

MSMES' Failure to Win Government Contracts in Zimbabwe: Winning Tips from Public Procurement Officials. the Case of Masvingo Municipality.

Redges Mandiyambira
Central Services Department, Great Zimbabwe University, Box 1235 Masvingo, Zimbabwe.
redgesmandy@gmail.com.

Abstract

The expectations of suppliers who respond to government tenders are that they may have the chance of winning contracts sooner or later. If a supplier with the potential of winning government contracts, always fail to get the opportunity to win, will not respond to government's invitation to tender due to frustrations. This is the case with MSME'S in Zimbabwe. The purpose of the study was to give feedback to MSME's, which respond to government's invitation to tender, in terms of their shortcomings and to offer them tips so that they can improve in the forthcoming tenders, as well as to increase their chances of winning future government contracts. A number of shortcomings were highlighted and tips were proposed so as to increase the MSMEs probability of winning government tenders. The study utilised the qualitative research method. In-depth interviews were successfully conducted with seventeen procurement officials (key informants) of Masvingo municipality. The study recommended that future research should find out from MSMEs, who previously won government contracts, the magic behind winning government tenders. In addition, future research should also focus on the sustainability of government initiatives towards the promotion of MSMEs.

Key words: MSME, Public procurement, Government contracts/tenders, winning tips, Zimbabwe

1. Introduction

SMES has long been described as, "the engine of the economy" Loader (2007). Similarly, Cook and Nixon (2000) content that, SMEs accelerates the achievement of wider economic and socio-economic objectives, including poverty alleviation. This is also in line with the sentiments that were passed by the American President Obama in May 2011 in which he said, 'small businesses are the backbone of our economy and the cornerstone of our communities. They create two of every three new jobs in America, spur economic growth, and spark new industries across the country'. The public sector in any economy is the largest procurer of goods and services. As such, Public procurement has been used as a vehicle to promote the growth of MSMEs. Developments in Brazil, South Africa and India have indicated that these countries amended their public procurement regulations in order to allow more preferential treatment of local suppliers against foreign companies in winning government contracts. On the same note, Zimbabwe Public Procurement Act has a provision for preferential treatment of local suppliers in winning government contracts in relation to foreign suppliers. Zimbabwean statutory instrument 171 of (2002) section 20 stipulates that,

(a) When a comparative schedule of tenders for contacts is being prepared, locally based contractors and suppliers should be allowed a ten per centum preference on purchase price or contract price, over external suppliers.

(b)When a comparative schedule of tenders for contacts is being prepared, previously economically disadvantaged contractors should be allowed a ten per centum preference on purchase price or contract price, over other classes of contractors.

In addition, the Zimbabwean government passed the Indigenisation and Economic Empowerment Act (Chapter 14:33) of 2007 as a deliberate move to involve native Zimbabweans in the economic activities of the country, this has resulted in the development of a sizeable number of MSME'S in the country. The government of Zimbabwe also established the Ministry of Small and medium enterprises and agencies such as Small Enterprises Development Corporation (SEDCO) to render financial and non financial assistance to MSMEs.

However, despite these initiatives MSMES fail to win government contracts as compared to large and foreign companies, regardless of the fact that, some are highly good suppliers who offer best quality products and services as compared to large scale companies. Some MSMES in Zimbabwe no longer respond to government tenders due to frustrations and limited chances of winning the tenders. Data from Masvingo Municipality indicated the period from 2010 to 2012 quite a few MSMES won government tenders (largely low dollar value contracts through competitive tender) as compared to large and foreign companies who grabs both formal and informal tenders as well as competitive tenders. In addition, those who would have failed to win are not informed as to what would have made them to fail hence they always live in the world of unknown. Yet, the information is vital for continuous improvements' sake. Under such a scenario, SMEs are bound to repeat the

same mistakes in future submissions and makes them winning future bids more difficult. This gives rise to the following research questions; what could be the reasons for the failure of MSMEs who respond to government's invitations to tender? What advice can public procurement officials give to MSMES in order to increase their chances of winning government contracts? The study sought to address these questions. This follows the belief that, it is better to teach a blind beggar how to fish than to give him/her the fish.

2. Organisation of the study

The remainder of this study is structured as follows; a description of definitions of MSMEs, summary of constraints faced by MSMEs as highlighted by various scholars. This is followed by research methodology, detailed discussion of research findings and finally conclusion of the research and recommendations for further study.

3. Literature Review

3.1. SME Defined

Literature is laden with wide-ranging definitions of SMEs depending upon authors, governments, and circumstances. Karatas (1991) comments that, the SMEs definition differs among nations according to the economy, level of industrialization, size of the market, the industrial sector and production methods that are used. European Commission (2008) defines SMEs as an undertaking which employ fewer than 250 persons; which have an annual turnover not exceeding 50million Euros and or with an annual balance sheet total number not exceeding 43million Euros. In contrast, Zimbabwe (2008) defines MSME as those who are registered in terms of their legal status and employing anywhere between 6 to 100 workers. SEDCO (2010) also defines Small and Medium enterprise as a firm that has got not more than 100 employees and maximum annual sales turnover of US\$830 000.

3.2. SMEs Barriers and Solutions

The table below provides a summary of the obstacles faced by SMES in participating in public procurement and proposed solutions as highlighted by various scholars.

Author	Barriers /Constraints	Proposed Solutions
IntertradeIreland (2009);GHK (2010); EC (2008)	<ul style="list-style-type: none"> • Limited knowledge about existence of government tenders and tendering process • Capacity issues • Complex procurement processes, technical qualification levels and certificate criteria demanded are too high • Large contract value • Limited options for interaction • Limited time to submit tenders 	<ul style="list-style-type: none"> • Improving access to information, more free information on tenders • Encouraging collaboration, Building capacity, Facilitating access to frameworks • Simplifying procurement process, less paperwork, allow the supplier to supply certain documents later or request omitted documents before rushing to disqualify the supplier • Unbundling contracts, Smaller contacts/use of lots. • Improve dialogue with the procurer • Offer More time for submission of tenders
Asian SME summit, (2009); Lee (2001)	<ul style="list-style-type: none"> • Regulations and restrictions • human resource capabilities and technological capabilities 	<ul style="list-style-type: none"> • Training and education • R&D initiatives, technology and know-how agreements with foreign and domestic firms
OECD, (2006); (Lin 2007); Cook and Nixon, (2000)	<ul style="list-style-type: none"> • Difficulties in obtaining finance from banks, capital markets or other suppliers of credit 	<ul style="list-style-type: none"> • PPP with small and medium sized banks, development of financial institutions directly promoting MSMEs.

4 Methodology

The research data was obtained from a mix of both primary and secondary data. Secondary data included the Masvingo municipality's internal documentation about the companies that won tenders from 2010 up to 2012 and literature review from electronic journals and e-books. Primary data was obtained from in-depth interviews. Qualitative research method was adopted. Qualitative research method is inductive; allowing study participants to describe what is meaningful and salient to them without the researcher presupposing what the important dimensions of the phenomenon under study (Patton and Applebaum, 2003). It is the kind of research that produces findings arrived from real-world settings where the phenomenon of interest unfolds naturally (Patton, 2001). A qualitative approach was adopted in order to gain more information about the weaknesses of SME who tender and fail to win government contracts, and the proposed tips for winning such contracts. In depth interviews allowed the researcher to gain greater flexibility in wording questions to suit respondents thus had the opportunity to clarify questions, ensuring that respondents understood them. The average lengths of the interviews were 25 min. seventeen key informants from various positions participated in the study. It offered more than one point of view as different people in various positions were interviewed thus encouraging cross-verification of facts validating the research findings.

4.1 Respondents

A total of 17 respondents participated in the study. These were mainly active participants involved in the procurement of goods, services and public works at Masvingo Municipality (procurement officers and tender board committee members). Table 2 represents the respondents' profile.

Table 2. Respondents Profile

Category of Respondents	Number of Respondents
Buyer	1
Assistant Buyer	1
Procurement clerks	5
Engineers	2
Housing and Amenities Director	1
Chamber Secretariat	1
Water and Chemicals Superintendent	2
Treasurer	1
Internal Auditors	3
Total	17

5 Results

This section presents the research findings from in-depth interviews with the seventeen respondents who participated in the study.

5.1 Weaknesses of SMEs who respond to government tenders

The respondents were asked to highlight common weaknesses of SMEs who respond to government tenders. The list below indicates the weaknesses that were observed by members of the tender committee and procurement officers.

- Not sticking to specifications. Some SMEs offer proposals which do not even match with the required specifications.
- Inadequate time for the preparation of submission. Most submissions were easy to see that they were hurriedly done due to inconsistencies of the presentation of documents and some would be incomplete. Incomplete submissions are eliminated at the preliminary stage of tender evaluation process.
- Most SMEs lack of consultancy tendencies. This is reflected in the poor crafting of proposals and misinterpretation of the tender document.
- Dubious pricing methods and unclear pricing of contracts. Some SMEs do not know how to price their products and services. Some reduce their prices to below the breakeven point so as to be the lowest bidders. This has caused a lot of problems when it comes to the actual execution of the contract. The supplier would realize that he / she undercharged the contract of which the municipality will not be prepared to pay a figure more than what was agreed upon during the tendering process. Hence in most cases SMEs fail to fulfill the requirements of the contract leading to re-tendering.
- Most tenders are rejected because of late submissions. In the municipality's tender document there is a clause which stipulates that late submission of tenders leads to automatic disqualification.
- Some SMEs lack proper documentation, commercial and legal requirements such as meeting the ISO quality standards, safety and environmental standards, Tax clearance certificates and vendor numbers.
- Lack of referees or previous track record. Upcoming SMEs do not even have a track record on which to refer to. This makes doing business with them more difficult.

- Some SMEs provide substandard products. The municipality has been facing a number of recurring problems due to the provision of substandard products by SMES, because they lack capital thus resort to procurement of cheap products hence there are driven out of business by large companies.
- Some SMEs are briefcase suppliers with no fixed aboard. Most supplier visits (moments of truth) that were done by the municipality at short notice revealed shocking results. Some premises and workshops could not match with some suppliers' pamphlets and brochures. Some SMEs would provide false information in their proposals, that they would be having state of the art equipment and facilities yet the opposite would be true.
- SMEs lack the knowledge about government tendering process and opportunities prevalent in the public sector. Hence most of them do not respond to invitation to tenders.

5.2 Tips for winning government contracts/tenders

- Consult experts on the issue of designing superior proposals. Value propositions are an effective vehicle to market one's business especially when they indicate that if the contract is won it would benefit a large proportion of beneficiaries besides the business owner.
- Always buy national and local newspapers such as the Sunday Mail Herald and Masvingo Star. Government tenders with huge contract value are advertised in national newspapers and low valued contracts are advertised in local newspapers to cater for local "local" suppliers. The municipality website is always updated on the activities of the institution including tender adverts.
- There is a need for SME'S to attend government workshops and conferences especially public procurement seminars. SMEs are also free to request for public procurement lectures and training from the municipality through their local SMEs Provincial Chairman. This would go a long way in making vital information available to SMEs disclosing opportunities available for them, quality standards needed by the municipality and the tendering procedure.
- Benchmark with other suppliers who previously won government contracts. SMEs are not leaving in a vacuum they should forge relationships with suppliers who have the experience of winning government contracts in order to benchmark from them.
- Ensure that the company has all the necessary documentation such as the application for vendor numbers, certificate of incorporation, company profile, and current tax clearance certificate. These documents are a prerequisite when evaluating tenders. Most SMEs get themselves disqualified in the preliminary stages due to the lack of these documents despite the fact that they may be having best or competitive offers.
- SMEs who would have been awarded contracts in the first place need to execute the contracts in the best possible way so as to keep their record clean. This has a bearing towards winning future contracts.
- There is a need to engage in corporate social responsibility exercises so as to enhance reputation.
- Only tender when you have the potential of delivering the contract, this reduces chances of unnecessary failure. It is worth mentioning that some SMEs are opportunists even when they know that they do not have the skills, capacity and technical knowhow of executing a particular contract, still continue to respond to government invitation to tenders. Hence they add on to their record of failing to win tenders.
- It is always best for SMEs to form consortiums. This enhances capacity building and facilitates SMEs to meet delivery period stipulated in the tender document. It heightens SMEs' chances of tendering for high valued contracts which scares away individual SMEs thereby giving room for large and foreign companies to compete alone. Most of the Municipality's public works such as road development and maintenance, servicing of industrial and residential stands are high valued tenders which individual SMEs cannot not be able to execute such contracts. Hence, forming of consortiums will go a long way in empowering SMEs them to compete with large and foreign companies.
- SMEs should never lose heart, success lies ahead. Failure to win a particular contract should be taken as deferred success and an opportunity to correct areas of weaknesses in preparation for future tenders. Opportunities are high and lucrative when it comes to government procurement.
- SMEs must seek knowledge about market rates and the quality requirements of the municipality before rushing to compile quotations and sourcing of materials and products that eventually would not meet the municipality's standards.
- Canvassing to public institutions will allow SMEs to create relationships and to alert public procurement officials of their existence. This may result in winning of low value contracts requiring competitive tendering approach. Public institutions are not obliged to advertise low value contracts for everyone to see. Canvassing is a noble strategy to get information and to showcase what the SME cable of executing.
- It is worth noting that politics influences the awarding of public contracts. SMEs are being tipped to fully participate and support government functions and ceremonies in a bid to forge good working relationships. Increase social ties and business networking.

- SME should build relationships with large scale companies in order to be able to get subcontracting opportunities. This is the best way of getting to be known and an opportunity to create an excellent track record. Once SMEs strikes subcontracting deal, there is a need to impress through quality work a leverage of winning future subcontracting and even main contracting opportunities.
- SMEs need to follow instructions outlined in the tender advert and in the tender document. Some SMEs get disqualified due to simple issues of not following instructions such as, “the tender must be in sealed envelope”, envelope must be clearly marked “invitation to do business”, “quote the tender number on the envelope”, “quote categories under which the company wishes to be considered”, “address it to a given office”, “the proposal must be typed”. Such simple instructions are often ignored thus leading to early rejection of the tenders.
- The tender document provides the evaluation criteria and most importantly specifications. It is of paramount importance to take heed of these key elements and try to match these requirements.
- Public procurement officers advised SMEs that in the event that they are not contented with the award of a certain tender to a particular supplier and strongly feel that the contract would have been awarded unfairly, they are free to air their grievance within the time frame expressed in the Zimbabwean public procurement Act of 2002. This promotes transparency and fairness in tender evaluation.

6 Conclusion

It is the researcher’s fervent hope that the proposed tips will go a long way in increasing the SMEs chances of winning public contracts. The research is also a wakeup call to suppliers who has lost hope of winning government contracts. The highlighted weaknesses call for continuous improvement. It is of paramount importance to allude to the fact that in Zimbabwe the tenderpreneurship, the newly coined South African term, is taking its toll in the awarding of government tenders. The growth of tenderpreneurship is actually squeezing life out of MSMEs in Zimbabwe which do not have political links and those which are not networked to prominent business tycoons.

7 Future Research

The study extracted information from the procurement officers and tender committee members, the buyers’ side at Masvingo Municipality. Future research should investigate suppliers who previously won government contracts to find out from them the magic behind winning government contracts. In addition, future research should also focus on the sustainability of government initiatives towards the promotion of SMEs in Zimbabwe.

References

- Asian SME Summit (2009) Public Private Partnership in SME Development through capacity Building, Policy and Research. (On-line) Available at <http://www.ceauk.org.uk/2010-conference-papers/full-papers/Iftikhar-Hussain-CEA-final.pdf> accessed 14/02/13
- Cook, D, Nixon, F (2000). Finance and Small and Medium sized Enterprise Development. IDPM, University of Manchester, Finance and Development Research Programme Working Paper Series No: 14
- European Commission (2008). European Code of Best Practices Facilitating Access by SMEs to Public Procurement Contracts.
- GHK (2010) Evaluation of SMEs access to public procurement markets in the EU
- InterTradelreland (2009) All-island Public Procurement: A Competitiveness Study Newry. The Trade and Business Development Body
- Lee, J (2001) Education for Technology readiness Prospects for developing countries. Journal of Human Development, 2 (1), 115-151
- Lin Y. F (2007) Developing Small and medium bank to improve financial structures. Working paper, China Centre for economic research, Peeking University
- Loader, K (2000). The Challenge of competitive procurement. Value for money VS Small Business Support. Public Money Management. November Pp 307-314
- OECD (2006) Background Draft Report of the OECD-APEC Joint Project on “Removing Barriers to SME Access to international Markets” CFE/SME (2006) 9/REV2, Paris, pp46
- Patton E , Appelbaum S (2003) “The Case for Case Studies in Management Research”, Management Research News, 26 (5) 60-71
- Patton, M. Q (2001) Qualitative evaluation and research methods 3rd Edition Thousand Oaks ,CA: Sage Publishing, Inc pp 39
- Small Enterprise Development Corporation of Zimbabwe (SEDCO, 2010). (On-line) available at www.sedco.co.zw (accessed 6/02/13)

The Whitehouse, office of the press secretary (16 May 2011), white house releases the small business agenda: growing America's businesses to win the future highlighting critical support for small businesses across the country, (On-line) <http://www.whitehouse.gov/the-press-office/whitehouse-releases-small-business-agenda-growing-americas-small-business>.

Zimbabwean Indegenisation and economic Act (2007) (On-line) available at <http://nayoyouth.org/docs/Zimbabwe's%20Indegenisation%and%20Empowerment-Act.pdf> (accessed 14/02/13)

Zimbabwean statutory instrument 171 of (2002). Government Printers, section 20.

Zimbabwe Government, (2008). The Micro Small and Medium Enterprises Policy and strategy Framework 2008-2012. Government Printers. pp, 20

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:

<http://www.iiste.org>

CALL FOR PAPERS

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. There's no deadline for submission. **Prospective authors of IISTE journals can find the submission instruction on the following page:** <http://www.iiste.org/Journals/>

The IISTE editorial team promises to review and publish all the qualified submissions in a **fast** manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

