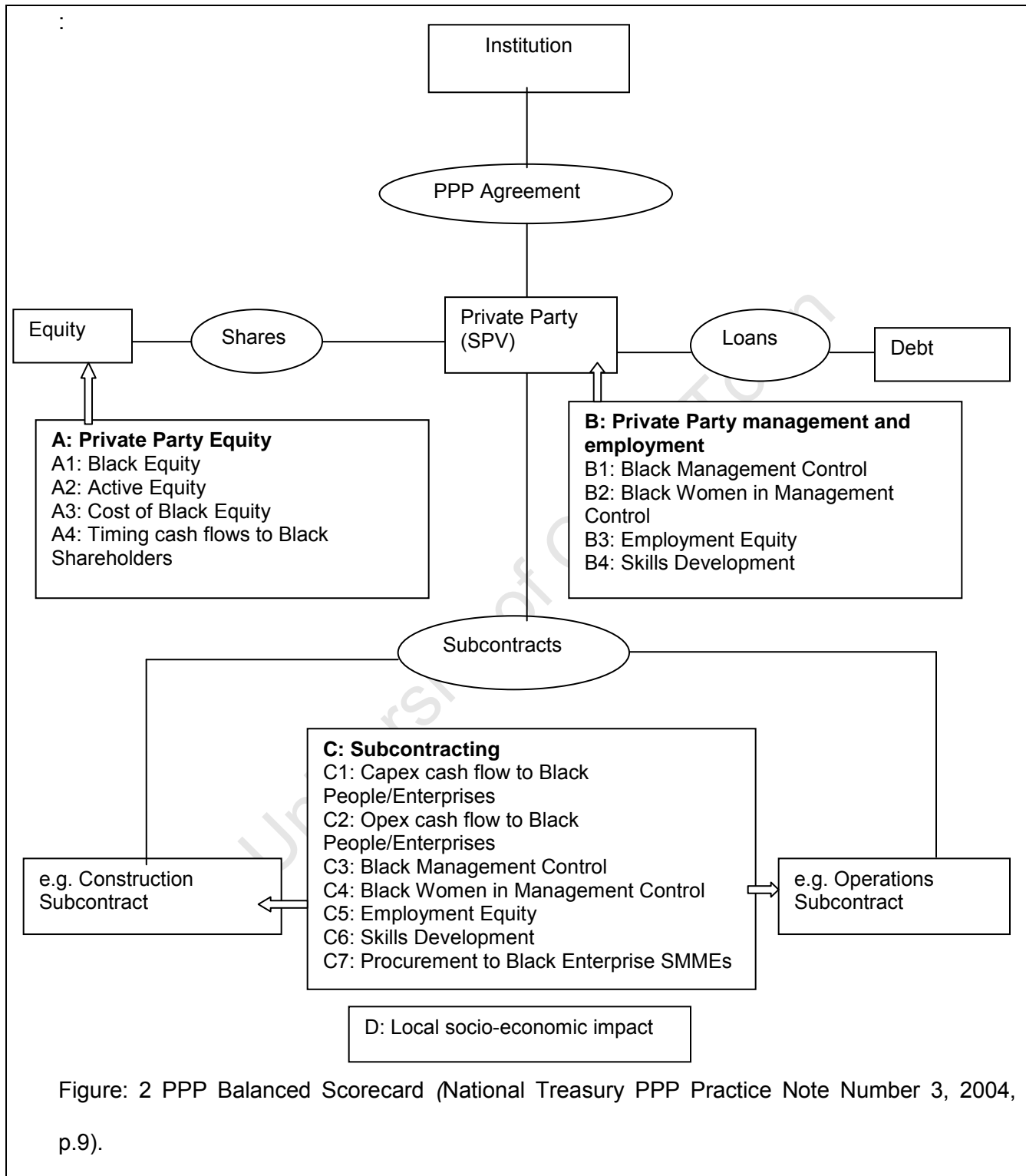


Figure: 2 PPP Balanced Scorecard (National Treasury PPP Practice Note Number 3, 2004, p.9).

In addition, the cost management technique such as the net present value (NPV) was needed for the construct of the public sector comparable model, the risk-adjusted model and the public private partnership reference model. Furthermore, the sensitivity analysis on key variables which has an impact on the value for money has been required for the construct of the public private partnership reference model with the public sector comparator model (National Treasury PPP Practice Note Number 5, 2004, p.17, 33). In view of the forgoing, amongst other enduring cost management cultures and techniques it demonstrates the argument that the dynamics of public private partnerships were linked with strategic cost management.

However, it was argued that government that does not pay employees well. Also, arguments about the budget and insufficient resources were raised. For example, in South Africa it was argued that there were labor strikes due to wage disputes that have an impact on the service delivery. The argument was that recognition by awards and paying employees well were incentives to motivate employees to be innovative. Therefore recognizing the innovative ability of an employee could be done by demonstrating appreciation for the idea. This could lead to a higher level of been creative and problem solving (de Jong and Den Hartog, 2007, p.54). Furthermore, it was argued by de Jong and Den Hartog (2007) that “rewards may well be used to trigger high-quality application behaviour of employees. In line with this, other research indicates that material rewards” could “be helpful, but they should be in line with other leader behaviours like providing support and recognition” cited by Eisenberger and Cameron (1996), (p.55). Therefore, rewards could generate high-quality behavior. Also, material rewards could be practical and an incentive to the employee who behaves in

the way of achieving the goals set out by the employer who should provide support and recognition (de Jong and Den Hartog, 2007, p.55).

Also, it was argued that government budget was insufficient because of constraints. Farlam (2005) cited “the World Bank’s *World Development Report 2005* points out,” that “government policies and behaviours influence the investment climate through impacting on costs, risks and barriers to competition facing firms” (p.38). Thus governments need to address the costs, risks and barriers so that investment opportunities could demonstrate profitability. Farlam (2005) argued that “a major risk to both the public and private sectors” has been “*demand risk*”. The argument involved “the possibility that consumers” would “not buy the product or service at sufficient volume to make the PPP viable at established prices” (p.42). Therefore, the debate was government should address risks that would have an impact on the budget.

It has been argued that insufficient resources such as time and money need to be addressed by government. The argument by de Jong and Den Hartog, (2007) was that “as soon as the decision to implement a promising idea” has been “made, providing the necessary time and money seems to be essential” (p.55). Thus it could be argued that through the availability of resources there would be an increase of innovations that could be advantageous for improving service delivery. Furthermore, it was argued that time and funding spent on the “development” of “innovations” require the exemptions of employees from their “ordinary tasks” were strategically important to improve service delivery. Therefore, the argument for the “availability” of sufficient “resources” has been relevant to the strategic cost management which was linked to the improvement of

service delivery (de Jong and Den Hartog, 2007, p.55). The arguments that were raised about government that does not pay employees well; the insufficient budget and resources need to be managed appropriately. Furthermore, during the dynamics of the partnership between the public sector and private sector it could be argued there were problems that would be associated with tacit knowledge transfer.

2.5 PROBLEMS ASSOCIATED WITH TACIT KNOWLEDGE TRANSFER IN THE CONTEXT OF THE KNOWLEDGE-BASED VIEW

The role of knowledge regarding strategic cost management to achieve effective and efficient service delivery was significant for any organization so that it has a competitive advantage. Therefore, intellectual capital was essential to an organization. Intellectual capital was an intangible asset that was derived from knowledge of its employees. Silvi and Cuganesan, (2006), argued that “in recent years, significant effort has been devoted to understanding and emphasizing the role of knowledge” to bring about a “competitive advantage” (p.310). Furthermore, Silvi and Cuganesan, (2006), argued that “knowledge management” could be “seen as the process of managing the intellectual capital of an organization. Given, that in most cases, the economic and productive capacity of an organization “lies more in its intellectual capital and service capabilities than its hard assets” cited by Quin (1992), therefore it was “increasingly recognized that the performance of any organization, private- and public-sector was substantially dependent upon the knowledge of its employees, the application of that knowledge to the structures of the organization, and its relationships” (p.310).

Therefore, it could be argued that intellectual capital enhances efficiency and effectiveness regarding the performance by an organization.

Furthermore, Silvi and Cuganesan, (2006), argued that there should be a “comprehension of “what” an organization currently knows, “what” it needs to know in order to be competitive and “how” it should align its capabilities to those ones required” cited by Grant, (1991) and Zack (1999). “It has been argued that knowledge acquisition, integration and dissemination needs to be a dynamic process” cited by Teece *et al.* (1997), “and should span the boundaries of the firm” cited by Cohen and Levinthal (1990), Lorenzoni and Lipparini (1999). “As such, alliances, partnerships and other forms of inter-firm relationships have been prescribed as effective choices for gaining, leveraging, or developing, new competencies and resources” cited by Kogutt (1988), Westney (1988), Hagedoorn (1993), Mowery *et al* (1996)”, (p.310-311). Therefore, it could be argued that partnerships were ideal for strategic cost management to gain knowledge and applying this knowledge beyond the boundaries of an organization.

However, “a key question for organizations in attempting to” utilize “knowledge for the creation and sustenance of competitive advantage” involved “an understanding of which resources and activities an organization should focus on in the development of capabilities, specifically considering the knowledge specificity and knowledge types (tacit versus explicit) that” would be “utilized in organizational activities. In order to examine these issues and the effectiveness and efficiency of knowledge management more broadly a”, strategic cost management “perspective on organizational activities” could be “employed” (Silvi and Cuganesan, 2006, p.312). Therefore, it could be argued

that knowledge management about resources and capabilities was necessary for effectiveness and efficiency regarding organizational activities.

In view of the foregoing, this raises two categories of the knowledge-based view which would be argued as generally explicit knowledge and tacit knowledge. "The characteristic of tacit knowledge" involved "the difficulty in coding it so as to be shared. There" could "be found two different schools regarding externalization and codification of tacit knowledge" (Haldin-Herrgard, 2000, p. 359). These schools of thought should demonstrate transfer of tacit knowledge. "One that believes that tacit knowledge must be made explicit for sharing and another that regards tacit knowledge as always being tacit." (Haldin-Herrgard, 2000, p. 359). Therefore, one of the best ways to transfer tacit knowledge has been cited by "Nonaka and Konno (1998) who have created a model of knowledge creation in the SECI-model. This model also concerns transfer of tacit knowledge. They assert that the process include four modes, socialization, externalization, combination, and internalization in an ongoing circular movement" (Haldin-Herrgard, 2000, pp. 359, 360). According to the other school, the view according to Haldin-Herrgard (2000), there was "no need to express explicitly tacit knowledge". Furthermore, citing Polanyi (1966) the "tacit personal elements" would be eliminated and this would be "destructive to all knowledge" (p.360). Therefore, "to diffuse tacit knowledge the exertion should not be in externalizing it but in understanding entities by their particulars" such as the efficiency, effectiveness, capabilities, capacity and resources of an organization (Haldin-Herrgard, 2000, p. 360).

Regarding public private partnerships, management practitioners could consider the argument by Bate and Robert (2002) that tacit knowledge was “engrained in the analytical and conceptual understandings of individuals (‘know what’) and also embodied in their practical skills and expertise (‘know how’)” cited by Kogut and Zander (1992) and Nonaka (1994). It was argued that “the value of such tacit knowledge has long been recognized by private sector companies” cited by Hauschild, *et al* (2001) and Grant, (2001), (p.10). This shows that the private sector recognize the competitive advantage of tacit knowledge. During the bargaining and negotiations “the primary goal of the public institution may be to acquire certain portions of the private sector’s generalized tacit knowledge and enabling technologies; in exchange, the institution may be able to trade some of its specialized expertise” (Ruasser *et al*, 2000, p.511). However, there have been shortcomings according to the argument that tacit knowledge was “difficult for organizations to exploit. Since it only resides inside people, it cannot easily be sought for electronically” demonstrating the difficulty of codifying such knowledge (Stenmark, 2001, pp. 9-24). “The problem of knowing who knows what grows with the size of the organization. Tacit knowledge not being available in an explicit form makes it if not impossible to quickly spread or share it within the organization (Stenmark, 2001, pp. 9-24). However, it could be argued that the “creation and transfer of knowledge in organizations provide a basis for competitive advantage in firms” that could improve service delivery (Argote and Ingram, 2000, p. 151).

The relevance of tacit knowledge and experience argument was raised by Argote and Ingram (2000) who cited a “series of studies” by Berry and Broadbent (1984, 1987) who “showed that individuals were able to transfer their experience from one management

simulation to another: The performance of participants with significant experience on a previous simulation” has been “better than that of participants with little or no experience.” The knowledge accumulated by the experienced participants allows such individuals to perform better than inexperienced individuals. “Although experienced participants performed better on a subsequent simulation, they were not able to articulate why they performed better.” This raises the argument regarding the difficulty of transferring tacit knowledge by participants. “Neither self-reports questionnaire measures nor verbal protocols showed differences in the knowledge of experienced and inexperienced participants. Thus, unlike performance-based measures, verbal measures of knowledge were not able to capture the knowledge that experienced participants had acquired” over a period of time (p.152). In view of the foregoing, the series of studies demonstrated the difficulty of transferring tacit knowledge within an organization.

Hemphill and Vonortas (2003) raised the argument that “knowledge-based view of the firm focuses on knowledge as an important competitive asset and emphasizes the capacity of the firm to integrate tacit knowledge” cited by Grant and Baden-Fuller, (1995), Connor and Prahalad (1996). “Under this view, an alliance may enable one firm to gain access to key knowledge-based capabilities of another firm without internalizing or acquiring that technology-based capability”, cited by Mowery *et al*, (1996). “Furthermore, proponents of this view believe that alliances have inherent advantages over conventional markets and hierarchies because firm-specific technological capabilities” have been “frequently based on tacit knowledge and” would be “subject to considerable uncertainty concerning their characteristics and performance”, (p.263). In

view of the foregoing, knowledge-based view was essential to be a competitive asset or advantage in a business environment. However, Saarentko *et al* (2009) argued that tacit knowledge, citing Nelson and Winter (1982), Nonaka and Takeuchi (1995), was “embedded within people or the organization and is not easily transferable” (p.533). Thus tacit knowledge could be difficult to transfer because of the uncertainty of the characteristics of this form of knowledge. Furthermore, a partnership between two organizations could allow one institution to gain access to knowledge-based capability without acquiring the technology know-how as owners of that capability. The proponents of the knowledge-based view argued that there were inherent advantages regarding these alliances since technological capabilities would tend to be based on tacit knowledge. Santoro and Bierly III (2006) raised the argument that tacit knowledge was “generally viewed as knowledge that cannot be formally communicated” citing Polanyi (1966), (p.496). Tacit knowledge would be difficult to be imitated by competitors. This would give an organization or a firm, a competitive advantage which holds that tacit knowledge.

Furthermore, Santoro and Bierly III (2006) argued that knowledge could be differentiated between explicit and tacit knowledge (p.496). Santoro and Bierly III (2006) argued that knowledge could “be classified as *explicit* if it” could “be transferred from one individual to another using some type of formal communication system. Thus, explicit knowledge must be articulable or codifiable. On the other hand, *tacit knowledge*” was regarded “as knowledge that cannot be formally communicated”, citing Polanyi (1966). “Tacit knowledge” was argued as knowledge that has been “deeply rooted in one’s experience and own “mental model”. The distinction between explicit and tacit

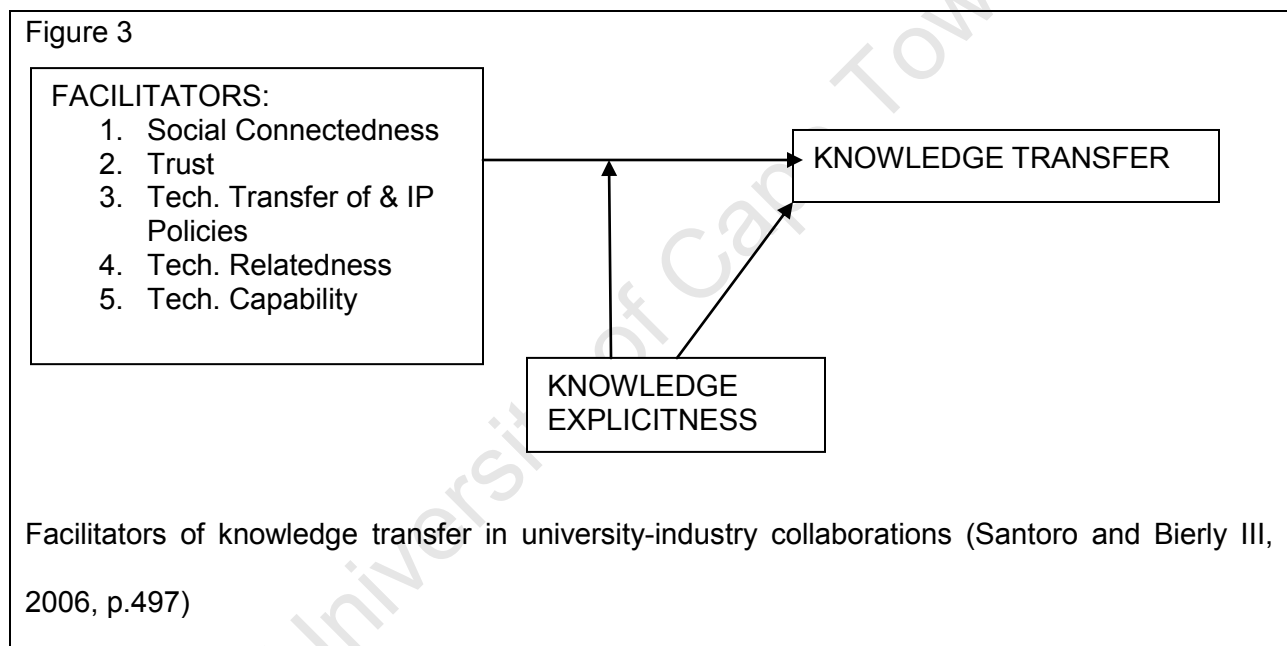
knowledge” was regarded as “important when we evaluate competitive differences between firms. Tacit knowledge” was about been “more valuable and more likely to lead to a sustainable competitive advantage than explicit knowledge because it is much harder for competitors to imitate” cited by Kogut and Zander (1992), Winter (1987) and Zander *et al* (1995), (p. 496). The problem was that tacit knowledge cannot be quantified. Since tacit knowledge was gained by employees who have past or prior experience in delivering strategically valued services for an organization or a firm based on a gut feeling could be described as common sense. Tacit knowledge was described as knowledge gained through prior experience and was within the mind of an individual. This tacit knowledge was more difficult to be imitated.

To achieve strategic goals the private party and the public sector could agree to work together as partners. This could be illustrated when two separate pieces of metal were attracted and attached together by means of a magnet. Similarly, public private partnership was that attracting force or relationship that brings the private party and the public party together to achieve strategic goals. Therefore the public private partnership was appropriate for the transfer of knowledge from the public sector to the private sector like a joint venture which was a “commitment of specialized assets by all participants to the common cause expressed by the partnership creates the necessary incentives to set up efficient monitoring systems for knowledge sharing and performance” (Hemphill, and Vonortas, 2003, p.258). Similarly, the private sector could also transfer knowledge in the same way that could benefit the public sector to improve service delivery.

For example in a research partnership the public sector and the private sector could benefit by applying the principles of a partnership. Hemphill, and Vonortas (2003) argued that during “research partnerships, firms develop bonds built on experience and trust, acquire capabilities and knowledge through organizational learning, and increase their related market exposure, leading to improved competitive intelligence and, eventually, new strategic options” (p.264). Thus research partnerships gives evidence of a relationship that could be built on experience, trust, acquiring capabilities, knowledge transfer, market exposure, and gaining competitive intelligence leading to new strategies. Therefore, knowledge from public private partnerships could be transferred by imitating the university-industry partnerships concepts. This could be achieved through facilitators.

Furthermore, the arguments about the specific type of knowledge acquisition, knowledge transfer from URC’s (university research centers) to firms have been raised. Thus there would be an “increase in quality and quantity if certain facilitators” could be “in place to stimulate the knowledge transfer process” during a partnership. This “choice were based on prior research on strategic alliances, joint ventures, network structures and intra-organizational (e.g., across subsidiaries) knowledge transfer”. The importance of relationships between two organizations was necessary to facilitate knowledge transfer. The relationship could be referred to as “social connectedness”. At the organizational level, many researchers have argued “how trust” has been “important in a relationship to ensure open communication” and the transfer of knowledge. Also, research on “absorptive capacity” was essential for high level capability of improved understanding and recognizing of knowledge in a technological environment.

Additionally, research on partnerships has identified the need for structured “policies” for the facilitation of knowledge transfer (Santoro and Bierly III, 2006, p.497). Thus it was noted that the facilitators of knowledge transfer during a university-industry partnership should have a strong relationship based on social connectedness, trust, absorptive capacity and structured policies which should be visible in a partnership. In view of the foregoing, it was argued that the application of this model in a public private partnership would enhance the strategic management of costs for the service delivery by the public sector. The technological facilitators’ model was demonstrated as follows:



Social connectedness was that relationship in a university-industry partnership where knowledge flows easily through good communication between individuals and at an organizational level. Similarly, the application of such social connectedness in the public private partnership could enhance service delivery in the public sector. Thus, social connectedness between individual and an organization level should be evident to ensure knowledge transfer. For example, the private sector along with government as a partner could connect on the basis of social needs. Where there was social connectedness between the different parties in a partnership, the process of knowledge

transfer was possible. This compatibility between the public party and private party could address the social issues strategically during a partnership.

It was argued that for the university-industrial partnership, trust was necessary for effective and efficient knowledge transfer. Similarly, gaining the reputation for being trustworthy in the markets becomes a competitive advantage for the private sector and the public sector. For example, when knowledge was transferred from the public sector to the private sector it was advantageous that the information could be trusted. Thus, the private sector could be enabled to give a knowledge-based view about high level strategic management of costs for an appropriate decision in a public private partnership.

The capacity for an individual or at an organizational level to absorb information or knowledge with the capacity to understand high level and complex issues has become necessary. Thus the absorption of information involved the comprehending the knowledge-based view of an institution or an organization. The transfer of knowledge and the capacity to absorb the knowledge by the parties such as in a university-industrial partnership or in a public private partnership could enhance the strategic management of costs to improve service delivery.

The administrator of the university research centre could set out and manage IP (intellectual property) policies with regards to knowledge transfer in the university-industrial partnership to ensure facilitation between the parties of a partnership. Similarly, in South Africa, the facilitators in a public private partnership need to work

along policy guidelines. Policies could be used to manage the public private partnership by management practitioners. Facilitators of knowledge transfer in a public private partnership could ensure that appropriate policies should be considered to ensure a good relationship between the public sector and private sector.

Thus it was argued that transfer of knowledge could be facilitated based on absorptive capacity, social connectedness, trust and policies. However the transfer of tacit knowledge could be a problem since it was difficult to codify the tacit knowledge. Since tacit knowledge was based on experience and was embedded in the mental capacity of an individual or individuals of an organization. For these reasons it was difficult to transfer tacit knowledge through formal communication. These have been some of the problems that were associated with tacit knowledge transfer in the context of the knowledge-based view. The knowledge-based view could be applied in the public private partnership linked with the strategic management of costs. This relationship was advantageous to improve service delivery in the public sector.

2.6 THE RELATIONSHIP BETWEEN THE KNOWLEDGE-BASED VIEWS, STRATEGIC MANAGEMENT OF COSTS AND PUBLIC PRIVATE PARTNERSHIPS

Creating an environment that was conducive for tacit knowledge transfers, it was argued that the relationship between “knowledge-based view” and strategic cost management would be the key ingredient required to make sure that the public private partnership produces the envisaged benefits. Furthermore, to ensure the success of a public private partnership, knowledge strategy could play an integral role. “Knowledge

strategy” includes “concepts” linked to “strategic management”. Therefore “knowledge-based view” could improve service delivery. The culture of organizational learning, good knowledge strategies and the application of the “knowledge-based view” has been linked with strategic cost management (Casselman and Samson, 2007, pp.71, 72). Public private partnerships demonstrated how this knowledge was necessary to ensure an improvement in service delivery by government

Thus a high level argument to determine the relationship between the knowledge-based view, strategic management of costs and the public private partnerships would be given. Furthermore, a high level argument for the need and support of partnerships between the public sector and private sector would be presented. Also, public private partnerships and knowledge were linked with the strategic management of costs to improve service delivery in the public sector. For example, the “systemic knowledge and high levels of economics of scope” (Saarenketo *et al*, 2009, p.540) were often considered as necessary for the growth of an organization indicating that this was relevant to the knowledge-based view. This was important for the public sector and private sector relationships. In addition, the “high levels of trust also lower transaction costs” cited by Gulati (1995) could assist in reaching to alternative solutions regarding disagreements (Santoro and Bierly III, 2006, p.498). Furthermore, “to retain a high level of development work” (Bahlmann and Huysman, 2008, p.307), it could be argued that this was beneficial for the knowledge-based view. This could ensure that the resource of retained information could be utilized for the strategic management of costs. Therefore, public private partnerships regarding service delivery could be continuously improved by the public sector. Furthermore, Bahlmann and Huysman (2008) argued

that experimenting “with more flexible forms of organizations in order to increase flexibility in terms of output”, noted that “ultimately, these flexible regions ” are “ believed to” emerge and developed “into knowledge and resource sharing entities and characterized by high levels of solidarity”, citing Sable (1994) who stated that, “if the pooling of knowledge succeeds, it could easily become the political metaphor and matrix for the pooling of other resources as well. The more knowledge available to each industrial district, the less the probability of any being tripped up by costly ignorance; the greater the number of prosperous industrial districts, the more likely that each” could “draw on the resources of the others in moments of distress” (p.309).

Also, high-level strategic objectives could be identified to determine the goal and the appropriate approach through strategic management. Therefore, determination of the low-level requirements was necessary to achieve the goal-based approach strategy. Strategic management of costs could determine and detect the links that could cause conflict in the public private partnership. In doing so, service delivery could be improved in the public sector. It was argued by Al-Natour (2009) that the, “explicitly capturing” of the “why” and “how” of system functionality,” was appropriate since “these approaches provide traceability links from high-level strategic objectives to low-level technical requirements that ensure conflicts among requirements” that could be “detected” (p.104). However, during public private partnerships, the private sector management practitioners would be motivated by the investments that need to give a return that was profitable. Therefore, to achieve this goal, knowledge-based view becomes essential. Thus activities that could be eliminated or reengineered could be detected. Furthermore, alternative methodologies have been utilized to achieve the goals of the

private sector. This could be learnt through the application of the knowledge-based view which could benefit the public sector. An example of such an approach was the strategic knowledge-based dependency diagram which could “be used to identify activities that” could “be automated and roles and sub-processes that” could “be eliminated and reengineered” (Al-Natour, 2009, p.119).

However in a public private partnership the private sector has the expertise, culture, and capital. The private sector has gained expertise and has build a network of relationships that has allowed them to develop competitive advantages in been a service provider. During these relationships the private sector has gained power and trust which could be influential. Hemphill and Vonortas (2003) quoted and cited Thorelli (1986) by stating that “power’ and ‘trust’ were factors that dominate network relationships. There” have been “five sources of network power identified: its economic base, technologies and range of expertise, all coupled with level of trust and legitimacy that it develops in its relationships with network members (p.261). Thus a source of network was the range of expertise which the private sector could provide and make available to government. This rationale was enhanced by the fact that the firm was regarded as an institution which “permits individuals to specialize in developing specialized expertise” (Grant, 1997, p.451). Since the private sector has specialized in developing expertise, private sector individuals that were trained could provide a service to government during the public private partnership. This could be an environment that was conducive for the transfer of knowledge and skills.

Furthermore, according to the commercial perspective it was argued that “giving employees operational autonomy” could encourage “an innovative culture” (de Jong and Den Hartog, 2007, p.45). Thus innovative culture could enhance the business environment and continuously improve service delivery. Therefore, it was argued that management practitioners could emulate this conceptual thinking. Since the culture of innovation could improve service delivery, De Jong and Den Hartog (2007) raised the following argument citing Axtell, *et al.* (2000), that according to “a study among the employees of a manufacturing plant,” they “found a positive relationship between participation and employees” regarding their suggestions and implementation efforts (p.45). Thus in this manufacturing plant a positive relationship was achieved because the culture of that manufacturing plant gave employees the opportunity to participate in providing suggestions and implementing these ideas. The argument was that this culture in government was desirable that could create a similar positive relationship that could improve service delivery. Furthermore, it was argued that the knowledge-based view embraced different activities and human factors regarding the “set of routines, practices and attitudes that” have been “built into the company’s culture and as well as into its operating procedures” (Grant, 1997, p.452). This could provide a competitive advantage for a firm and ensure that the service provided was of a high quality compared to a potential rival firm. The knowledge about the cost of the routines, practices, operations, and the attitudes of the employees could have an impact on strategic decisions for a firm. Similarly, this knowledge-based view cultural mindset could be embraced in government that could be advantageous for high level policy-making within government.

Also, it was argued that the private sector has intellectual capital that the public sector needs. Thus to make a strategic management cost decision, requires a knowledge-based view of the organization system so that business could be improved in the public sector. Therefore, it was essential that the culture of emerging ideas was allowed to flow in an institution and use this as a foundation to improve service delivery. De Jong and Den Hartog (2007) argued that, “one way for organizations to become more innovative” was “to capitalize on their employees’ ability to innovate.” Citing Katz (1964), who “puts it: an organization that depends solely upon its blueprints of prescribed behaviour” would have a “very fragile social system”. Work has become more knowledge-based and less rigidly defined. In this context, employees” could “help to improve business performance through their ability to generate ideas and use these building blocks for new and better products, services and work processes” (p.41). In this way the private sector has developed a resource of knowledge or intellectual capital that could be useful to improve service delivery.

Through continuous learning across regions, this could facilitate the formation of intellectual capital. So in this way knowledge-based view was given of an organization’s activities. Bahlmann and Huysman (2008) argued by citing Florida (1995) that “learning regions” or learning economy “have been described as “collectors and repositories of knowledge and ideas” and” have “believed to “provide the underlying environment or infrastructure which facilitates the flow of knowledge, ideas and learning”. “The concept incorporates knowledge and information flows, learning, regionalization, globalization, and capitalism,” since knowledge could be argued as “the new form of capital” (p.311). Furthermore, Bahlmann and Huysman (2008) raised the argument which was cited by

Gertler (2003) that the role of knowledge has been the “fundamental characteristic of contemporary competitive dynamics” (p.311). Through learning regions or learning economy the private sector has intellectual capital available that the public sector could utilize to improve service delivery.

Furthermore, through the mechanism of appropriability, the private sector could manage the intellectual capital flow. Saarenketo *et al* (2009) argued that, “appropriability refers to how easily a firm” could “protect its ideas from imitation. The appropriability regime” cited by Teece (1986) has been “closely related to the tacitness of knowledge, and legal means of protection such as patents and trademarks. A firm that has a tight appropriability regime was capable of protecting its intellectual capital, and able to utilize partners in its selling, distribution, and even production activities. Such a firm could lower its transaction costs because it does not have to be afraid of losing its innovations to its potential partners. Partnering and other contractual market-entry modes such as a strategic choice require less investment in the firm’s own infrastructure,” (pp. 533, 534). The private sector through this mechanism could protect the intellectual capital of an organization. However, the public sector could partner with the private sector under the appropriability regime to enhance intellectual capital and in this way protect their ideas.

Management of intellectual capital should be part of the management structure of an organization. For example in “companies such as Dow Chemical, Andersen Consulting, Polaroid and Skandia” they have been “developing corporate-wide systems to track, access, exploit, and create organizational knowledge, typically under the leadership of a director or vice-president, of ‘knowledge’ or ‘intellectual capital’” (Grant, 1997, p.451).

Building of such intellectual capital in an organization could enhance the strategic management of costs to improve service delivery. Thus far it was demonstrated that expertise, culture and the intellectual capital could improve service delivery through a partnership with the public sector and the private sector.

Furthermore, the arguments about expertise, culture and intellectual capital demonstrates that there was a relationship of strategic cost management in the public private partnership. Since the private sector was motivated and driven by profit orientated goals based on the enduring strategic cost management techniques and methodologies. Therefore, to achieve profit orientated goals, the demand by the private sector would be capital requirements. To achieve the capital requirements, the private sector strive for “the effective (strategic) allocation of resources for future development as well as the efficient (operational) allocation of resources for improvement of profitability, productivity, and cash flow together with “knowledge” ” (Walters and Lancaster, 2000, p166).

It was argued that the relationship management involves “cost management (to achieve optimal value for chain costs for the value added throughout) and cost transparency (the notion that effective cooperation and coordination” could only be “achievable if visibility exists)” (Walters and Lancaster, 2000, p161). The issue at this level has been the relationship of strategic cost management during the public private partnership so that service delivery was improved within the public sector. Strategic cost management could support the demands of the capital requirements by the private sector and the demand by the citizen for government to improve the capability to deliver services and

goods. The support was about to do with less funding and the processes of the service delivery could be improved by cost management and cost transparency linked strategically with service delivery.

The argument about service delivery demands could be met by a partnership between the private sector and the public sector, regarding quantity, quality and accessibility. The quantity of houses that needs to be built could ensure sufficient housing would be provided by government. The houses that would be built must not be of a poor quality but rather a quality of a high standard that would satisfy the clients. Also, sufficient quantity of hospitals that could be accessed by patients needing medical assistance would be required. However, the quality of service rendered should meet the expectations of the patients. Also, the quantity of the provision of schools should be accessible to learners. However, the quality of service rendered by the management of the school should be of a high standard. Regarding social grants, the demand for accessibility to the grants should be made available through identity numbers. Also, to make it more accessible for the citizen to the paying mechanisms for social grants concerns the distance that needs to be travelled. In view of the foregoing, it was argued that government has to perform a service delivery that satisfies the expectations of the citizen regarding quality, quantity and accessibility which was embraced by strategic cost management.

Since there was pressure on government to perform and improve service delivery, the structuring of public private partnerships was part of the solution. Governments have the money that could be used in public private partnerships. On the other hand, the private

sector has the expertise and capacity that could be utilized in public private partnerships. For example the private sector has contacts to banks through networking. On the other hand, governments have to do more with less funding available. Governments achieve this by been effective, that involved getting government priorities right in terms of service delivery, and the right thing should be done. Whereas, been efficient, involved using proper resources to achieve maximum impact in service delivery, that is to do it right. On the other hand, the *modus operandi* of the private sector would be to derive benefits from the public private partnerships. This involves strategic cost management for the entire service delivery. The challenge the public sector has, would be the lack of expertise and capacity. However, through cost management relevant to the public private partnerships service delivery could be improved. Strategic cost management could be included in government strategy to improve service delivery. Strategic cost management was an expertise and culture that was relevant to public private partnerships. Strategic cost management marries the two institutions consisting of the private sector and the public sector. One thing good of the public sector was the ability to deliver goods and service for the citizen. However, the problem amongst government was the expertise and capacity “to reach agreement on fundamental issues”, and to support “employees’ decision to innovate” (de Jong and Den Hartog, 2007, p.52).

Strategic cost management of the service delivery could achieve efficient and effective spending of money particularly where it matters the most. The private sector’s thinking would be that every rand need to be spent well. This raises the need for strategic cost management and the knowledge-based view to be applied contextually between the

public sector and the private sector. Thus, we could “think of knowledge strategy as a number of key decisions related to knowledge that provide a context or strategic intent for the firm. In this view of strategy, knowledge decisions” are “the precursor to more traditional market-based views of strategy. So, the combination of knowledge strategy and knowledge capability provides a reasonably complete model of the knowledge-based view of the firm. It encompasses the knowledge resources, the knowledge processes and the ‘knowledge decisions’ or strategic intent of the company” (Casselmann *et al*, 2007, p.70). Thus knowledge imported from the private sector to the public sector could improve service delivery that could meet the expectations of the citizen. Expertise knowledge on issues regarding the public private partnership relationship was required for decision-making at strategic level and cost management. Therefore according to Saarenketo *et al* (2009) citing Spender (1996) it was argued that, “knowledge could be seen as a distinctive production factor that has a huge impact on productivity, innovation, and product development” (p.533). “A distinction” was “often made between, “explicit” and “tacit” knowledge. Tacit knowledge” was argued as “embedded within people or the organization and” would not be “easily transferable” (Saarenketo *et al*, 2009, p.533). The collation of such tacit knowledge could be vital to ensure a balanced view. Thus a knowledgeable decision could be made for an organization at a high level strategy for departments in the public sector. Furthermore, it was noted that the transfer of knowledge to people in an organization was vital. For example, Bahlmann and Huysman, (2008), argued that “even more interestingly,” citing Marshall (1920)” who “apparently also noted the *importance* of knowledge spillovers taking place, as he describes the process of people (craftsman) getting inspired by each other, resulting in a process of embroidering on each other ideas which ultimately, lead

to novelties, i.e. innovations. It seems that” citing “Marshall (1920) perceived these ideas to be *floating in the air*, a way of expressing the tacitness of this process”, (p.305). Therefore, the argument demonstrated that tacit knowledge was embedded in people of an organization that could lead to innovations and improving of service delivery.

Knowledge-based view relating to strategic management of costs in public private partnerships to improve service delivery in the public sector would be relevant. Knowledge-based view has an influence on public private partnerships as demonstrated in the literature review. The relationship between the knowledge-based view, strategic cost management and public private partnership has been argued as a key ingredient. This was to ensure that the public private partnership produces the envisaged benefits by creating a favorable and conducive environment for tacit knowledge transfer.

2.7 CONCLUSION

Chapter 2 dealt with detailed literature review regarding the basic issues around service delivery and challenges encountered in the public service. The literature review focused on resources and capabilities in government. Also, the potential of the private sector to bring in a commercial perspective by providing the missing link regarding effective and efficient service delivery through public private partnerships. Furthermore, the problems associated with tacit knowledge transfer in the context of the knowledge-based view have been discussed. The relationship between the knowledge-based view, strategic management of costs and public private partnerships has been argued as a key ingredient for tacit knowledge transfer. Chapter 3 would deal with the research

methodology identifying the methods that would be used and the reasons for this methodology.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

The purpose of this chapter would be to state the methodology that the researcher have used in the research and the reasons for this methodology. The research methodology that has been selected would be a case study for data collection and analysis. The reasons and justification of the appropriateness of this research methodology would be discussed in the context of the research question and research objectives. (questionnaire)

3.2 HOW WAS THE DATA COLLECTION DONE?

The researcher used the questions under the relevant topics. (Refer to the Appendix A for the research questionnaire).

The forms of communication that the investigator utilize to collect the data were as follows:

The researcher has collected data via person to person discussions in a form of a meeting.

The researcher has collected data via telephone discussions.

The researcher has collected data via e-mail discussions.

The investigator has collected data from an official documentation provided by the Department of Health: Western Cape.

The investigator has collected data through informal discussions.

The researcher has approached officials at other government departments through telephone and e-mail discussions but has not received responses to the questions.

The researcher has approached executives and directors from other private sector companies but has not received response or cannot respond since they do not have an idea on how to answer the questions.

The government departments that the researcher investigated and worked closely with have been Provincial Treasury: Western Cape, Department of Health: Western Cape Rehabilitation Centre and National Treasury. The private sector company that the researcher worked closely has been Mpilisweni Consortium.

Questions were formulated according to the research questions and research objectives. These questions were posed to an official in a management capacity from the public sector and a manager from the private sector. The response usually required more explanation from the investigator for the reason that generally these were difficult and high level questions. After this initial introduction regarding the problems encountered in government, a discussion was held, response was written down during the meeting with the official. Other officials have preferred to response via e-mail, this information was captured. In the case of the private sector the response preferred was via e-mail or through a telephonic discussion, the response was then captured by the investigator in writing.

An official document was collected by the researcher and permission was granted from the officials of the Department of Health: Western Cape. Thus through the case study

research methodology it was possible that data was collected from the private sector and the public sector.

3.3 WHY WAS THIS CASE STUDY UNDERTAKEN?

The reasons were to ensure responses from public sector officials and management personnel from the private sector who have gained experience working in a public private partnership environment. Also, the officials and personnel from the public sector and private sector have experience from a conventional perspective. Conducted research where the dynamics of a public private partnership was alive and ongoing. To ensure responses were aligned with the research question and research objectives. The research question required data and analysis based on how strategic cost management support public private partnership initiatives to improve service delivery. Therefore this justified the selected research methodology as a case study. Furthermore, the research objective required data and analysis on what the public private partnerships were and how they work. This resulted in a contribution to close the gap identified in management practice and inform practitioners how to deal with public private partnerships. Also, data collection and analysis were required in terms of the research objective regarding how strategic cost management could potentially support public private partnership initiatives in the government service delivery model. This would make a contribution to close the gap identified in literature so that management practitioners could be informed. Furthermore, another argument for the justification of the case study research methodology was to determine what was not clear in the context of South Africa regarding strategic cost management and public private partnerships. Also, this could

make a contribution to close the gap identified in literature and management practice so that practitioners are informed to deal with the issue under study. The strength of the investigators research has been highlighted by this methodology since it was done in the context of the research question and objectives.

3.4 VALIDITY

This research methodology validity construct was based internally and externally. The internal validity was the public service; on the other hand, the external validity was the private party perspective. Ellis and Levy (2008) argued that “a well articulated and viable statement of a research-worthy problem” should be the start point “for all research” (p.1). Furthermore, Ellis and Levy (2008) pointed out the argument “that fundamental elements of scholarly research” includes “the research topic, goals, research questions, methodology, results and conclusions” would be necessary for the construct of a “problem-based research” (p.1).

Similar data collection mechanisms were “by means of a structured questionnaire”, have been implemented (Saarenketo *et al*, 2009, p. 536). The survey questions were communicated to project managers or team leaders who have responded (Santoro and Bierly III, 2006, p.500) to the survey questions since they were involved in managing service delivery for the public service. “Follow-up questions” have been “asked by telephone and or/e-mail when clarification” became “necessary” (de Jong and Den Hartog, 2007, p.48), for the purpose to understand and analyze the data collated.

The responses were collected internally and externally, these responses have been compared and analyzed. Furthermore, it has been listed if the responses were significantly different with the private party and the consistence that was identified would be recorded. When there have been disagreements, the people in the public sector were approached to collect their commentary. Thus a multi-method approach has been used such as survey questions, interviewing and a case study. The responses to the survey questions were tested with the executive managers from the public service and from the private party.

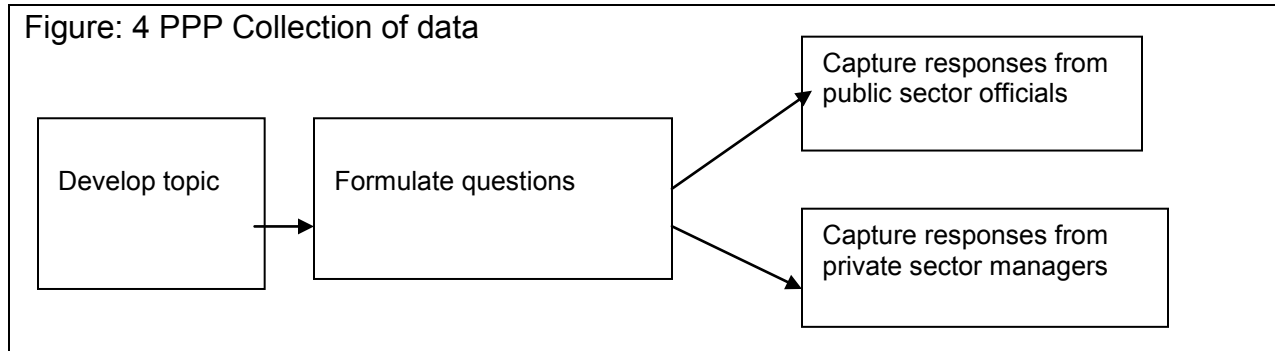
The potential weakness of this research methodology would be that not all personnel at the lower levels have been consulted. However, the managers and executives were informed about the view regarding an improved service delivery that was needed. Thus appropriate comments and information were collected even though some may not necessarily want to share their knowledge. Although it could be argued that this research methodology could be subjective. However to maintain the objectivity and integrity of the research about the data collected, discussions were held with the participants to ensure the verification of the data.

3.5 DATA COLLECTION AND ANALYSIS TOOLS

The research methodology models have been described in Figure 4, Figure 5 and Figure 6.

PUBLIC PRIVATE PARTNERSHIP (PPP) DATA COLLECTION TOOL

Figure: 4 PPP Collection of data



ANALYSIS TOOLS

Figure: 5 PPP Analysis of responses from public sector and private sector

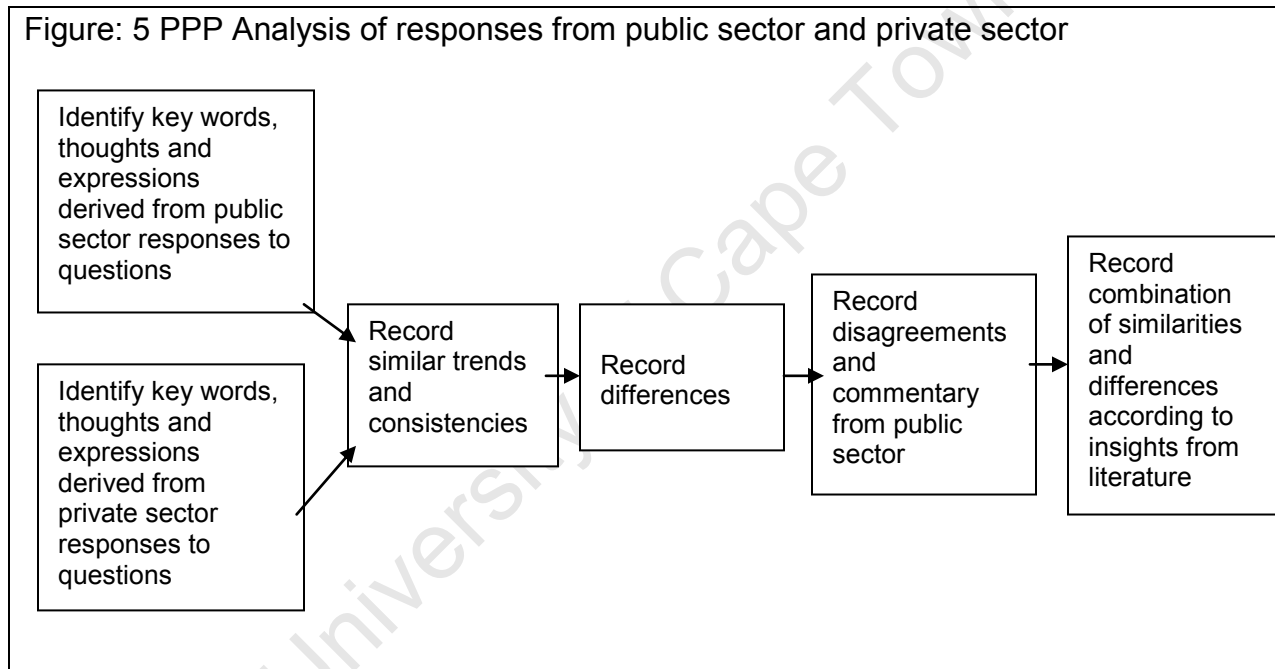
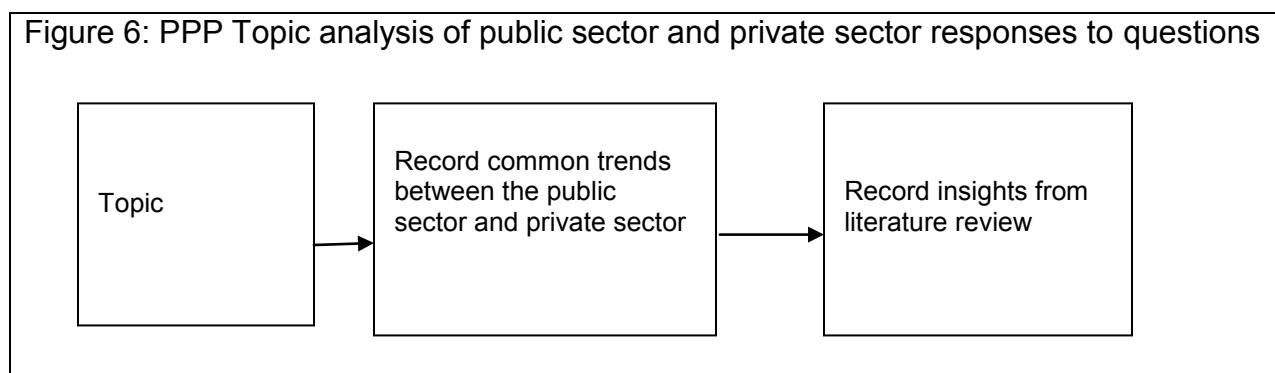


Figure 6: PPP Topic analysis of public sector and private sector responses to questions



3.6 CONCLUSION

Chapter 3 described what has been done regarding the data collection. Also, how the data collection and the justification of the research methodology such as the case study would be applied. The research methodology described how data results would be collected and recorded. The collection data results would be analyzed in Chapter 4.

University of Cape Town

CHAPTER 4: RESULTS AND ANALYSES

4.1 INTRODUCTION

The highlights of this chapter were about the background to South African service delivery challenges, the key informants and participants in this study and their positions. The responses to the specific questions that the investigator communicated to the key informants and participants were either through survey questions or interviews. Also, in this chapter detailed analyses of the results were processed and captured in a tabular format discussing the common trends and differences.

4.2 BACKGROUND

The background to South African service delivery challenges was the socio-economic and political landscape regarding the effective and efficient provision of resources to improve service delivery. Strategic cost management was required among other management disciplines. However, for governments to achieve significant efficiencies could be the involvement of the private sector cost management models. Therefore, to contribute to the closing of gaps in literature concerning issues and the current challenges regarding service delivery that has not being investigated in South Africa would be to “find creative solutions to the service delivery challenges” (Fraser-Moleketi, 2009, p.8). Furthermore, improving and “building efficiency, economy and effectiveness” (Levin, 2009, p.27) in the public sector by eliminating waste need to be investigated. Focus on the value for money, given the budget constraints was a key area that needs

to be addressed if the country was to improve service delivery, “since public services should be provided economically and efficiently to give citizens the best possible value for money” (Nelana, 2009, p.62). Achieving value for money using cost management as a way for enhancing service delivery, with specific reference to the South African public sector, could present “major opportunities for decision-making improvements for most organizations” (Ellram and Siferd, 1998, p.55).

The key informants and participants of this study were as follows:

Carmen Lucas, Assistant Director: Physical Asset Specialist at the Provincial Treasury: Western Cape.

Ntandokaze Cenge, Assistant Director: Transaction Advisor at Provincial Treasury: Western Cape.

Cheslin Williamson, Finance Manager, for Mpilisweni Facility Services Consortium.

Graham Nevin a consultant for the Provincial Government Western Cape.

Patlo Lerotholi, Operations Executive, for Mpilisweni Facility Services Consortium.

Pakama Mndita, Assistant Director: Physical Assets Specialist at the Provincial Treasury: Western Cape.

Nicholaas Langehoven, Director: Senior Manager for Asset Management & PPPs at the Provincial Treasury: Western Cape at Provincial Treasury: Western Cape.

Dianne Govender, Assistant Director: Transaction Advisor at the Provincial Treasury: Western Cape.

Reginald Daniels, Deputy Director: Manager for the Provincial Infrastructure Unit at the Provincial Treasury Western Cape.

Louise Dean, Deputy Director: Public Private Partnership Unit Manager for Provincial Treasury: Western Cape.

Jenny Hendry, CEO Deputy Director: Western Cape Rehabilitation Centre, Department of Health: Western Cape.

Patrick Jacobs, Assistant Director: Physical Asset Specialist at the Provincial Treasury: Western Cape.

Rudolph Beukes, Assistant Director: Physical Asset Specialist at the Provincial Treasury: Western Cape.

Theophilus Gaoagwe, Assistant Director: Physical Asset Specialist at the Provincial Treasury: Western Cape.

Tumi Lugwali, Assistant Director: Physical Asset Specialist at the Provincial Treasury: Western Cape.

Joyce Deuce, Project Advisor, for the PPP Unit at National Treasury for the Republic of South Africa.

James Aiello, the Senior Project Advisor, for the PPP Unit at National Treasury for the Republic of South Africa.

4.3 RESULTS

Case Study: Department of Health: Western Cape Rehabilitation Centre and Lentegeur Psychiatric Hospital Public Private Partnership Project

“The Provincial Cabinet of the Western Cape” in South Africa gave approval “for the acquisition of the Eertse River Hospital” however a “prerequisite” for this “approval” was “the decommissioning of an existing facility” such as the “Conradie Hospital” which was selected by the Department of Health (Western Cape Department of Health, 2004, p.17). The “decision” has been “aligned” to the “existing strategic objectives of the” Department of Health, “providing increased hospital beds nearer to those communities most in need of health services”, “centrally located to the patient community”, the Department of Health held “excess hospital capital infrastructure” and now “to purchase new facilities without reducing existing infrastructure would be inappropriate” (Western Cape Department of Health, 2004, p.17).

Since the decision included the closing of “Conradie Rehabilitation Centre”, “it was decided that the Conradie Rehabilitation Centre and Karl Bremer Rehabilitation Centre be relocated to the Lenteguur Site in order to create a new consolidated rehabilitation centre referred to as the “Western Cape Rehabilitation Centre” (WCRC)” (Western Cape Department of Health, 2004, p.17}. “The Lenteguur Site was chosen as it” was “central to a disadvantaged community with a high prevalence and incidence of disability in need of rehabilitation” (Western Cape Department of Health, 2004, p.17). It was observed that an improved service delivery was needed in this new scenario and public private partnership was selected over the traditional and conventional procurement process.

The reason for the PPP agreement was “the provision of the hard and soft facility management services for” Western Cape Rehabilitation Centre, “including but not limited to:

- Hard facility management: Building maintenance
- The provision, maintenance and upgrade of all medical and therapeutic equipment to be used in the” Western Cape Rehabilitation Centre; “and
- Soft facility management services, such as security, cleaning, grounds and garden maintenance, pest control, waste management and catering” (Western Cape Department of Health, 2004, p.17).

The private party shall operate from “the Lenteguur Site in terms of organization, management and reporting, providing non-core services” such as “soft facility

management services” (Western Cape Department of Health, 2004, p.17, 18). The bidders for the public private partnership had to demonstrate “the commitment, capability and the capacity to perform the functions”. “Take on the responsibilities and risks assigned to them through a PPP agreement”. Furthermore, “the information requested” by the Department of Health was to “evaluate” the “commitment to the capacity and capability” of the bidder to perform an improved service delivery that would meet the expectations of the citizens (Western Cape Department of Health, 2004, p.16).

Also, it was identified that an alternative structure such as a legal entity may “wish to fund” the PPP project “from its own balance sheet and not by way of a” special purpose vehicle. Therefore, “some work may be contracted to other parties, depending on the capabilities and capacity of the specific legal entity. This option” has been “often used in short term and less capital intensive projects” (Western Cape Department of Health, 2004, p.28). Furthermore, information about the bidders “resources and capacity” available from “South African” and “global resources” had to be identified (Western Cape Department of Health, 2004, p.40). In addition, the bidder had to provide information on “project management and risk” management to demonstrate that they have “the capacity to deal with” such matters (Western Cape Department of Health, 2004, p.48).

Moreover, in this PPP case study of the Department of Health: Western Cape Rehabilitation Centre and Lentegeur Psychiatric Hospital, it was noted that the PPP “mechanisms” would be “to achieve government efficiency and service delivery through agreements between the public and private sectors” (Western Cape Department of

Health, 2004, p.33). Thus “the objective” of the “PPP” involved “the private sector to bring in its expertise, finance and business skills to assist government to ensure efficiency and service delivery”. On the other hand, “a government department” could be “permitted by the” Public Finance Management Act, (Act No. 1 of 1999 as amended), “to enter into a PPP only if it meets the criteria of affordability, value for money and appropriate risk transfer” (Western Cape Department of Health, 2004, p.33).

For the results of survey questions and interviews see Appendix B Table 1.

Table 2: Focusing on cost management

The following question has been addressed to the departmental representative for the public sector and the operations executive for the private sector: Focusing on cost management

Question	Response by public sector	Response by private sector
What efficiency, capacity and capabilities did the private sector bring to this public private partnership case?	“Efficiencies were certainly also added (for DOH) by way of the Help Desk. One call centre for ALL aspects of hard and soft facilities management has ‘saved’ many man-hours of time for management and clinical staff, when reporting problems” according to Jenny Hendry, Deputy Director, Western Cape Rehabilitation Centre, date of e-mail was the 4 October 2010.	“We consistently scan the market for the most competitive prices by means of a computer based program called “My Market”. Suppliers were rigorously assessed and evaluated to ensure value for money in the context of cost and quality of product. DSFM utilizes a Computerized Facilities Management System where client assets were uploaded for ease of identification and planned pro-active maintenance. Our clients also enjoy the benefits of leveraging off our highly trained specialist staff based in different regions across the country and abroad in terms of the Technical Support Agreement with EMCOR UK (formerly Drake & Scull UK)” says Patlo Lerotholi, Operations Executive for the private party company Mpilisweni Facility Services Consortium. This interview was conducted telephonically and by e-mail dated 22 September 2010.

Table 3: Tacit knowledge

Question	Response
Does tacit knowledge have an influence on public private partnerships?	A telephone call was made and e-mail dated 19 October 2010 was sent to Joyce Deuce, Project Advisor, for the PPP Unit at National Treasury, replied as follows: According to the Senior Project Advisor James Aiello agrees that tacit knowledge (unspoken and not spoken) has an influence on public private partnerships.

Issues around the way the public private partnership operates have been identified. The argument was that the nature of the relationship could bear fruit regarding cost management capabilities that resides in the private sector. Tacit knowledge transfer to government structures could strengthen the capacity and effectively bring about efficiencies to improve service delivery. It could be argued that the strategic cost management and knowledge-based view of an institution was to keep abreast with the dynamics of the changing scenarios in global competition and technology. Managers express dismay that markets were ever moving faster and that the strategies are too static and slow. "Strategy has also become deeply problematic at the corporate level," (Collis and Montgomery, 1995, p.118). Therefore, to enhance the efficiency of strategies the data collected in this South African public private partnership case would be analyzed based on the internal (public sector) responses that were significantly different from the external (private sector) responses. The disagreements results would be tested with the public sector and commentary would be collected. Consistencies would be identified and recorded. For institutions to ensure continuous improvement of service delivery it was not surprisingly that, there were waves of new approaches to strategy that were proposed to address these multiple assaults on the premises of strategic planning. For example, "total quality management as strategy, reengineering, core

competence, competing on capabilities, and the learning organization” approaches made its contributions yet “the confusion about strategy that now besets managers” was still challenging with the changing scenarios in global competition and technology (Collis and Montgomery, 1995, p.118).

The following approach would be applied, that academics embrace as the resource-based view of the firm (RBV) which would include an internal analysis and external analysis. The resource-based view of the firm combines the internal analysis of the phenomena within an institution and the external analysis of the industry. By combining the internal and external perspectives (Collis and Montgomery, 1995, p. 119) this would produce a high level argument regarding a public private partnership case.

4.4 ANALYSES

The results of the public sector data and the private sector data consisting of key expressions and words relevant to strategic cost management were analyzed. Disagreements would be collected and tested with the participants from the public sector. In addition, both interviews would be reflected on, from the public sector and the private sector. Furthermore, key aspects would be noted to determine how the knowledge-based view has helped the two parties regarding resources, efficiency, effectiveness, capacity, capabilities, tacit knowledge, and transfer of knowledge arguments would be reflected upon. The relationship of the knowledge-based view regarding knowledge has rubbed off in such a closed relationship between the public sector and private sector. The results would be reflected under each topic of research

and aligned with the relevant research questions. There would be interpretation of the results and the usefulness of the information would be noted. The case study data would be collected from the public sector and private sector. Here the capacity and capabilities in government based on the assumption that if lacking would determine the likelihood of success. Having applied the research methodology to collect data for analysis, this would be listed as consistencies or common trends that would be identified and recorded. The internal (public sector) responses that were significantly different from the external (private sector) responses, these disagreement results would be tested by going back to the public sector and to collect the commentary. The reflection on both the internal and external data results would be analyzed. This was categorized under the various topics of research in a tabular format and further insights from the literature would be discussed (Refer to Table 4: Analysis, see Appendix C). Furthermore, a list of the arguments on why things have worked would be addressed.

Table 4: Analysis

Topic	Common trends between the public sector and private sector	Insights from literature review
The current challenges with service delivery in South Africa	Spending Capacity Backlogs Demands for service delivery Knowledge capacity Resources	Managers in “governments must strive for both cost reductions by eliminating ineffective programmes” which do not meet the expectations of the citizens, thus the need to improve “service delivery by increasing efficiency and creativity in satisfying people’s demands” (Matsomela, 2009, p.8), Efficient and effective spending were affected by procurement capacity, aligning demands, resources and knowledge capacity at all levels in government

Topic	Common trends between the public sector and private sector	Insights from literature review
Focus on the value for money, given the budget constraints was a key area that needs to be addressed if the country was to improve service delivery	Quality of the service delivery Innovative Resources Technology	Improve “the quality of the service and value for money by achieving the same or better result with fewer resources” (Nel, 2006, p.108). The quality of service delivery or achieving value for money requires being innovative by making use of less resources.

Topic	Common trends between the public sector and private sector	Insights from literature review
Strategic management of costs by monitoring and evaluating public private partnerships to improve service delivery	Daily basis Transparency Information management strategy Budget constraints, Funding resources Early warning systems, Corrective Government Planning, estimating, spending Services	The “monitoring and evaluations systems need to be integrated across the tiers or spheres of government because monitoring service delivery at a local level” such as municipality services, housing, tourism, roads, and hospital services would be “critical to improved service delivery” (Levin, 2009, p.37). There should be early warning systems done on a daily basis. The efficiency and effectiveness should be transparent regarding the spending of resources for service delivery.

Topic	Common trend	Insights from literature review
The efficiency of service delivery in the public sector could be improved by eliminating waste	Competitive pricing procurement Technology, Resources Funding Waste to be reduced, Save costs Campaign to drive efficiency. Private party initiatives Joint consultations Service products Allocation of the budget. Inceptions at the project operations. Strategies Productive outputs and savings should be recovered from waste reductions. Government and people to be involved.	The private sector has developed enduring cost management models. “An efficient operation wastes no resources in carrying out the operation” (Blocher <i>et al</i> , 2005. p.512). The argument by government was to strategically improve efficiency, due care should be taken to avoid “failed programmes and money gone to waste” (Busieka, 2007, p.126). To “improve value for money and to identify areas where we” could “eliminate or reduce wastage” (Manuel, T., 2009, p17). “Wasteful and unproductive expenditure and corruption cannot be afforded” (Chabane, 2009, p.5). The private party, according to Formoso <i>et al</i> (2002) argued that “waste elimination” was “a major focus for process improvement” since this trend was based on “the Total Quality Management (TQM) and Just in Time (JIT) production philosophies” (p316).

Topic	Common trends	Insights from literature review
Investigate and focus on the value for money given the budget constraints in the country.	<p>Planning process for programs that should include economic viability, equitable and the escalation of costs</p> <p>Alliances, expert teams, service delivery mechanisms, prioritize entrepreneurial acumen, public sector comparator, risk, return on investment, capital and equipment investment and depreciation.</p> <p>Service delivery requires project resources</p>	<p>“Achieving value for money in service delivery means delivering the most effective services possible with the available resources,” (Bourne and O’Donnel, 2003, p.19). The challenge by the government of the day would be to ensure the “value for money goal” was achieved with limited funding amidst the thinking “that something” could not be “working right” (Naidoo, 2007, p.19). Achieving value for money starts with the planning process. Thus alliances and expert teams should have the capacity and capabilities to improve government service delivery models.</p>

Topic	Common trends	Insights from literature review
Achieving value for money using cost management as a way for enhancing service delivery, with specific reference to the public sector.	<p>Saving on cheaper services and shifting of funds,</p> <p>Service delivery and backlogs through synergies between public and private sectors.</p> <p>Financial management</p> <p>Reviewing expenditure and active expenses.</p> <p>Controls and quality management has been emphasized by the private sector.</p> <p>Government and private party</p>	<p>Thus the argument involved been “effective in strategic cost management, organizations need to have good sourcing and cost management tools and processes” (Ellram, 2002, p.18). There should be saving, reviewing expenditure, controls and quality management in service delivery. Using cost management in government service delivery models could be effective to achieve value for money.</p>

Topic	Common trends	Insights from literature review
Focusing on cost management	Public sector and the private party agree on the issues of efficiencies, capacity and capabilities	The public private partnership brought about efficiencies, capacity and capabilities. The service delivery models by the private party have worked. Application of such knowledge has improved service delivery for the public sector. The transfer of knowledge was evident. This answer the research question how could strategic cost management support public private partnership initiatives. The argument was to improve service delivery by government through tacit and explicit knowledge transfer. Bahlmann and Huysman, (2008), cited "Marshall (1920) apparently also noted the <i>importance of knowledge spillovers taking place</i> " (p.305). This demonstrates the private sector have constructed enduring cost management culture and models that could be used appropriately to improve service delivery by government.

In view of the foregoing, consistencies have been identified and recorded; the internal, external responses and the disagreements were recorded. Furthermore, reflections on both the internal and external data results were recorded and analyzed. The common trends that would be observed involved capacity, service delivery, resources, knowledge, technology, innovation, high on the agenda, early warning systems, waste, efficiency, daily and frequent, joint consultations, expert teams, and quality management. This make sense to the arguments identified in the literature review regarding resources, effectiveness, efficiency, capacity, capabilities and knowledge that was required for improved service delivery in the public sector. The differences that were highlighted were value for money, service level agreements, political, escalation of costs and labor. These differences were aligned with arguments that were presented in

the literature review that the private sector was concerned with profit orientated objectives whereas the public sector was concerned with managing the service delivery in terms of political objectives.

Why was a partnership constructed between government and a private party? “The objective of the PPP” involved “the private sector to bring in its expertise, finance and business skills to assist government to ensure efficiency and delivery” of a service (Western Cape Department of Health, 2004, p.33). Also, the private party had to be committed to provide capacity and capabilities in a community that was historically disadvantaged. Also, the reason for this PPP agreement was the provision of the “hard and soft facility management services” for Western Cape Rehabilitation Centre. Furthermore, another reason was “the provision, maintenance and upgrade of all medical & therapeutic equipment”, that would be used at the hospital (Western Cape Department of Health, 2004, 16, 17).

What did this public private partnership achieve? The public private partnership had to “achieve government efficiency and service delivery through agreements between the public and private sectors” (Western Cape Department of Health, 2004, p.33). Efficiencies were demonstrated in this public private partnership such as the implementation of technology to achieve value for money in terms of cost and quality. Capabilities were demonstrated by highly trained and specialist staff. The capacity was evident by the staff across the country and abroad that the private sector could provide. Productive hours of government employees were utilized efficiently because of the knowledge that the private sector has on management and pro-active maintenance of

all assets that has been streamlined. Thus the private sector has the resources that the public sector could use to improve service delivery.

How did the private party apply the discipline strategic cost management attributes such as expertise, capability and experience that had an impact on this public private partnership? The bidders for the public private partnership had to demonstrate the “commitment, capability and the capacity to perform the functions and take on the responsibilities and risks assigned to them through a PPP agreement” (Western Cape Department of Health, 2004, p.16). The private sector has the expertise to ensure that suppliers were rigorously assessed and evaluated to ensure value for money in the context of cost and quality of product. The private sector demonstrates the capability to utilize technology such as the Computerized Facilities Management System where client assets were uploaded for ease of identification and planned pro-active maintenance. The private sector has the experience of leveraging off highly trained specialist staff based in different regions across the country and abroad in terms of their Technical Support Agreement with EMCOR UK (formerly Drake & Scull UK).

The private party has the objective of profit making whereas as government was concerned with the service delivery objectives such as patient care by hospitals. The data results showed that the private party consistently scans the market for the most competitive prices by means of a computer based program called “My Market”. Suppliers were rigorously assessed and evaluated to ensure value for money in the context of cost and quality of product. This demonstrated the argument that the private party was concern with making a profit.

Whereas government was concerned with service delivery objectives according to the data collected. This demonstrated that efficiencies were certainly also added for the Western Cape Rehabilitation Centre and Lentegeur Psychiatric Hospital by way of the Help Desk. One call centre for all aspects of hard and soft facilities management has 'saved' many man-hours of time for management and clinical staff, when reporting problems. Thus more time were given to patient care. The private party may not always be cost effective for government since in most cases they have found their quotes somewhat inflated and certainly more than what government could arrive at after getting three quotes. This raises the argument that the private party was ensuring that sufficient profit was been made by them.

The profit goals of the private sector and for government the objective of service delivery was relevant to strategic cost management. Since the objective of the PPP demonstrated the private sector needed to bring in its expertise, finance and business skills to strengthen the capabilities and capacity of government to ensure efficient service delivery. Since the private party had this knowledge, they were capable to demonstrate a competitive advantage to ensure that their profit goals would have been achieved. On the other hand, the government department was permitted by the Public Finance Management Act, Act 1 of 1999 as amended, to enter into a PPP only "if it meets the criteria of affordability, value for money and appropriate risk transfer" (Western Cape Department of Health, 2004, p.33). This could be achieved through strategic cost management. Thus for this PPP case study it was noted that the "PPP mechanisms" are "to achieve government efficiency and service delivery through

agreements between the public and private sectors” (Western Cape Department of Health, 2004, p.33).

The private party improved service delivery through efficiency and there were successes. The private party argued that waste cannot be eliminated altogether but it certainly could be reduced, in this way efficiency could be addressed to improve service delivery. The success by the private party was the implementation of a competitive pricing procurement methodology. The partnership was efficient because of the private party’s innovation through technology. Joint consultation between the private party and government ensures success in the efficiency of service products. The private party argued that to ensure efficiency, immediately there should be initiatives regarding the inception of the operations for the project so that savings could be recovered from waste reductions to improve service delivery. Furthermore, the success of the private party was their capability and experience to manage the public private partnership relationship with government which was evident throughout the case study.

The measurement of performance regarding the private party was applied, that was relevant to strategic cost management. The bidders for the public private partnership had to demonstrate the commitment, capability and the capacity to perform the functions. Also, to take on the responsibilities and risks assigned to them through a PPP agreement. Furthermore, the Department of Health evaluates the “commitment” to the “capacity and capability” by the bidder to perform an improved service delivery that would meet the expectations of the citizens (Western Cape Department of Health, 2004,

p.16).The private party performance was monitored and evaluated on a regular basis by the Department of Health: Western Cape.

The private sector had to bring in its expertise, finance and business skills to strengthen the capacity and capabilities of government to ensure efficiency and delivery. Therefore, the service providers could provide support through skills and expertise, access to resources and information in health care. Furthermore, arguments by the public sector indicate that skills, expertise, resources and information could be provided by the private sector. To achieve value for money within service objectives, the limited or the available resources had to be utilized optimally for efficiency gains. Arguments were about doing the internal assessment; look at the expertise, capabilities, knowledge of the work force, and expertise regarding the know-how to perform. Managing costs involved finding innovative ways of utilizing available but under utilized resources as in adapting technology regarding alternative use in service delivery. Budget, right policies, right strategies and plans to utilize the resources efficiently, by prioritizing the right people and right skills would depend on these two for efficiency. The private party argued that service delivery level agreements, reduction of costs, concessions, escalation costs and specifications could be managed strategically to achieve value for money.

Also, it has been argued that an alternative structure such as a legal entity may wish to fund the PPP project “from its own balance sheet and not by way of a” special purpose vehicle. Therefore, “some work may be contracted to other parties, depending on the capabilities and capacity of the specific legal entity. This option” would often be “used in

short term and less capital intensive projects” (Western Cape Department of Health, 2004). It was argued that the project does not show a high infrastructure capital investment rather it was about service provisioning by the private party for government. Demonstrating possible weakness in the private sector, the private party argued that government should provide a leeway for penalties; the objective should not to be punitive. Escalation of costs, the challenge would be to manipulate the costs during negotiations and agreement to provide a service delivery that would be a deal breaker. When there would be an escalation of costs and the same service was demanded at the same cost as before, the escalation costs had an impact on service delivery. Also, when there would be a promulgation of government legislation for a minimum and maximum tariff this had an impact on service delivery. Organized labor demands, for example, teachers’ salary increases have an impact on service delivery costs.

The public private partnership would be to achieve goals that were aligned with the strategies of government and the private party. The private party determines the best price, labor orientated, manipulating and aligning services to meet the demands of the client and aligned it according to the public private partnership. Furthermore, the private party actually operates on site from Lentegeur in terms of organization, management and reporting, providing non-core services such as soft facility management services in a disadvantaged community. Backlogs and aligning the demands for service delivery in historically disadvantaged communities has been addressed. The labor impact on service delivery has been continuously addressed to build the capacity and capabilities of government. The knowledge about capacity and capabilities was needed to strategically management costs such as labor.

The evaluations of the private party consistencies were observed in that the private party has the knowledge of the challenges for government regarding spending economically for procurement which has an impact on service delivery. Furthermore, the private party has the knowledge that the escalation of costs, budget and resources has an impact on all levels of government and in all institutions. However to work with the legislative dynamics could be a challenge for the private sector. The private party was consistent regarding the management of the service provider pricing and quality of the service delivery which was aligned with government objectives. Also, the private sector was concerned with innovations, utilizing available but under utilized resources through technology. According to the private sector these constraints should be high on the government agenda. Transparency, information management strategy, public participation, budget constraints, funding resources should be managed through early warning systems and innovative corrective action through technology. Both parties were consistent that there should be a monitoring and evaluation done on a daily basis during economy growth and slow down to ensure a strategic management of costs by government. The monitoring and evaluating of costs during the planning, budgeting, estimating, and the high prices that have an impact on service delivery was where both parties agreed. Competitive pricing procurement as working smartly in technology regarding resources and funding could improve the efficiency of service delivery. Waste should be reduced; the mindset should be to save costs and to compromise, through an education programme for communities and employees. Thus there should be a campaign to drive efficiency and private party initiatives. Joint consultation between the private party and government was necessary to improve efficiency in service delivery. This should start with service products, the allocation of the budget, and the inception at

the project operations, strategies, and productive outputs. Savings should be recovered from waste reductions by government and the citizens. Planning process for programs include economic viability, equitable and the escalation of costs which should be investigated to achieve value for money. Alliances, expert teams, service delivery mechanisms, prioritizing entrepreneurial acumen, public sector comparator, risk, return on investment, capital and equipment investment, depreciation should be considered particularly when performing service delivery which requires project resources. Saving on cheaper services and shifting of funds, implementing service delivery standards, prioritizing service delivery for housing and backlogs through synergies between public and private sectors could improve service delivery. Financial management, reviewing expenditure and active expenses, controls and quality management was emphasized in a public private partnership.

In the evaluation of the private party consistencies the following evidence features prominently namely efficiency, effectiveness, knowledge, capabilities, capacity and resources. The results of this reflective research contributed to the arguments why things have worked in this public private partnership case study and the usefulness of the information. The arguments have been listed as follows:

1. Knowledge-based view

Tacit knowledge has been demonstrated by the transfer of knowledge during a partnership between government and the private sector. It was noted that the transfer of knowledge to people in an organization has been vital. For example, Bahlmann and

Huysman, (2008), cited Marshall (1920) who “apparently also noted the *importance* of knowledge spillovers taking place, as he describes the process of people (craftsman) getting inspired by each other, resulting in a process of embroidering on each other ideas which ultimately, lead to novelties, i.e. innovations” (p.305).

2. Capabilities

The partnership was strengthened by the capabilities that were demonstrated by the highly trained staff. Hemphill and Vonortas (2003) quoted the following on the knowledge-based view, by citing Grant and Baden-Fuller, (1995), Connor and Prahalad (1996), that recently “emerging ‘knowledge-based view’ of the firm focuses on knowledge as an important competitive asset and emphasizes the capacity of the firm to integrate tacit knowledge”. Hemphill and Vonortas (2003) citing Mowery *et al* (1996) that “under this view, an alliance may enable one firm to gain access to key knowledge-based capabilities of another firm without internalizing or acquiring that technology-based capability” (p. 263).

3. Efficiency

The partnership was efficient because of the innovation through technology. A key question for organizations in “attempting to” utilize “knowledge for the creation and sustenance of competitive advantage” involved “an understanding of which resources and activities an organization should focus on in the development of capabilities, specifically considering the knowledge specificity and knowledge types (tacit versus

explicit) that” would be “utilized in organizational activities. In order to examine these issues and the effectiveness and efficiency of knowledge management more broadly” strategic cost management “perspective on organizational activities” should be “employed” (Silvi and Cuganesan, 2006, p.312).

4. Capacity

The partnership was supported by staff across the country and abroad. However, “the inadequate recognition of the capacity problem”, for example the determining and clearing backlogs of municipal service delivery “at all levels” strategically “had profound implications for local government’s ability to deliver services” (Allan, 2006, p.34). Thus management practitioners need to ensure the sustainability of a service delivery by addressing appropriately the capacity challenge.

5. Effectiveness

“The effective (strategic) allocation of resources for future development as well as the efficient (operational) allocation of resources” (Walters and Lancaster, 2000, p.166), was high priority to improve service delivery. During the analysis of the data, what was forthcoming has been the concern of service delivery that would achieve desired outcomes of stakeholders that were profit orientated and stakeholders that were concerned with political objectives. The outcomes involved the effectiveness regarding the efficient allocation of resources.

6. Resource based view

The private sector has competitive resources that the public sector uses to improve service delivery. Bahlmann and Huysman (2008) argued that “experimenting with more flexible forms of organizations in order to increase flexibility in terms of output, noted that ultimately, these flexible regions” have been “believed to emerge and developed into knowledge and resource sharing entities characterized by high levels of solidarity (p.309). This was demonstrated in this public private partnership. The trend that has been observed was to ensure value for money, spending within budget constraints, eliminate waste and to improve service delivery by the public sector. Overly high specifications at the planning stage have cost implications (Farlam, 2005, p.17). Potentially implications need to be managed carefully with knowledge based-view and resource based. Since an organization “will be positioned to succeed if it has the best and most appropriate stocks of resources for its business and strategy” (Collis and Montgomery, 1995, p.119).

The public private partnership and tacit knowledge would be depicted in the model described in Figure 7. This PPP and Tacit Knowledge model demonstrated that government has legislative dynamics which the private sector has to understand. The private sector has a culture of been profit driven and the knowledge to construct business models for capabilities, efficiency, effectiveness, capacity and resources. Government would be concerned with managing service delivery to the citizen whereas the private sector would be concerned with making a profit. During a public private

partnership it could be argued that the environment would be conducive for the transfer of knowledge to improve service delivery.

PPP and Tacit Knowledge Model

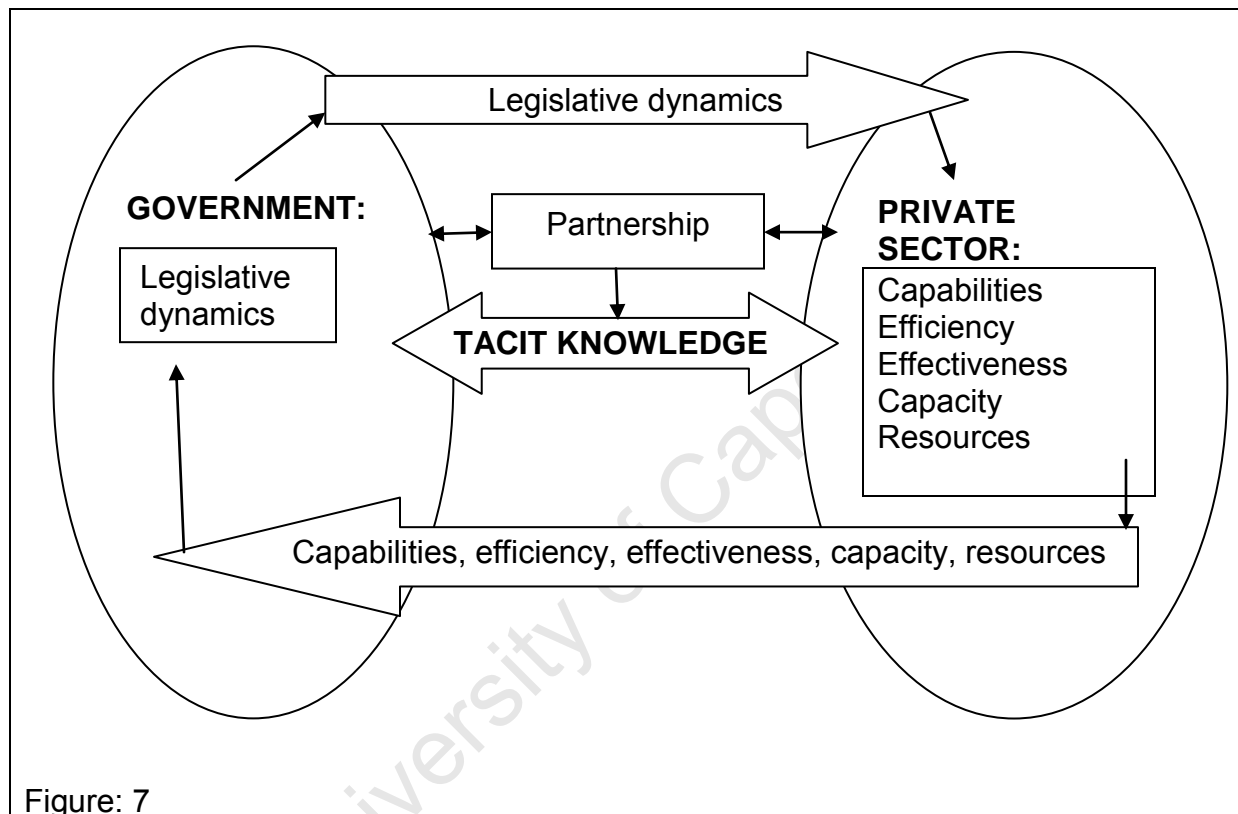


Figure: 7

During a public private partnership the two parties were brought together, both have the same interests even though the objectives could be different. However, through the alignment of the same interests and the partnership which brings the two parties together demonstrated a flow and transfer of tacit knowledge which was evident in Figure 7 of the PPP and Tacit Knowledge Model.

During the relationship of the public private partnership, both government and the private sector interests could be the same and aligned but the objectives of government and the private sector would be different. Could strategic management of costs and the knowledge-based view of an organization realistically improve service delivery in the public sector? The reviewed literature provides evidence and support to strategic cost management, particularly focusing on the public private partnerships in South Africa to improve service delivery. Furthermore, the reviewed literature contributes to the debate and wide interest to improve service delivery for the public sector. Knowledge-based view was relevant to strategic cost management to improve service delivery through public private partnerships. The common trend was to ensure value for money, spending within budget constraints, eliminate waste and to improve service delivery for the public sector. Formoso *et al* (2002) pointed out that “in fact, waste elimination” could be “a major focus for process improvement” (p.316). The public private partnership would be appropriate for the transfer of knowledge from the public sector to the private sector like a joint venture with a “common cause expressed by the partnership” (Hemphill and Vonortas, 2003, p.258), Disagreements could come about as a result of a situation when “flexibility and accountability may at times be in conflict, causing a decline in efficiency and in some cases even a breakdown of the PPP” (Fourie and Burger, 2000, p.28). The relevance of the strategic cost management discipline perspective could “be usefully applied to examine the management of knowledge, its effectiveness and efficiency in particular. Furthermore, it was considered that doing so was both timely and informative given both the importance of and problematic nature of managing knowledge for competitive advantage” (Silvi and Cuganesan, 2006, p.313). Thus the managing of costs would be practical during this time and in the location and

setting of South Africa. The scope of the literature review made reference to multiple case studies for example the N4 toll road from South Africa to Mozambique, Prison Contracts in South Africa, Eco-Tourism Concession in South Africa's Kruger National Park, Housing Policy Case Study and the Ukuvuka Case Study. Public private partnerships were criticized for "the differences in organizational culture" which has been "evident, for example, in the different values held in two sectors. The private sector places the emphasis on flexibility, while the public sector emphasizes accountability" (Fourie and Burger, 2000, p.28).

The private sector demonstrates that they have been ahead in the transfer of capabilities and knowledge. The knowledge-based view was a real and sustainable benefit for an organization because of the enshroud knowledge acquired and that it was more developed in the system. Literature demonstrated the process of exporting tacit knowledge and how effective it was with capabilities in a potentially public private partnership. Enshroud knowledge about capabilities in a public private partnership could realize benefits. Potentially implications need to be managed carefully with cultural knowledge. Explicit knowledge could be shared from files and other formal records. However tacit knowledge demonstrates major benefits in the transfer of knowledge and capabilities. Therefore this study demonstrated that tacit knowledge was relevant with experience and the difficulty in capturing tacit knowledge acquired by experienced persons. This reinforces the argument that knowledge was embedded within the mind of the experienced individual and could be difficult to transfer this knowledge. However one way to capture this tacit knowledge involves public private partnerships. The argument involved the dynamics of the relationship of a public private partnership;

strategic cost management and the knowledge-based view would be ideal ground for the flow of knowledge transfer between government and the private sector. Thus there was no doubt that public private partnerships work in knowledge transfers as a channel for strengthening the capacity and capability of the public sector in ensuring improved service delivery.

In view of the foregoing, the key issues and reviewed literature by different researchers provided evidence that the discipline strategic cost management and the knowledge-based view could improve service delivery in the public sector would be very relevant in the case of public private partnerships in South Africa and the reason for a full dissertation. Also, the specific research question at the introduction was relevant since it deals on matters that were of interest and areas of research in the public sector, supporting the ongoing debate to improve service delivery in South Africa. The knowledge based-view has been an instrument that could be used to understand and analyze the challenges in South Africa. For example, gaining knowledge on public private partnerships and building an intellectual capital. Also, there was the potential of strategic cost management application in government service delivery models. The nature of explicit knowledge and the value of tacit knowledge transfer in a relationship between the public sector and the private sector have been evident. The knowledge-based view was instrumental in collecting data from the public sector and the private sector. Through the knowledge-based view data was collected from a case study and analyzed. Thus as a result of this analysis the relationship and information management flow between the public sector and private sector has been an answer to the research question. That tacit knowledge transfer could be achieved through a public private

partnership which could support strategic cost management to improve service delivery in the public sector.

Arguments have been presented in the literature review that highlighted more than one party was involved in a public private partnership to achieve a common cause although the interests could be the same but their objectives would be different. The literature review contributed to the research to close the gap identified in management practice and inform practitioners how to deal with public private partnerships. Knowledge transfer in public private partnerships could potentially support strategic cost management in the government service delivery models. The research about knowledge transfer has been to make a contribution to closing the gap identified in literature so that management practitioners could be informed. The dynamics and flow of tacit knowledge that has not been clear in the context of South Africa in terms of the relationship between strategic cost management and public private partnerships was conducive for knowledge transfer. This made a contribution to close the gap identified in literature and management practice so that practitioners are informed to deal with this issue under study.

4.5 CONCLUSION

In view of the foregoing the dynamics of the knowledge-based view has been evident in the results of the data from a government and private sector perspective. Furthermore the analyses of the data in the form of consistencies, common trends, differences and insights from literature review and the knowledge-based view was discussed. Issues

that emerged from this analysis amongst others are efficiency, capabilities, capacity, effectiveness and resources. The flow of knowledge transfer could no doubt work in a public private partnership to ensure improved service delivery. Chapter 5 would deal on a synoptic view of the research, the importance of the research, the key findings of the study and review of how the research question has been answered.

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CHAPTER 5: CONCLUSION

5.1 INTRODUCTION

The purpose of this chapter would be to give a synoptic view of what the research has been about. Why it was important to undertake this research, how this has been done, the key findings of this study, and how the research question was answered.

5.2 THE NEED FOR FURTHER RESEARCH ABOUT STRATEGIC COST MANAGEMENT

The research was about improving service delivery in the public sector through the discipline strategic cost management in the case of a public private partnership in South Africa. Budget constraints in government have been an ongoing issue, which makes an impact on service delivery. The research question was raised concerning, how could strategic cost management support public private partnership initiatives to improve service delivery by the public sector? The research was driven by three research objectives: to research what are public private partnerships and how do they work so that a contribution could be made to close the gap identified in management practice and inform practitioners how to deal with public private partnerships. To research how strategic cost management could potentially support public private partnership initiatives in the government service delivery models by making a contribution to closing the gap identified in literature so that management practitioners could be informed. To research what was not clear in the context of South Africa in terms of strategic cost management

and public private partnerships to make a contribution to close the gap identified in literature and management practice so that practitioners are informed to deal with the issues under study. Literature review was tested on basic issues around service delivery and challenges encountered in the public service regarding resources and capabilities. The arguments included the potential of the private sector bringing in a commercial perspective for effective and efficient service delivery. Problems associated with tacit knowledge transfer in the context of the knowledge-based view were reviewed according to a literature perspective. Also, the arguments about the relationship between the knowledge-based view, strategic management of costs and public private partnerships were given from a literature review standpoint. The research was important in view of the socio-economic and political landscape that requires the South African government to ensure that basic human rights to services have been met. Data collection was performed regarding a case in public private partnership in the context of South Africa. The results of the data have been analyzed. The key findings of this study argued that the public private partnership was a commercial transaction where two parties agree to achieve a common cause such as an improved service delivery by the public sector. Although the interests of both parties were the same but their objectives were different. Furthermore, the argument was that strategic cost management could potentially support public private partnership initiatives through knowledge transfer in the context of the knowledge-based view. The arguments regarding tacit knowledge dynamics and the flow of such knowledge were conducive in the environment of public private partnerships. Thus the argument regarding the answer to the research question was that strategic cost management could potentially support public private partnership initiatives to improve service delivery by the public sector through tacit knowledge

transfer. To improve service delivery could be achieved through a knowledge-based view, resource based view, efficiency, capacity, capabilities and ensuring effectiveness through strategic cost management. The implication of adopting and applying these findings in the implementation of public private partnerships has been a challenge for government to build its capacity and capabilities of managing knowledge transfer to improve service delivery objectives effectively and efficiently regarding its resources. Governments regard improving service delivery as critical, which was high on their agendas. Therefore, it was appropriate to research and debate other government service delivery models. Since my research has not cover everything in this area of study it would be appropriate to research and debate alternative government service delivery models from a knowledge-based view and resource based view.

Furthermore, management practitioners should note the implication of practices in the build of their strategies regarding resources that should meet the five tests. “The test of inimitability”, since “inimitability is at the heart of value creation because it limits competition” (Collis and Montgomery, 1995, 120). The test of durability, thus the “longer lasting” the resource would be “more valuable” (Collis and Montgomery, 1995, p.122). The “test of appropriability”, pointing out that “not all profits from a resource automatically flow to the company that “owns” the resource” (Collis and Montgomery, 1995, p.122). The “test of substitutability”, thus the argument was that “every strategist” should “lookout for the potential impact of substitute products” (Collis and Montgomery, 1995, p.123). The “test of competitive superiority”, the argument was that “perhaps the greatest mistake managers make when evaluating their companies resources” could be “that they do not assess them relative to competitors” (Collis and Montgomery, 1995,

p.123). In view of the foregoing, the argument was that managers must continually invest in “resources”, to ensure the “upgrading of resources” and “leveraging resources” with effective strategies which could contribute to a competitive advantage (Collis and Montgomery, 1995 pp.124-127). The different philosophies that have been considered such as resourced-based view and knowledge-based view of a firm would be required to be embedded in strategies such as public private partnerships.

Furthermore, Bahlman and Huysman, (2008), cited Porter (1990) that “competitive advantage” for a nation’s competitiveness has “to be the result of highly localized processes” (p.310). This “philosophy” citing Porter (1990) has inspired regional policy-makers worldwide (Bahlman and Huysman, 2008, p.310). “The main tenets of his philosophy” have been “captured by the *national diamond* model, which outlines four attributes for “creating an entrepreneurial environment: (1) factor conditions (skilled labor, infrastructure, et cetera); (2) demand conditions, (the nature of home market); (3) related and supporting industries; and (4) firm strategy, structure, rivalry (internal organization and governance of firms and the nature of domestic competition), (Bahlman and Huysman, 2008, p.310). Thus, knowledge-based view takes into account these attributes which enhances the capabilities, efficiency, and capacity in organizations including strategies such as public private partnerships or alternative procurement methodologies to improve service delivery. Knowledge about factor conditions, demand conditions, related and supporting industries and firm strategy, structure, rivalry were tenets that should be considered when developing policies in the public and private sector, so that service delivery could be improved.

“The foremost challenge” would be to “bring together” the “theoretical and practical developments in a fuller specification regarding the implications of the knowledge-based view for business strategies, organizational structures, management systems (human resource management in particular) and inter-organizational relationships. This challenge calls for a closer collaboration between academics and practitioners than has typically been the case in the development of management principles. There” have been “signs that such partnerships” could be “emerging (Grant, 1997, p.454). The combining of the theory and the practical knowledge could have implications in the formulation of strategies to enhance service delivery. However, the aligning of philosophies and principles around strategic cost management supports public private partnership initiatives which contribute to further research for debate. Thus strategic management of costs along with alternative government service delivery models could enhance service delivery for the public sector.

5.3 CONCLUSION

The answer to the research question and how the research objectives were addressed was dealt with. The implications of adopting, applying and implementation of knowledge transfer regarding the capabilities and capacity in government have been highlighted. Strategic cost management could support alternative government service delivery models argued as an area for further research and debate.

This study about strategic cost management was limited to improving service delivery in the public sector. Also it was limited to a case of public private partnership initiatives.

However, there is an increasing need for funding of government initiatives by leveraging government assets. The question is, how can strategic cost management embrace the demand and the cost of funding against the leveraging of government assets based on the current legislation in the Republic of South Africa? How could strategic cost management embrace special purpose vehicles that would bring together the various partners for government delivery of services and goods? In view of the foregoing, it could be suggested that future research could entail the efficient leveraging of government assets to build an effective special purpose vehicle to provide funding for government and the private sector.

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Appendix A

The Research Questionnaire

1. TOPIC: The current challenges with service delivery in South Africa

What were the current challenges with service delivery in South Africa that need to be investigated?

How do the current challenges in South Africa have an impact on service delivery?

Why do the current challenges have an impact on service delivery in South Africa?

Where do the current challenges in service delivery have an impact in South Africa?

Who were affected by the current challenges for service delivery in South Africa?

When have the current challenges for service delivery had an impact on South Africa?

2. TOPIC: Focus on the value for money, given the budget constraints was a key area that needs to be addressed if the country was to improve service delivery

How could the costs be strategically managed during the current global economic downturn, to ensure improved service delivery in the public sector?

Who should manage the costs strategically during the current global economic downturn, to ensure improved service delivery in the public sector?

When should there be a strategic management of costs, taking in consideration the current global economic downturn, to ensure improved service delivery in the public sector?

3. TOPIC: Strategic management of costs by monitoring and evaluating public private partnerships to improve service delivery

How could managing of the costs strategically improve service delivery through monitoring and evaluating public private partnership projects?

When could managing of the costs strategically improve service delivery through monitoring and evaluating public private partnership projects?

Who could strategically management costs to improve service delivery through monitoring and evaluating public private partnership projects?

Where could strategic management of costs improve service delivery through monitoring and evaluating public private partnership projects?

4. TOPIC: The efficiency of service delivery in the public sector could be improved by eliminating waste.

How could the efficiency of service delivery in the public sector be improved by eliminating waste?

Where could service delivery in the public sector be improved by efficiency and eliminating waste?

What service delivery in the public sector could be improved by efficiency and eliminating waste?

When should the efficiency of service delivery in the public sector be improved by eliminating waste?

Who were affected by the efficiency of service delivery in the public sector which was improved by eliminating waste?

5. TOPIC: Investigate and focus on the value for money given the budget constraints in the country.

When was it necessary to investigate and focus on the value for money notion, given the budget constraints in the country?

How should the focus on the value for money be investigated, given the budget constraints in the country?

Where was it necessary to investigate and focus on the value for money notion, given the budget constraints in the country?

6. TOPIC: Achieving value for money using cost management as a way for enhancing service delivery, with specific reference to the public sector.

To achieve value for money, how could cost management be used as a way for enhancing service delivery in the public sector?

Where could cost management be used as a way for enhancing service delivery in the public sector, to achieve value for money?

Who could use cost management as a way for enhancing service delivery in the public sector, to achieve value for money?

The following question was addressed to the departmental representative of the public sector and the operations executive of the private sector. Focusing on cost management, what efficiency, capacity and capabilities did the private sector bring to this public private partnership case?

The following question was raised with the National Treasury Department officials: Does tacit knowledge have an influence on public private partnerships?

Appendix B

Table 1: Results of survey questions and interviews

Topic: The current challenges with service delivery in South Africa

What were the current challenges with service delivery that need to be investigated?

Response by public sector	Response by private sector
<p>“The abuse of social grants, however there were people that used the social grants responsibly. On the other hand, there were reports that people abused the social grants through the abuse of alcohol, drugs and false declarations such as statements that the father was dead and yet he was alive” according to an interview with Physical Asset Specialist at Provincial Treasury: Western Cape, Carmen Lucas. Date of interview, 24 August 2010. Carmen Lucas has 3 years working experience.</p> <p>“The challenges for service delivery were capacity, budget constraints, and social economic and political opposition”, pointed out by Ntandokaze Cenge who was a Transaction Advisor and has 5 years working experience. Date of interview, 26 August 2010.</p>	<p>“Procurement processes, and correcting economically the service”, a telephonic interview was conducted with Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, on the 13 September, 2010.</p>

How do the current challenges in South Africa have an impact on service delivery?

Response by public sector	Response by private sector
<p>“There was a demand and a huge backlog from the previous apartheid era for service delivery that need to be addressed. Also, the constant shift of demographics has becoming a moving target for service delivery”, according to Graham Nevin a consultant for the provincial government, appointed by National Treasury to deal with complex management and treasury infrastructure issues in the Western Cape.</p>	<p>Determining the best price, labor orientated, manipulating and aligning services to meet the demands of the client”, a telephonic interview was conducted with Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, on the 13 September, 2010.</p> <p>“Unabated industrial action was very costly as corporate lose revenue. This may trigger a cycle of cost-cutting and ultimately down-sizing and retrenchments”, an interview with Patlo Lerotholi, Operations Executive, for Mpilisweni Facility Services Consortium the private party, e-mail dated 13 September 2010.</p>

Why do the current challenges have an impact on service delivery in South Africa?

Response by public sector	Response by private sector
<p>“Skills based, for example infrastructure at provincial, local, and national, the knowledge capacity to deliver service was lacking. Furthermore, it could be argued that the private sector resources were also affected due to the lack of skills caused by emigration. The economy was a downturn; therefore, not much work. Skills capacities that need to be given attention. The older generation has acquired skills whereas the younger generation needs to acquire these skills. The transfer of knowledge was a risk. Public sector legislation has a good purpose but could be a hindrance and cumbersome. For this reason the private sector could outshine the public sector, since the private sector could operate in an environment that bring about innovations” , according to Graham Nevin a consultant for the provincial government, appointed by National Treasury to deal with complex infrastructure issues in the Western Cape.</p>	<p>“The recession had an impact on the economy in South Africa. Clients were burden unnecessarily with short cuts to meet service delivery expectations, which we call industrial costs” a telephonic interview was conducted with Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, on the 20 September, 2010.</p>

Where do the current challenges in service delivery have an impact in South Africa?

Response by public sector	Response by private sector
<p>“The grants provided for social services were insufficient, particularly child grants” an interview with Physical Asset Specialist at Provincial Treasury: Western Cape, Carmen Lucas. Date of interview, 24 August 2010.</p> <p>“For example, housing to be made available, there was a huge demand to maximize the benefits for the small resources in the environment” according to Physical Assets Specialist for provincial departments in the Western Cape. Date of interview 27 August 2010, Pakama Mndita has four and a half years working experience in government and the private sector.</p> <p>“The short answer was on all levels and in all institutions. From a community perspective the lack of basic services (housing, water, electricity, etc) was most properly the most urgent need. Almost like Maslow’s theory. However, education, health, etc., were not far behind. This also varies between different communities, as all the communities do not have the same needs. At national level our Defence Force, Justice System, Police were also not what it should be” according to an interview via e-mail with Nicholaas Langehoven, Senior Manager for Immovable Asset Management & PPPs at the Provincial Treasury: Western Cape, currently abroad in Australia studying at the University of Sydney. E-mail response of the interview was dated 29 August 2010.</p>	<p>“Escalation of costs, the challenge was to manipulate the costs during negotiations and agreement, to provide a service delivery that would be a deal breaker”, a telephonic interview was conducted with Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, on the 13 September, 2010.</p>

Who were affected by the current challenges for service delivery in South Africa?

Response by public sector	Response by private sector
<p>"The poorest of the poor from the communities in municipal areas were affected. The municipal personnel and managers have been affected by the budget constraints and lack of funding. People do not want to live under such circumstances", an interview with Physical Asset Specialist for municipalities at the Provincial Treasury: Western Cape, Carmen Lucas has 3 years working experience. Date of interview, 24 August 2010.</p>	<p>"The service providers, specifically deliverables that have a minimal effect on clients" a telephonic interview was conducted with Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, on the 13 September, 2010.</p>

When have the current challenges for service delivery had an impact on South Africa?

Response by public sector	Response by private sector
<p>"Service delivery was very broad since it includes social security, housing, education, health, roads and transport, which takes a lot of the government budget. The impact was on the budget, and depends on how much was available given the scarce resources", according to Physical Assets Specialist for Provincial Departments in the Western Cape. Date of interview 27 August 2010, Pakama Mndita has four and a half years working experience in government and the private sector.</p>	<p>"When there was an escalation of costs and the same service was demanded at the same cost before, the escalation costs had an impact. Also, when there could be a promulgation of government legislation for a minimum and maximum tariff. Organized labor demands, for example teachers salary increases have an impact on service delivery costs" a telephonic interview was conducted with Cheslin Williamson, Finance Manager, for private party, Mpilisweni, Facility Services Consortium on the 13 September, 2010.</p>

Topic: Focus on the value for money, given the budget constraints was a key area that needs to be addressed if the country was to improve service delivery

How could the costs be strategically managed during the current global economic downturn, to ensure improved service delivery in the public sector?

Response by public sector	Response by private sector
<p>"Down scale costs by limiting sleep over accommodation on business trips and team building sessions. Manage cost saving on Provincial Sports Day and other traditional events such as Open Day and Children's Day. Savings on catering, internet, telephone and electricity need to be addressed. Restructure the schedule for meetings that requires air flight transport, by having more than one meeting on that particular day" according to an interview with Dianne Govender, Transaction Advisor at the Public Private Partnerships unit for legal related matters for Provincial Treasury: Western Cape. Dianne Govender has 10 years working experience in the private sector and government. Date of interview, 24 August 2010.</p>	<p>"It was a crucial matter that was found with the service provider pricing and quality of the service delivery" a telephonic interview was conducted with Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, on the 13 September, 2010.</p> <p>"There were various ways of managing costs for example, finding innovative ways of utilizing available but under utilized resources as in adapting technology to alternative use", according to an interview with Patlo Lerotholi, Operations Executive, for Mpilisweni Facility Services Consortium the private party, e-mail dated 13 September 2010.</p>

Who should manage the costs strategically during the current global economic downturn, to ensure improved service delivery in the public sector?

Response by public sector	Response by private sector
<p>“The process should be driven by the government departments and facilitated by the treasury department considering the mechanisms value for money within the limited budget available,” according to the Manager for the Provincial Infrastructure Unit at the Provincial Treasury Department in the Western Cape. Reggie Daniels has 27 years working experience in government. Date of interview, 26 August 2010.</p>	<p>“Government should provide a leeway for penalties; the objective was not to be punitive” a telephonic interview was conducted with Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, on the 13 September, 2010.</p>

When should there be a strategic management of costs, taking in consideration the current global economic downturn, to ensure improved service delivery in the public sector?

Response by public sector	Response by private sector
<p>“Strategic management of cost should always be high on the agenda of government. In tougher economic conditions it was just more prominent” according to an interview via e-mail with Nicholaas Langehoven, Senior Manager for Immovable Asset Management & PPPs at the Provincial Treasury: Western Cape, currently abroad in Australia studying at the University of Sydney. E-mail response of the interview was dated 29 August 2010.</p> <p>There should be a strategic management of costs, “during the budget process, before the finalization of the budget and during the assessment of the budgets,” according to the Manager for the Provincial Infrastructure Unit at the Provincial Treasury Department in the Western Cape. Reginald Daniels has 27 years working experience in government. Date of interview, 26 August 2010.</p>	<p>“This should be jointly managed between the private party and the public party on a monthly basis. Strategic management of costs should be done within the realm and context of the partnership” says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p>

Topic: Strategic management of costs by monitoring and evaluating public private partnerships to improve service delivery in the public sector

How could managing of the costs strategically improve service delivery through monitoring and evaluating public private partnership projects?

Response by public sector	Response by private sector
<p>“Eventually understanding of the economy, economical tide, and the growth and slow down was how strategic management of costs improves service delivery through monitoring and evaluating public private partnership projects. Economic factors such as interest rates on borrowing, funding, inflation rates, employment creating spinoffs, generate support into these resources, identify spillover benefits, social and economic benefits was how strategic management of costs improve service delivery through monitoring and evaluating public private partnership projects. Bring in new technology, innovate, incentives for the community, communication strategy for information management and public participation was how strategic management of costs improve service delivery through monitoring and evaluate public private partnership” according to an interview with Louise Dean, Public Private Partnership Unit Manager for Provincial Treasury: Western Cape. Date of interview was the 24 August 2010. Louise Dean has 31 years working experience in government.</p>	<p>“This need to be done on a daily basis, the emphasis was not to be punitive but rather corrective however certain areas were non-negotiable” says Cheslin Williamson, Finance Manager, for private party, Mpiliswen Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p> <p>“Transparency and full disclosure could go a long way towards addressing this issue. Early warning systems should be put in place such that all stakeholders could jointly collaborate and achieve stated service delivery objectives especially when the Senior Partner was faced with budget constraints”, according to an interview with Patlo Leretholi, Operations Executive, for Mpilisweni Facility Services Consortium the private party, e-mail dated 13 September 2010.</p>

When could managing of the costs strategically improve service delivery through monitoring and evaluating public private partnership projects?

Response by public sector	Response by private sector
<p>“Monitoring and evaluation of all PPP projects was mandatory (Treasury regulations, Public Finance Management, Act No 1 of 1999 as amended and many other financial and PPP prescripts). This was to ensure legal contractual compliance as well as compliance with the pre-agreed to service outputs (quality, coverage, standard of service, frequency etc.). Managing the costs would imply strict adherence to the pre-agreed to financial model and annual escalations. This also means scrutinizing very carefully all invoices and supporting documentation submitted by the private party. As PPP’s also make provision for Pass Through and Add on Costs, as well as Small Works with an agreed to annual escalation, these could be carefully controlled and utilized with foresight and careful planning, to ensure added value to the hospital and improved service delivery. For example, the Small Works rates were fixed for the period of the contract (albeit with the pre-agreed to annual escalation). Improvements could be done at the hospital, at these agreed to Small Works rates. This could be much more cost-effective than having to be bound to the open labor market rates, which could increase annually at an exorbitant rate!” according to Jenny Hendry, Deputy Director, Western Cape Rehabilitation Centre, Department of Health: Western Cape. E-mail received 31 August 2010.</p>	<p>“This should be done daily” says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p>

Who could strategically management costs to improve service delivery through monitoring and evaluating public private partnership projects?

Response by public sector	Response by private sector
<p>“The different sphere of governments such as entities, local government, provincial government and national government could strategically management costs to improve service delivery through monitoring and evaluating public private partnership projects. The accounting officers were the most critical ones, according to plan, prescripts, budget, and political accountability; the leadership for political and administrative was needed to strategically management costs to improve service delivery through monitoring and evaluating public private partnership projects” according to an interview with Louise Dean, Public Private Partnership Unit Manager for Provincial Treasury: Western Cape. Date of interview was the 24 August 2010. Louise Dean has 31 years working experience in government.</p>	<p>“Both government and the private party” says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p>

Where could strategic management of costs improve service delivery through monitoring and evaluating public private partnership projects?

Response by public sector	Response by private sector
<p>"Planning, budgeting, estimating, soliciting funds, accountability of costs, reporting outcomes of spending costs, and the usefulness of spending was where strategic management of costs improve service delivery through monitoring and evaluating public private partnerships", according to an interview with Louise Dean, Public Private Partnership Unit Manager for Provincial Treasury: Western Cape. Date of interview was the 24 August 2010. Louise Dean has 31 years working experience in government.</p>	<p>"Various services particular the service where the higher prices were paid for work done" says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p>

Topic: The efficiency of service delivery in the public sector could be improved by eliminating waste.

How could the efficiency of service delivery in the public sector be improved by eliminating waste?

Response by public sector	Response by private sector
<p>"Working smartly, unfunded mandates must be stopped, looking at resources to determine efficiency and to eliminate waste. Productive staff, doing work that makes sense was how efficiency of service delivery in the public sector was improved by eliminating waste. Technology to be used for example, telephonic conferencing, video conferencing, internet, paperless office environment, office accommodation; general mindset within government must be committed to save costs and to compromise. Education programme, for communities and employees should be informed through a campaign to drive service delivery in the public sector that could be improved by efficiency and to eliminate waste. The private party should come and to take up the initiatives normally delivered by government through the Construction Board for Industry and Development. Salary negotiation, civil servants to understand the bigger picture that were not really align to what we should do. Call for restructure of government there should be a moratorium of posts" according to an interview with Louise Dean, Public Private Partnership Unit Manager for Provincial Treasury: Western Cape. Date of interview was the 24 August 2010.</p> <p>"Budget, right policies, right strategies and plans to utilize the resources efficiently, by prioritizing, the right people and right skills would depend on these two for efficiency", according to Physical Assets Specialist for provincial departments in the Western Cape. Pakama Mndita has four and a half years working experience in the private sector and government. The date of the interview was the 27 August 2010.</p>	<p>"Waste cannot be eliminated altogether but it certainly could be reduced. For example global warming has an impact on the efficiency of service delivery, this need to be considered to reduce waste", says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p> <p>"By implementing competitive pricing procurement", according to an interview with Patlo Lerothi, Operations Executive, for Mpilisweni Facility Services Consortium, the private party, e-mail dated 13 September 2010.</p>

Where could service delivery in the public sector be improved by efficiency and eliminating waste?

Response by public sector	Response by private sector
<p>"The intergovernmental relations between the provincial governments, municipalities and national government to work so that service delivery in the public sector be improved by efficiency and eliminating waste," according to an interview with Louise Dean, Public Private Partnership Unit Manager for Provincial Treasury: Western Cape. Date of interview was the 24 August 2010.</p>	<p>"Joint consultation between the private party and government", says Cheslin Williamson, Finance Manager, for private party, Mphilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p>

What service delivery in the public sector could be improved by efficiency and eliminating waste?

Response by public sector	Response by private sector
<p>"Public who were paying for services provided by government, there should be a drive to collect money, citizens should contribute to the basic and other services, for example electricity costs saving, life style should change, more green environment conscious and mode of transport costs saving" according to an interview with Louise Dean, Public Private Partnership Unit Manager for Provincial Treasury: Western Cape. Date of interview was the 24 August 2010. Louise Dean has 31 years working experience in government.</p>	<p>"Service products", says Cheslin Williamson, Finance Manager, for private party, Mphilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p>

When should the efficiency of service delivery in the public sector be improved by eliminating waste?

Response by public sector	Response by private sector
<p>"Have to be efficient in the allocation of the budget and results, utilizing the resources, maximize, start from planning efficiently, effective policies, strategies and productive outputs" according to Physical Assets Specialist for provincial departments in the Western Cape. Pakama Mndita has four and half years working experience in the private sector and government, the date of an interview was the 27 August 2010.</p>	<p>"Immediately there should be initiatives since the inception of the operations of the project and savings should be recovered from waste reductions" says Cheslin Williamson, Finance Manager, for private party, Mphilisweni Facility Services Consortium, according to a telephonic interview on the 20 September, 2010.</p>

Who were affected by the efficiency of service delivery in the public sector which was improved by eliminating waste?

Response by public sector	Response by private sector
<p>“Politicians deserve good salaries but not extravagant salaries rather it should be aligned with the economy, for example car allowance there should be a change in the mindset. There should be a saving in government and benefits to the community when there was an increase in productivity. The restructuring of posts should not be the view that they build kingdoms for themselves in an inner circle. The view should not be to rid an employee that was not performing, to promote such officials who have moved within the ranks and burden the department” according to an interview with Louise Dean, Public Private Partnership Unit Manager for Provincial Treasury: Western Cape. Date of interview was the 24 August 2010. Louise Dean has 31 years working experience in government.</p>	<p>“People and the government”, says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p>

Topic: Investigate and focus on the value for money given the budget constraints in the country.

When is it necessary to investigate and focus on the value for money notion, given the budget constraints in the country?

Response by public sector	Response by private sector
<p>“Part of your planning process, look at the value for money, reactive thinking would not work. Do the project planning as there was value for money, common sense given the budget constraints in the country” according to an interview with Patrick Jacobs, Physical Asset Specialist for municipalities at the Provincial Treasury: Western Cape. Date of Interview 24 August 2010. Patrick Jacobs has 15 years working experience in government.</p> <p>“Past programs that has failed to take note and establish how to improve on the weakness, needs to be addressed, economic viable, to be fair, equitable, earmarked to the people who really needs it” according to an interview with Rudolph Beukes, Physical Asset Specialist for municipalities at the Provincial Treasury: Western Cape. Date of Interview 24 August 2010. Rudolph Beukes has 6 years working experience.</p>	<p>“When there was an escalation of costs, this should be addressed” says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p>

How should the focus on the value for money be investigated, given the budget constraints in the country?

Response by public sector	Response by private sector
<p>“My understanding was that value for money was usually determined using a “Public Sector Comparator”. On the face of it, it usually “looks” more expensive to go the PPP route. However, it was very difficult to quantify in “Rands” aspects such as the total transfer of risk, the “protection” of an investment such as huge capital outlay (such as the R100m spent on our building by Government). In a PPP the value for money was in my view also “protected” contractually. We would get a “return on investment” of the R100m spent initially on buildings, which must be in the same condition once the PPP contract expires. The equipment must have a remaining lifespan of 6 years. This would NEVER have been the case had we not gone the PPP route. The buildings and equipment would have continued to depreciate over the 12 year period and have little if any value left at end of PPP term. In the Public Sector Comparator, was there ever any calculation of “lost value”? Clinical and managerial staff spending (wasting) time on dealing with different sub-contractors (if outsourced) or time and manpower’s (productivity) lost when managing in-house staff, i.e., disciplinary and performance issues, which we know takes HOURS of one’s time!”, according to an interview with Jenny Hendry, Deputy Director, Western Cape Rehabilitation Centre, Department of Health: Western Cape. E-mail dated 31 August 2010.</p> <p>“An expert team should be appointed to work systematically thru each department’s delivery mechanisms to verify that they render services on the most efficient way. They should also verify that each service the department delivers was value for money and adds to the bigger picture of service delivery and these services were in deed a priority for government and society. This should be continuous irrespective of budget constraints or not. There would always be budget constrains”, according to an interview via e-mail with Nicholaas Langehoven, Senior Manager for Immovable Asset Management & PPPs at the Provincial Treasury: Western Cape, currently abroad in Australia studying at the University of Sydney. E-mail response of the interview was dated 29 August 2010</p>	<p>“By forming strong alliances with the private sector and leveraging on the private sector’s entrepreneurial acumen” according to an interview with Patlo Lerotholi, Operations Executive, for Mpilisweni Facility Services Consortium the private party, e-mail dated 13 September 2010.</p>

Where was it necessary to investigate and focus on the value for money notion, given the budget constraints in the country?

Response by public sector	Response by private sector
“Housing and the social development including social workers to be prioritize as a service delivery,” according to the Transaction Advisor for finance at the Provincial Treasury Department in the Western Cape. Ntandokaze Cenge has 5 years working experience. Date of interview, 26 August 2010.	“Project resources”, says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.

Topic: Achieving value for money using cost management as a way for enhancing service delivery, with specific reference to the public sector.

To achieve value for money, how could cost management be used as a way for enhancing service delivery in the public sector?

Response by public sector	Response by private sector
“Want to achieve value for money, therefore, in the past, look at means of saving, reviewing expenditure and active expenses such as functions, directors to encourage using cheaper accommodation and shifting the funds to enhance service delivery. Prioritizing which service to provide service delivery for example in government housing and other backlogs”, according to the Transaction Advisor Manager for finance at the Provincial Treasury Department in the Western Cape. Ntandokaze Cenge has 5 years working experience. Date of interview, 26 August 2010.	“Private party was demanded to provide cheaper services and the same quality service delivery standards were expected, was a concern to the private party” says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010. “There were a lot of synergies between the public and private sectors of the economy. Privately owned organizations should demonstrate sound financial management capabilities and controls in delivering solutions to service the public sector”, according to an interview with Patlo Lerotholi, Operations Executive, for Mpilisweni Facility Services Consortium, the private party, e-mail dated 13 September 2010.

Where could cost management be used as a way for enhancing service delivery in the public sector, to achieve value for money?

Response by public sector	Response by private sector
“Considering the environment in which the department was operating, the use of cost management by automation, technology and speed were ways and areas to enhance service delivery for the departments” as stated by the Manager for the Provincial Infrastructure Unit at the Provincial Treasury Department in the Western Cape. Reginald Daniels has 27 years working experience in government. Date of interview, 1 September, 2010.	“The service delivery level agreements, reduce costs, concessions, escalation costs and specifications”, says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.

Who could use cost management as a way for enhancing service delivery in the public sector, to achieve value for money?

Response by public sector	Response by private sector
<p>“The argument was that cost management accounting was not relevant to government, since it was mostly used by the private sector in manufacturing, production, labor, variable costing and finished goods. To determine the cost of a product, the spending on labor, material, processes, variable costs and fixed costs need to be calculated. Cost accounting entails the advising of shareholders, to minimize costs, such as variable and fixed costs. Cost management in government could be applied in the construction of schools, infrastructure project for example to determine how much does it cost. The managers, school governing bodies and contractors could be encouraged to use cost management. The concern in government was to minimize costs to achieve value for money. For example in the Education Department in the Western Cape, money was transferred to school governing bodies that have diverse backgrounds in skills. The communities, builders, architects, plumbing and many other skilled persons make up the governing body that need cost management skills. Thus by having such persons trained in cost management then there would be no need for consultants to design since the technical knowledge would be already been transferred. The governing body include volunteers and were not paid a salary thus there would be a saving on management consultant costs and the service delivery would be cheaper for government. Furthermore, the Department of Public Works tendering processes were time consuming to register. The businesses were profit orientated when tendering compared with governing bodies at schools that does the work voluntarily. However, quality should not be compromised to build schools with sub standards” according to an interview with Theophilus Gaoagwe, Physical Assets Specialist at the Provincial Treasury: Western Cape for provincial infrastructure projects. Theophilus Gaoagwe has 7 years working experience in the private sector and government. Date of interview was the 25 August 2010.</p> <p>“The oversight role should be the treasury department, however, the government departments performing service delivery could use cost management to enhance service delivery effectively and efficiently. The banking system automations were an example of improved service delivery for banking transactions”, pointed out by the Manager for the Provincial Infrastructure Unit at the Provincial Treasury Department in the Western Cape. Reginald Daniels has 27 years working experience in government. Date of interview, 1 September 2010.</p>	<p>“Jointly by government and the private party could benefit both parties” says Cheslin Williamson, Finance Manager, for private party, Mpilisweni Facility Services Consortium, according to a telephonic interview on the 13 September, 2010.</p>

Appendix C

Topic: The current challenges with service delivery in South Africa

What were the current challenges with service delivery in South Africa that need to be investigated?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Corruption, social spending, capacity, budget constraints, social economic and political opposition	Procurement processes to improve service delivery economically	Spending economically and procurement capacity	Corruption, budget constraints, political opposition	“Land availability, limited budget, corruption, utilizing the best availability of resources and private sectors to provide funding were challenges with service delivery in South Africa. The policies, investment in skills development and capabilities were challenges that were needed to enhance competency in the public sector” according to an interview with Tumi Lugwali dated 4 October 2010	Since the private sector was concerned with the procurement processes, the trust to ensure that funding was managed with integrity could strength the public private partnership. The knowledge of budget constraints that government has to deal with during the downturn of the economy requires capacity and capabilities. Also, the capacity to deal with political issues and objectives by both the public sector and private sector was necessary for the success of the public private partnership. Furthermore, the partnerships require the capability and capacity to spend economically, efficiently and effectively.

How do the current challenges in South Africa have an impact on service delivery?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Demand and huge backlog from the previous apartheid era affects service delivery. Constant shift of demographics has become a moving target for service delivery.	Prices, labor, manipulating and aligning services to meet the demands. Unabated industrial action was very costly. Cycle of cost-cutting and ultimately down-sizing and retrenchments.	Backlogs and aligning demands for service delivery Labor has an impact on service delivery	No significant differences	No significant disagreements	The capacity and the capability knowledge were needed to strategically manage costs such as labor and the aligning of backlogs in the country has an impact on service delivery.

Why do the current challenges have an impact on service delivery in South Africa?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Skills base and knowledge capacity to deliver service was lacking. Private sector resources and lack of skills caused by emigration. Economy was a downturn. Skills capacity and transfer of knowledge.	Economy recession Industrial costs	Economy downturn and recession Knowledge capacity	None	Not applicable since no significant disagreements	Knowledge capacity in an economy downturn and recession were challenges that could have an impact on improved service delivery.

Where do the current challenges in service delivery have an impact in South Africa?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
<p>Social funding of child grants. Housing a huge demand. On all levels and in all institutions. Lack of basic services such as housing, water and electricity. Education and health, the Defence Force, Justice System and Police</p>	<p>Escalation of costs Negotiations Providing a service delivery that would be a deal breaker</p>	<p>On all levels and in all institutions. Escalation costs have an impact on both the public sector and private sector.</p>	<p>No significant differences</p>	<p>No significant disagreement</p>	<p>Current challenges have an impact on all levels and in all institutions in government. It was noted that the private sector was particularly focusing on the escalation of costs, capacity and capabilities of service delivery.</p>

Who were affected by the current challenges for service delivery in South Africa?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
<p>Communities in municipal areas were affected. Municipal personnel and managers were affected by the budget constraints</p>	<p>Service providers</p>	<p>None</p>	<p>Communities Public Managers Service providers</p>	<p>“Those that were tasked to carry out duties at local, provincial, national government and the end users of the community were seriously impacted by the current challenges for service delivery in South Africa. On the other hand, the service providers could provide support through skills and expertise to some extent in housing, access to resources and information in health care” according to an interview with Tumi Lugwali, an Assistant Director Physical Assets Specialist Date of interview was the 4 October 2010.</p>	<p>According to the public sector the communities and the managers in public service were affected by the challenges to service delivery whereas the private sector was focusing on the service providers that were affected. Arguments by the public sector indicate that skills, expertise, resources and information could be provided by the private sector.</p>

When have the current challenges for service delivery had an impact on South Africa?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
The impact was on the budget, and depends on how much was available given the scarce resources.	Escalation of costs Promulgation of government legislation for a minimum and maximum tariff Organized labor demands	Escalation of costs, budget, resources	Legislation and organized labor demands	"The changes in the consumer price index and the foreign exchange was when the current challenges for service delivery had an impact" according to an interview with Dianne Govender, Transaction Advisor at the Public Private Partnerships unit for legal related matters for Provincial Treasury: Western Cape. Date of the interview was the 4 October 2010.	The escalation costs, budget and the availability of resources was noted by the private sector and public sector. This was when service delivery was impacted by challenges in South Africa according to both sectors. However it was argued by the private sector regarding changes in legislation and organized labor demands was when service delivery was affected by challenges.

Topic: Focus on the value for money, given the budget constraints was a key area that needs to be addressed if the country was to improve service delivery

How could the costs be strategically managed during the current global economic downturn, to ensure improved service delivery in the public sector?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Down scale costs on accommodation regarding business trips and team building sessions. Manage cost saving on traditional events. Savings on catering, internet, telephone, electricity and air flight transport expenditure.	Service provider pricing and quality of the service delivery. Innovative Utilizing available but under utilized resources. Technology	Service provider pricing and quality of the service delivery. Innovative Utilizing available but under utilized resources. Technology	No significant differences	Generally there was no disagreement	The view of the public sector and private sector indicate that managing costs relevant to pricing, quality, resources through innovation and technology could improve service delivery.

Who should manage the costs strategically during the current global economic downturn, to ensure improved service delivery in the public sector?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Government departments Facilitated by the treasury department	Government	Government	No significant differences	None	Both responses from the public sector and private sector agree that government should strategically manage costs during the current global economic downturn to ensure improved service delivery.

When should there be a strategic management of costs, taking in consideration the current global economic downturn, to ensure improved service delivery in the public sector?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
<p>High on the agenda of government.</p> <p>Budget process</p> <p>Finalization of the budget</p> <p>Assessment of the budgets</p>	<p>Monthly basis</p>	<p>High on the agenda</p>	<p>No significant differences</p>	<p>No material disagreements</p>	<p>According to the public sector response, strategic management of costs should be high on the agenda during the budget process, finalization and at the assessment of the budget. The private sector emphasized that strategic management of costs should be done on a monthly basis. This demonstrated how strategic cost management support public private partnership initiatives.</p>

Topic: Strategic management of costs by monitoring and evaluating public private partnerships to improve service delivery

How could managing of the costs strategically improve service delivery through monitoring and evaluating public private partnership projects?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Economy growth and slow down. Interest rates on borrowing. Funding Inflation rates Employment creating spinoffs Resources Spillover benefits Social and economic benefits. Technology Innovate Incentives for the community. Communication strategy Information management Public participation	Daily basis Corrective Transparency Early warning systems Budget constraints	Daily basis during economy growth and slow down Transparency, Information management strategy and public participation. Budget constraints Funding resources Early warning systems Innovate Technology Corrective	Incentives for the community. Spillover benefits	“In Africa, particularly the rural areas the mindset compared with other countries in Western Europe, United States, China and Japan the values should enhance service delivery. There should be realistic targets that could be achieved in business areas and that the private party could play a role in providing incentives and spillover benefits to the community” according to Louise Dean, Manager for PPP Unit of the Provincial Treasury: Western Cape. Date of interview 1 October 2010.	It has been observed that both parties were consistent that there should be a monitoring and evaluation done on a daily basis during economy growth and slow down to ensure a strategic management of costs. Transparency, information management strategy and public participation demonstrate that knowledge gained could benefit the public private partnership. The monitoring and evaluation of budget constraints, funding resources and developing early warning and corrective systems could improve service delivery strategically. Furthermore, innovations and technology used in the process of monitoring and evaluating public private partnerships could improve service delivery.

When could managing of the costs strategically improve service delivery through monitoring and evaluating public private partnership projects?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Service outputs Quality Coverage Standard of service Frequency Pre-agreed to financial model and annual escalations. Scrutinizing all invoices and supporting documentation. Pass Through Costs Add on Costs Annual escalation Planning Labor market rates Control Added value	Daily	Daily and frequent	No real significance although the public sector emphasized the activities in detail.	The public sector has been more detailed than the private sector regarding activities that were concern to government.	Thus both parties agree that it should be done daily and frequently to monitor and evaluate costs strategically.

Who could strategically management costs to improve service delivery through monitoring and evaluating public private partnership projects?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Local government, provincial government and national government. Accounting officers Political accountability	Government Private party	Government	The private sector	“The private sector could engage in poverty alleviation and business creation through the Local Economic Development programmes” this was highlighted by Louise Dean, Manager for PPP Unit of the Provincial Treasury: Western Cape. Date of interview 1 October 2010.	The public sector emphasized the accounting officer, political heads, whereas it was interesting to note that the private sector saw the need to take responsibility for the monitoring and evaluation of strategically management of costs.

Where could strategic management of costs improve service delivery through monitoring and evaluating public private partnership projects?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Planning, budgeting Estimating Soliciting funds Accountability Reporting outcomes and usefulness of spending	Services High prices	Planning, budgeting, estimating, spending and high prices of services	Accountability	"Accountability for authorizing fruitless and wasteful expenditure," according to Dianne Govender, Transaction Advisor at the Public Private Partnerships unit for legal related matters for Provincial Treasury: Western Cape, the date of interview was the 4 October 2010.	The monitoring and evaluating of costs during the planning, budgeting, estimating, and the high prices that have an impact on service delivery was where both parties agree and was consistent that costs should be managed.

Topic: The efficiency of service delivery in the public sector could be improved by eliminating waste.

How could the efficiency of service delivery in the public sector be improved by eliminating waste?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
<p>Working smartly Unfunded mandates must be stopped. Resources Productive staff Technology Telephonic conferencing Video conferencing Internet, Paperless office environment Office accommodation General mindset to save costs and to compromise. Education programme for communities and employees. Campaign to drive efficiency. Private party initiatives Salary Moratorium of posts Budget Policies Strategies and plans to utilize the resources efficiently. Right people and right skills for efficiency.</p>	<p>Waste reduced Global warming Competitive Pricing Procurement</p>	<p>Competitive pricing procurement as working smartly in technology, resources, funding.</p> <p>Waste to be reduced, mindset to save costs and to compromise.</p> <p>Education programme, for communities and employees.</p> <p>Campaign to drive efficiency, private party initiatives.</p>	<p>Salary, moratorium of posts. Budget Policies, strategies and plans to utilize the resources efficiently. Right people and right skills for efficiency. Global warming</p>	<p>“Not getting the skills was a waste if the job cannot be done, for example, equity” according to Dianne Govender Transaction Advisor at the Public Private Partnerships unit for legal related matters for Provincial Treasury: Western Cape, date of the interview was the 4 October 2010.</p>	<p>The private sector argues that there should be competitive pricing and procurement. The public sector agrees that this could be achieved by technology, resources, funding and that there should be awareness of cost management to ensure efficiency.</p>

Where could service delivery in the public sector be improved by efficiency and eliminating waste?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Intergovernmental relation Provincial governments Municipalities National government	Joint consultation between the private party and government	Government and the private sector to have joint consultations	No real significant difference	No material disagreement	Service delivery could be improved at intergovernmental relation by joint consultation between the public sector and the private sector to eliminate waste.

What service delivery in the public sector could be improved by efficiency and eliminating waste?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Public paying for services Electricity costs saving Life style should change Green environment conscious Transport costs saving	Service products	Service products	No real differences since the private sector and the public sector were cost conscious and aware of climate changes.	No real significant difference	Services provided such as electricity and transport thus indicating basic services. Life style should be cost conscious and green environment awareness.

When should the efficiency of service delivery in the public sector be improved by eliminating waste?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Allocation of the budget and results. Resources maximize Start from planning Policies Strategies Productive outputs	Inception at the project operations. Savings should be recovered from waste reductions.	Allocation of the budget, inception at the project operations, strategies, productive outputs, and savings should be recovered from waste reductions.	No real significant differences	No material difference	The allocation of the budget was when there should be already strategies structured to eliminate waste to ensure efficient service delivery by the public sector. Furthermore, at the inception of the project operations, productive outputs, and savings from recovered waste reductions should be strategized to improve efficiency of service delivery.

Who were affected by the efficiency of service delivery in the public sector which was improved by eliminating waste?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Politicians Government Community Employees	People Government	Government and people	No real differences	None	The citizens were affected. Government was responsible for efficient service delivery and to ensure waste was eliminated.

Topic: Investigate and focus on the value for money given the budget constraints in the country.

When was it necessary to investigate and focus on the value for money notion, given the budget constraints in the country?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Planning process Project planning Past programs Economic viable Equitable	Escalation of costs	Planning process for programs that should include economic viability, equitable and the escalation of costs	Private party focus on the escalation of costs as high priority	“That maybe true, for example, costs related to building, raw materials and equipment changes on yearly basis, therefore, the inflation should be considered before costing” according to Tumi Lugwali, Physical Asset Specialist for Provincial Treasury: Western Cape, date of interview was the 4 October 2010.	According to the public sector the planning process and project planning would be when the value of money should be emphasized. However, the private sector argued that at the escalation of costs the value for money should be of a high priority. Thus a “key strategic role” of agencies in government should be “to support value for money in government” (Bourne <i>et al</i> , 2007, p.1).

How should the focus on the value for money be investigated, given the budget constraints in the country?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
<p>Public Sector Comparator Total transfer of risk Capital Investment Return on investment Equipment Depreciation Clinical and managerial staff spending (wasting) time on dealing with different sub-contractors (if outsourced). Time and manpower's (productivity) lost when managing in-house staff, i.e., disciplinary and performance issues. Expert team Department delivery mechanisms Priority for government and society</p>	<p>Alliances Private sector's entrepreneurial acumen</p>	<p>Alliances, expert team, service delivery mechanisms, prioritize entrepreneurial acumen, public sector comparator, risk, return on investment, capital and equipment investment, depreciation.</p>	<p>Generally the arguments were aligned</p>	<p>No real significant differences since the arguments indicate the need for mechanisms that could be used to investigate the value for money notion.</p>	<p>It was observed that alliances, expert teams, service delivery mechanisms, entrepreneurial acumen, public sector comparator, and the management of costs relevant to risk, return on investment, capital, equipment investment and depreciation has an impact on the value for money notion could be investigated to improve service delivery. It was argued that "public services should be provided economically and efficiently in order to give citizens the best positive value for money" (Baloyi, 2009, p.3). One such service delivery model would be the public private partnership.</p>

Where was it necessary to investigate and focus on the value for money notion, given the budget constraints in the country?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Housing Social development	Project resources	Performing housing or social development service delivery requires project resources	The arguments are aligned since there was a relationship between the public sector and private sector views.	No real disagreements	The project resources and the value of money could be investigated given the budget constraints in the country.

Topic: Achieving value for money using cost management as a way for enhancing service delivery, with specific reference to the public sector.

To achieve value for money, how could cost management be used as a way for enhancing service delivery in the public sector?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Saving Reviewing expenditure and active expenses. Shifting the funds. Prioritizing service delivery for housing and backlogs.	Cheaper services Quality Service delivery standards Synergies between public and private sectors Financial management Capabilities Controls	Saving on cheaper services and shifting of funds, service delivery standard, by prioritizing service delivery for housing and backlogs through synergies between public and private sectors. Financial management, reviewing expenditure and active expenses, controls and quality management was emphasized.	Capabilities	“To achieve value for money within service objectives, the limited or the available resources were to be utilized optimally for efficiency gains. Do the internal assessment, look at the expertise, capabilities, knowledge of the work force, expertise regarding the know-how to perform” was pointed out by Tumi Lugwali, Physical Asset Specialist from the Provincial Treasury: Western Cape, date of interview was the 4 October 2010.	Cost management could be applied to saving, constant review of expenditure and active expenses, strategically shifting the funds through saving and prioritize spending. For example cost management could be applied by identifying the citizen expectations and demands that need to be addressed in the public sector. Private sector pointed out that the services should be cheaper and the quality should be controlled. Furthermore the capabilities of the public sector could be enhanced by having synergies with the private sector which could enhance the value of money for the service provided to the citizen. This could be conducive for knowledge transfer.

Where could cost management be used as a way for enhancing service delivery in the public sector, to achieve value for money?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Environment Automation Technology Speed	Service delivery level agreements Reduce costs Concessions Escalation costs Specifications	Department service level agreements with private sector	Significant differences identified concerning costs and service delivery methodologies.	“Alternative mechanisms so that people could do the work, productivity related to output, quality, planning sensibility and realistically, budget, at implementation of best practices to achieve efficiency, effectiveness and value for money”, pointed out by Louise Dean, Manager for PPP Unit of the Provincial Treasury: Western Cape. Date of interview 1 October 2010.	The areas where cost management could be applied contrast between the public sector and the private sector. The public sector was concerned with managing a service to the citizen whereas the private sector was concerned with profit to ensure sustainability of the firm and provide a service that was of quality to the client.

Who can use cost management as a way for enhancing service delivery in the public sector, to achieve value for money?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
Private sector Construction of schools Managers School governing bodies Contractors Communities Builders Architects Plumbers Other skilled persons Treasury department Government departments	Government Private party	Government and private party	No real significant difference.	No material difference although the public sector was specific on which skills could benefit from cost management.	The public sector and private sector agree that cost management could be used to enhance service delivery to achieve value for money. Cost management was relevant to the public private partnerships service delivery that could be improved. Strategic cost management could be included in government strategy to improve service delivery.

Topic: Focusing on cost management

What efficiency, capacity and capabilities did the private sector bring to this public private partnership case?

Key words, thoughts and expressions derived from public sector response	Key words, thoughts and expressions derived from private sector response	Similar trends and consistencies	Differences identified	Disagreements commentary by public sector	Combination of similarities and differences according to insights from literature review
<p>Jenny Hendry, Deputy Director, Western Cape Rehabilitation: "Agree with all Patlo's comments, though I am not always sure that the private party "shops around" for the best value for money to our benefit when getting quotations. We have in most cases found their quotes somewhat inflated and certainly more than what we could arrive at after getting 3 quotes" according to e-mail dated 4 October 2010.</p>	<p>Patlo Lerotholi, Operations Executive for the Mpilisweni Facility Services Consortium:</p> <p>EFFICIENCY: Consistently scan the market for most competitive prices Computer based program called "My Market". Suppliers were rigorously assessed and evaluated to ensure value for money in the context of cost and quality of product.</p> <p>CAPABILITIES: Clients enjoy the benefits of leveraging off our highly trained specialist staff.</p> <p>CAPACITY Staff based in different regions across the country and abroad in terms of the Technical Support Agreement with EMCOR UK</p>	<p>Public sector and the private party agree on the issues of efficiency, capacity and capabilities.</p>	<p>The difference was on the issue of value for money for the public sector benefit.</p>	<p>"The Pragma system used by the private party does make management and pro-active maintenance of all assets much easier and streamlined" according to Jenny Hendry, Deputy Director, Western Cape Rehabilitation, e-mail dated 4 October 2010.</p>	<p>Efficiencies have been demonstrated in this public private partnership by technology to achieve value for money in terms of cost and quality. Capabilities were demonstrated by highly trained and specialist staff. Capacity was evident by the staff across the country and abroad that the private sector could provide. Productive hours were utilized efficiently because of the knowledge that the private sector has on management and pro-active maintenance of all assets that was streamlined. Thus the private sector has the resources that the public sector could use to improve service delivery.</p>