

**PUBLIC PROCUREMENT CHALLENGES FACED BY  
SMALL, MEDIUM, AND MICRO ENTERPRISES (SMMES) IN  
TSHWANE METROPOLITAN MUNICIPALITY**

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## **ABSTRACT**

This research report investigated the challenges encountered by small, medium, and micro enterprises (SMMEs) in navigating the landscape of public procurement within the Tshwane Metropolitan Municipality. As SMMEs played a pivotal role in fostering economic growth and development, understanding the obstacles they faced in participating effectively in public procurement processes was crucial for devising targeted policy interventions and support mechanisms. The study employed the qualitative approach to provide a comprehensive overview of the challenges confronting SMMEs in accessing and competing for government contracts. Through thematic analysis, key themes emerged, including bureaucratic barriers, lack of access to information, capacity constraints, and issues related to transparency and fairness in procurement practices. Findings indicated that SMMEs encountered numerous barriers throughout the procurement cycle, ranging from limited awareness of tender opportunities to difficulties in meeting stringent qualification criteria and accessing financing. Moreover, the opaque and complex nature of procurement processes often disadvantaged smaller businesses, exacerbating inequalities and hindering their ability to grow and thrive in the marketplace.

This research contributed to the existing literature by shedding light on the specific challenges faced by SMMEs in the context of public procurement in Tshwane. The findings underscored the need for targeted policy interventions aimed at streamlining procurement procedures, enhancing access to information and capacity-building initiatives, and promoting greater inclusivity and transparency in government contracting practices. Ultimately, addressing these challenges was imperative for fostering a more conducive environment for SMMEs to participate actively in public procurement, thereby unlocking their potential as engines of economic growth and drivers of socio-economic transformation within the Tshwane Metropolitan Municipality.

## **KEYWORDS**

*SMME challenges in procurement, Tshwane Municipality public procurement, Capacity constraints and transparency, Policy interventions for SMMEs, Economic growth through procurement*

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# **LIST OF ACRONYMS**

- IPA** Interpretative Phenomenological Approach
- SMMEs** Small, Medium, and Micro Enterprises
- TMM** Tshwane Metropolitan Municipality
- PFMA** Public Finance Management Act
- PPPFA** Preferential Procurement Policy Framework Act
- MFMA** Municipal Finance Management Act
- BBBEEA** Broad-based Black Economic Empowerment Act
- ASGISA** Shared Growth Initiative for South Africa
- NSBA** Nordic-South African Business Association
- RBV** Resource-Based View

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# **CHAPTER 1. INTRODUCTION AND BACKGROUND**

## **1.1 STATEMENT OF PURPOSE**

This qualitative study will explore the procurement challenges faced by SMMEs in Tshwane Metropolitan Municipality.

## **1.2 BACKGROUND OF THE STUDY**

Goods and services for the public are purchased through public procurement. Thus, the subject of public procurement is highly valued in management science. Despite its relevance, public procurement remains an unreliable management sub-field due to a lack of theory (Flynn & Davis, 2019). Employment security and the global unemployment rate remain difficulties for most countries with an estimated 2.2 billion people out of work globally even though they are available for employment (International Labour Office, 2019). One tool for overcoming this issue is SMME access to public procurement. Public purchases account for 15–20% of the GDP (Stoffel & Müngersdorff, 2020). SMEs are essential for governments to realize their goals of creating jobs, promoting economic innovation, and eradicating poverty (Akenroye & Aju, 2013)

There is very limited literature available about public procurement challenges faced by SMMEs in Tshwane, South Africa. SMMEs are the main forces behind economic expansion (Akenroye & Aju, 2013). In other regions of the world, such as Malaysia, where small enterprises helped to propel the country's economic progress, SMMEs have been recognised as effective generators of inclusive economic growth and development. Hence there is a strong need for these SMMEs to be involved in public procurement and the challenges they face in the process must be explored and solutions to them must be put in place.

(Flynn & Davis, 2019) addressed the literature on public procurement, particularly within management sciences. Their analysis suggests that:

1. **Fragmentation:** The public procurement field is highly fragmented, with research often spread across different disciplines like public administration, economics, and law. This fragmentation can limit the development of a cohesive body of knowledge within management sciences.
2. **Focus on Process and Compliance:** Much of the existing literature tends to focus on compliance and process aspects of procurement, rather than strategic or managerial

aspects. This emphasis can constrain the scope of management-oriented research in this area.

3. Emerging Trends and Relevance: Despite the traditional focus, there is growing recognition of the importance of public procurement in management studies, particularly as it relates to strategic sourcing, value creation, and innovation.

Flynn and Davis highlight the need for more integrative and strategic research in public procurement to better align with management science perspectives and address the complexities of modern procurement practices.

### **1.3 RESEARCH PROBLEM**

Although being essential to providing public services, management science has largely ignored public procurement (Flynn & Davis, 2019). Obtaining pertinent, comparative, reliable, and data that is in demand on a worldwide scale is so difficult. One of the levers that can be used to promote economic growth, and employment is government expenditure through public procurement, but little is known about this phenomenon in the context of South Africa. To address the issues of unemployment, poverty, and inequality, improved SMME access to these public funds can be helpful.

In South Africa, public procurement can be a lever for promoting economic growth, employment, and addressing issues of unemployment, poverty, and inequality. However, there is an underrepresentation of small, medium, and micro-sized enterprises (SMMEs) in public procurement, which is worrisome considering their significant contribution to the South African economy (Blessing-Miles, 2021). To address this issue, there is a need to understand the barriers and difficulties faced by SMMEs when accessing public procurement.

Previous research has identified some barriers to SMMEs' participation in public procurement, such as limited access to information, lack of financial resources, and insufficient capacity (Rogerson & Rogerson, 2021). However, little is known about the specific challenges faced by SMMEs when accessing public procurement in Tshwane Metropolitan Municipality, which is the focus of this study.

### **1.4 RESEARCH OBJECTIVE**

This study has one primary objective and four secondary objectives as shown below.

### **1.4.1 PRIMARY OBJECTIVE**

To investigate the barriers to SMMEs accessing public procurement: This objective is relevant because it seeks to identify the challenges that prevent SMMEs from participating in public procurement, which is crucial to promoting economic growth and employment (Harland, Telgen & Callender, 2019).

Recent studies have identified various barriers, such as lack of information, inadequate skills and experience, unfair competition, and corruption (Van der Waldt & Fourie, 2022).

### **1.4.2 SECONDARY OBJECTIVES**

The study's secondary objectives encompass the following:

- I. Objective 2- To identify and elucidate a set of coordinated actions that involve government agencies, public organisations, consultants, and community beneficiaries, which are imperative to create an enabling environment that enhances SMMEs' access to and participation in public procurement opportunities within the Tshwane Metropolitan Municipality: This objective is relevant because it seeks to identify and elucidate a set of coordinated actions involving government agencies, public organizations, consultants, and community beneficiaries. These actions are deemed imperative to create an enabling environment that enhances Small, Medium, and Micro Enterprises' (SMMEs) access to and participation in public procurement opportunities within the Tshwane Metropolitan Municipality. (Dlamini & Thwala, 2020; Maduekwe & Yawson, 2021; Ntshangase, 2021).
- II. Objective 3 - To investigate the success factors of SMMEs that managed to access public procurement: This objective is relevant because it seeks to identify the factors that enable SMMEs to overcome the barriers to public procurement and achieve success in this domain. Recent studies have identified various success factors, such as business networks and partnerships, adequate resources, strong leadership, and strategic planning (Ngwakwe & Oyewobi, 2021; Pietersen & Van der Waldt, 2020).
- III. Objective 4 - To recommend strategies for consideration in public procurement in Tshwane Metropolitan Municipality: This objective seeks to explore strategies that can serve as a starting point for the Tshwane Metropolitan Municipality to enhance its public procurement practices. Recent studies have identified various challenges, such as unequal bargaining power, opaque procurement processes, lack of access to information, and unfair treatment (Mathe & Govender, 2021; Mbele & Hart, 2020).

## **1.5 RESEARCH QUESTIONS**

The research questions for this study are outlined as follows:

- i. What difficulties do SMMEs have in Tshwane Metropolitan Municipality when trying to access public procurement?
- ii. What coordinated actions from all parties (government agencies, public organisations, consultants, and community beneficiaries) are necessary to increase SMMEs' access to public procurement?
- iii. What are the success factors of SMMEs that managed to access public procurement?
- iv. What are the strategies for consideration in Public Procurement in Tshwane Metropolitan Municipality?

## **1.6 THE RATIONALE OF THE STUDY**

The importance of the study lies in its ability to shed light on potential causes for SMMEs' difficulties in public procurement as well as the underrepresentation of SMMEs in South Africa's public procurement despite targeted procurement policies. The study will expand on the limited body of knowledge that already exists. Lessons learned from this study will aid in the creation of policies that are focused on tackling the problems that the SMME sector is now facing, particularly in public procurement, with the hopes of reviving the sector and creating jobs by expanding the economy.

The significance of this study lies in its potential to contribute to both policymaking and scholarship in the area of public procurement, specifically regarding SMMEs in South Africa. The study's findings will provide insight into the challenges faced by SMMEs when accessing public procurement and the factors that contribute to their underrepresentation in the sector, despite targeted procurement policies.

Policymakers can benefit from this study by using its findings to design more effective policies aimed at empowering and expanding the SMME sector through public procurement. By addressing the identified barriers, policies can be developed to encourage the participation of SMMEs in public procurement, which can contribute to job creation, poverty reduction, and economic growth.

Scholarship can benefit from this study as it adds to the limited body of knowledge on the challenges faced by SMMEs in public procurement, particularly in the context of South Africa.

The study's findings can contribute to the development of new methodologies and frameworks to address these challenges and improve the representation of SMMEs in public procurement.

This study's significance lies in its potential to contribute to policymaking and scholarship by identifying the barriers that SMMEs face when accessing public procurement in South Africa, Tshwane Metropolitan Municipality and proposing strategies to overcome these challenges.

## **1.7 NEED FOR THE STUDY**

The need for this research arises from the limited understanding of the challenges faced by Small, Medium, and Micro Enterprises (SMMEs) in accessing public procurement within the Tshwane Metropolitan Municipality (Blessing-Miles, 2021). Despite the significant role of SMMEs in fostering economic growth and development, there is a lack of targeted policy interventions and support mechanisms to address the obstacles they encounter in participating effectively in public procurement processes.

The study aims to fill this gap by exploring the procurement challenges faced by SMMEs in Tshwane Metropolitan Municipality, focusing on barriers such as limited access to information, lack of financial resources, and insufficient capacity (Rogerson & Rogerson, 2021). By understanding these challenges, policymakers can devise strategies to promote SMME participation in public procurement, thereby contributing to job creation, poverty reduction, and economic growth.

Previous research has identified general barriers to SMME participation in public procurement, but there is a lack of specific knowledge about the challenges faced by SMMEs in Tshwane Metropolitan Municipality (Harland, Telgen & Callender, 2022). This study seeks to address this gap by investigating the unique obstacles encountered by SMMEs in accessing public procurement in this context.

By identifying these barriers and proposing strategies to overcome them, this research can inform policymaking and scholarship in the area of public procurement, particularly regarding SMMEs in South Africa (Mathe & Govender, 2021). Policymakers can use the findings to design more effective policies, while scholars can build upon this knowledge to develop new methodologies and frameworks for supporting SMMEs in public procurement. Overall, this research has the potential to contribute to inclusive economic growth and development in the Tshwane Metropolitan Municipality and beyond.

## 1.8 DELIMITATIONS OF THE STUDY

The study was delimited by specific criteria:

1. **Timeframe:** The study focused on contracts awarded to SMMEs by government departments between 2018 and 2023. This timeframe ensured that the data collected was recent, reflecting the state of public procurement for SMMEs in South Africa at the time.
2. **Size of Businesses:** Only small, micro, and medium-sized businesses that had received contracts from government departments were investigated. This delimitation ensured a focused study on the target group of SMMEs that were struggling to access public procurement opportunities.
3. **Participants:** The study exclusively interviewed members of the tender adjudication committees. This approach ensured that the data was collected from individuals with first-hand experience in the procurement process, providing insights into the challenges faced by SMMEs in accessing public procurement.
4. **Geographical Scope:** The study confined its focus to the Tshwane Metropolitan Municipality. This delimitation ensured geographic specificity, allowing the data collected to be specific to the challenges faced by SMMEs in this area.

These delimitations were chosen to ensure the study's focus, manageability, and relevance to the research questions and objectives. While they may have limited the generalizability of the findings to other regions or timeframes, they facilitated an in-depth exploration of the challenges and opportunities for SMMEs in public procurement within Tshwane.

## 1.9 OPERATIONAL DEFINITIONS

1. **Procurement:** The creation, administration, and execution of contracts for "the provision of products, services, design, and building work; the disposition of property; the hiring of something; and the acquisition or awarding of any rights and concessions" are all included in the procurement process. (Watermeyer, 2018; p 11).
2. **Public Procurement:** It is the purchasing of products and services from the private sector on behalf of government agencies and departments. Establishing, managing, and concluding contracts with the private sector for the provision of products and services is included in public procurement (Watermeyer 2018).

3. Preferential procurement: Any government affirmative action strategy that promotes departments and agencies to purchase products and services from previously disadvantaged people or businesses is known as preferential procurement. The PPPFA serves as the foundation for preferential procurement.
4. Small Medium & Micro Enterprises: SMMEs are companies with between 1 and 99 payroll employees (Ancarani et al., 2019). In South Africa, a company is deemed to be an SMME if it employs less than 200 people and generates less than R64 million in annual sales.

## **1.10 RESEARCH ASSUMPTIONS**

- The assumption was made that the sample frame was unbiased, with all subjects for the population included in the specified scope of SMMEs.
- This study assumed that the respondents had sufficient industry knowledge and expertise to adequately express answers that would contribute meaningfully to the study.
- The paper took phenomena that were outside South Africa as similar to those in South Africa, similar to studies conducted in Germany and Nigeria.

## **1.11 CHAPTER OUTLINE**

### **Chapter 1: Introduction**

The first chapter, which also introduced the topic and provided background information for the study, stated the research challenge and its aims.

### **Chapter 2: Literature Review**

By first examining the definitions of procurement and public procurement, Chapter 2 explored the prior literature. The literature study examined the function of SMMEs in the economy of South Africa and emphasized how crucial it was for them to have access to public contracts.

### **Chapter 3: Research Methodology**

This chapter discussed the research methods used in this study to accomplish the study's objectives and address the research questions that were asked. The section on research techniques covered the whole course that the research process followed, from theoretical underpinnings through data collection and data analysis.

### **Chapter 4: Findings - Data Representation, Discussion, and Analysis**



This chapter presented the original research's findings together with an analysis and interpretation of them. Findings were contrasted with the reviewed literature to look for similarities or deviations from the present trends that might be the basis for further study.

## **Chapter 5: Conclusions and Recommendations**

The final chapter of this study was Chapter 5. It gave an overview of the most important findings and conclusions. Moreover, suggestions based on the findings were made.

### **1.12 CHAPTER SUMMARY**

Chapter 1 introduced the research topic and provided background information for understanding the context of the study. It outlined the purpose, background, and research problem, emphasizing the significance of exploring procurement challenges faced by SMMEs in Tshwane Metropolitan Municipality. The chapter detailed primary and secondary objectives, research questions, rationale, and need for the study. Delimitations were also specified to ensure the study's focus. Overall, Chapter 1 laid the foundation for subsequent chapters, setting the stage for in-depth exploration of the research objectives and findings.

## **CHAPTER 2. LITERATURE REVIEW**

### **2.1 INTRODUCTION**

The literature review in this study delves into the challenges faced by Small, Medium, and Micro Businesses (SMMEs) in South Africa, focusing particularly on the Tshwane Metropolitan Municipality's public procurement landscape. Highlighting the pivotal role of SMMEs in the nation's economy, the review identifies the hurdles they confront when attempting to engage with public procurement initiatives. Structured around three key inquiries, the review scrutinizes existing procurement methods and practices, investigates support mechanisms needed for SMMEs, and proposes strategies to address their challenges. It underscores the complexities of procurement processes, which often serve as barriers for SMMEs, and advocates for initiatives such as training programs and improved access to financial resources to empower SMMEs in navigating the procurement landscape more effectively.

Through its analysis, the literature review uncovers various obstacles hindering SMME involvement in public procurement, including a lack of expertise, resources, and information. Additionally, it identifies bureaucratic hurdles, regulatory compliance issues, financial constraints, and inadequate municipal support as significant barriers. The review emphasizes the critical importance of overcoming these challenges to foster SMME growth and success within the Tshwane Metropolitan Municipality. By addressing these obstacles, SMMEs can better access public procurement opportunities, contributing to economic development and inclusive growth. Furthermore, the insights provided by the literature review inform policymakers and practitioners, guiding efforts to create a more supportive environment for SMME participation in public procurement.

### **2.2. PUBLIC PROCUREMENT AND ITS REGULATORY FRAMEWORK**

Public procurement serves as a cornerstone for government operations, facilitating the acquisition of goods, services, and labour transparently and equitably from the private sector. This process involves various stages, including needs identification, specification development, bid solicitation, evaluation, and contract awarding, all aimed at meeting government requirements while ensuring value for money and compliance with regulations (Harland, Telgen & Callender, 2022; Schoeman & Erasmus, 2017). Furthermore, public

procurement plays a pivotal role in fostering socioeconomic development by encouraging the participation of small and medium-sized enterprises (SMMEs) and historically disadvantaged groups.

### **2.2.1 LEGAL AND REGULATORY FRAMEWORK IN SOUTH AFRICA**

In South Africa, public procurement operates within a robust regulatory framework governed by laws such as the Public Finance Management Act (PFMA), Municipal Finance Management Act (MFMA), and Preferential Procurement Policy Framework Act (PPPFA), which provide guidelines for procurement planning, procedures, contract management, and dispute resolution (Kgatuke et al., 2020). Particularly noteworthy is the PPPFA, which offers a preferential procurement system aiming to enhance SMME participation by prioritizing historically disadvantaged groups such as black-owned, women-owned, and businesses owned by individuals with disabilities (Schoeman & Erasmus, 2017). Despite these regulatory structures, SMMEs in South Africa face significant barriers, including limited access to information, financial resources, skills, unfair competition, and corruption (Rogerson & Rogerson, 2021; The World Bank, 2019). To address these challenges, the government has introduced policies such as the Broad-based Black Economic Empowerment Act (BBBEEA), Accelerated and Shared Growth Initiative for South Africa (ASGISA), and Nordic-South African Business Association (NSBA), although their effectiveness remains debated due to implementation challenges and inefficiencies (Dlamini & Thwala, 2020; Maduekwe & Yawson, 2021; Ntshangase, 2021)

### **2.3 ROLE OF SMALL, MEDIUM, AND MICRO BUSINESSES (SMMES) IN SOUTH AFRICA'S ECONOMY**

Small, Medium, and Micro Businesses (SMMEs) in South Africa, defined as companies with less than 200 employees and an annual revenue below R80 million, play a pivotal role in the economy. Representing 98% of all enterprises, they contribute significantly to the GDP, accounting for 28% of its total value. SMMEs are instrumental in employment generation, poverty reduction, and economic growth, employing over 60% of the labour force and constituting nearly 90% of all enterprises (Department of Small Business Development, 2019; Mthanti & Ojah, 2019).

### 2.3.1 CHALLENGES FACED BY SMMEs IN ACCESSING PUBLIC PROCUREMENT OPPORTUNITIES

Despite their economic importance, SMMEs encounter hurdles in accessing public procurement opportunities in South Africa. These challenges stem from various factors, including a lack of information and understanding of the procurement process, limited networks, resources, and expertise, and the complexity and protracted nature of the procurement procedure (Schoeman & Erasmus, 2017; Mthanti & Ojah, 2019). Additionally, adherence to legal and regulatory requirements, such as financial and technical capability and compliance with standards like Black Economic Empowerment (BEE), poses significant obstacles for SMMEs (Schoeman & Erasmus, 2017). While recent research identifies key success criteria for SMMEs, such as access to capital, entrepreneurial knowledge and skills, and market connections, addressing these challenges through further research is essential for fostering SMME development and economic empowerment (Makhitha, 2019; Rocha & Sternberg, 2020; Modau & Mokwena, 2021). Figure 2.3.1, outlines the employment opportunities created by the SMME sector between 2020 to 2021

	2020Q1		2020Q4		2021Q1		Quarterly change		Yearly change	
	Number	Distrib.	Number	Distrib.	Number	Distrib.	Number	%	Number	%
Formal sector	5 928 009	57.0%	4 795 310	52.6%	5 081 610	52.1%	286 300	6.0%	-846 399	-14.3%
Informal sector	1 102 869	10.6%	965 656	10.6%	1 226 738	12.6%	261 082	27.0%	123 869	11.2%
Agriculture	752 032	7.2%	979 707	10.7%	1 107 846	11.4%	128 138	13.1%	355 814	47.3%
Private households	9 098	0.1%	1 782	0.0%	15 890	0.2%	14 108	791.8%	6 792	74.7%
<b>Provided to others</b>	<b>7 792 007</b>	<b>74.9%</b>	<b>6 742 455</b>	<b>73.9%</b>	<b>7 432 084</b>	<b>76.2%</b>	<b>689 629</b>	<b>10.2%</b>	<b>-359 923</b>	<b>-4.6%</b>
% Female*		38.2%		38.1%		38.3%		0.3% pts		0.1% pts
Employer	913 100	8.8%	852 712	9.3%	869 036	8.9%	16 324	1.9%	-44 064	-4.8%
Own account worker	1 700 963	16.3%	1 529 318	16.8%	1 456 167	14.9%	-73 151	-4.8%	-244 796	-14.4%
<b>Total</b>	<b>10 406 070</b>	<b>100.0%</b>	<b>9 124 485</b>	<b>100.0%</b>	<b>9 757 287</b>	<b>100.0%</b>	<b>632 802</b>	<b>6.9%</b>	<b>-648 783</b>	<b>-6.2%</b>

Source: QLFS of Stats SA

\* of all people working for private enterprises, of which 84% worked for SMMEs over the last 5 years

Figure 2.3.1: Employment provided by SMMEs (Source: STATSSA, 2021)

### 2.4. CHALLENGES FACED BY SMMEs IN ACCESSING PUBLIC PROCUREMENT IN TSHWANE METROPOLITAN MUNICIPALITY

The study delves into the obstacles encountered by small, medium, and micro-enterprises (SMMEs) when participating in public procurement within the Tshwane Metropolitan Municipality. With SMMEs defined as companies with less than 250 employees, the study highlights the difficulties these entities face in securing government contracts, crucial for their growth and continuity. Accessing public procurement involves the intricate process of bidding

for and securing contracts with the government. Understanding and addressing these barriers to participation in public procurement are essential for promoting the growth of SMMEs in the Tshwane Metropolitan Municipality.

#### **2.4.1 PROCUREMENT PROCESSES AND PROCEDURES**

The complexity and bureaucracy inherent in procurement processes and procedures pose significant challenges for SMMEs in effectively engaging in public procurement. These hurdles act as barriers to entry for smaller firms, requiring substantial administrative and technical expertise. Additionally, meeting procurement norms and standards proves challenging for SMMEs, as they struggle with paperwork filing, technical requirements, and limited access to information about procurement opportunities (Musaba & Matunjwa, 2018; Singh, 2019; Mathebula & Nkwinika, 2021). To alleviate these challenges, governments and stakeholders can implement measures such as training and support programs, improving information accessibility, and simplifying procurement procedures and requirements.

#### **2.4.2 CAPACITY BUILDING AND SUPPORT**

SMMEs often lack the necessary skills, information, and resources to effectively participate in public procurement processes. Municipalities could play a crucial role in addressing this issue by offering training, mentorship, and coaching (Moyo & Mutongwizo, 2019). However, the lack of support from municipalities lead to a scenario where only larger businesses with more resources can efficiently engage in public procurement (Musaba & Matunjwa, 2018). Financial constraints further hinder SMMEs, affecting their ability to compete with larger enterprises and fulfill the technical requirements of procurement contracts (Adama et al., 2018; Van der Waldt et al., 2021). To overcome these challenges, capacity-building programs, mentorship, coaching, and financial support initiatives by municipalities and other stakeholders are essential.

#### **2.4.3 PROPOSITION**

The literature underscores the challenges faced by SMMEs in navigating complex procurement processes and the lack of support for capacity building. To address these issues effectively, municipalities in South Africa should prioritize assisting SMMEs through financial aid, coaching, mentoring, and training. Mentorship and coaching can help SMMEs develop technical and administrative skills, while training on procurement procedures, standards, and regulations can enhance their competitiveness. Additionally, providing financial support

through loans, grants, or access to financing programs can empower SMMEs to finance their procurement operations and compete effectively with larger businesses.

## **2.5. SMMEs' KEY SUCCESS DETERMINANTS FOR OBTAINING GOVERNMENTAL CONTRACTS**

### **2.5.1 ACCESS TO INFORMATION AND RESOURCES AS KEY SUCCESS FACTORS**

Numerous studies underscore the pivotal role of Small, Medium, and Micro Enterprises (SMMEs) accessing information and resources for success in public procurement. Scholars like Tengeh et al. (2019) stress the significance of pertinent information regarding tendering procedures and participation opportunities in enhancing SMMEs' decision-making and contract securing capabilities. Furthermore, access to resources such as financing, technology, and skilled labour is deemed essential for effective competition in this market (Kitching et al., 2019). Governments and procurement agencies are recommended to disseminate information through various channels and provide financial assistance to address SMMEs' lack of means for investment (Mukulu & Oyugi, 2021; Kitching et al., 2019). Additionally, facilitating networking platforms and offering training programs on technical procurement skills can bolster SMMEs' procurement success (Ngwakwe & Oyewobi, 2021).

### **2.5.2 THE ROLE OF NETWORKING IN SMMEs' PROCUREMENT SUCCESS**

Networking emerges as a critical factor in the performance of SMMEs in public procurement. Research by Tahir and Tam (2021) highlights that SMMEs with robust networks are more likely to secure contracts and succeed in public procurement. Networking facilitates partnerships with other companies, provides access to valuable information, and enhances SMMEs' reputation (Tsoeu & Letsosa, 2021; Mbatha & Gwangwava, 2020). Moreover, networking assists in overcoming information asymmetry, improves bidding skills, and ensures compliance with legal requirements (Basheka & Ntayi, 2018; Otim & Odek, 2018). Mentorship through networking aids in understanding the procurement process and accessing networks of suppliers and stakeholders (Otim & Odek, 2018).

### **2.5.3 PROPOSITION FOR SMMEs' PROCUREMENT SUCCESS**

SMMEs' success in public procurement hinges on factors such as access to information, resources, and networking opportunities. Governments and procurement organizations play a

crucial role in facilitating this success by disseminating essential information, providing financial assistance, and fostering networking platforms. Active promotion of networking among SMMEs by governmental bodies is imperative to support their success in public procurement endeavours.

## **2.6 ANALYTICAL FRAMEWORK**

### **2.6.1 THEORETICAL FRAMEWORK**

This literature review utilizes the Resource-Based View (RBV) as a theoretical framework to explore the challenges faced by small, medium, and micro-enterprises (SMMEs) in Tshwane when attempting to engage in public procurement. The RBV framework draws on resource-based entrepreneurship theories, which emphasize the importance of financial, social, and human capital in driving entrepreneurial opportunities and venture growth.

The framework comprises three interconnected components:

1. **Theories of resource-based entrepreneurship:** This component discusses the significance of various resources for SMMEs, including financial, social, and human capital. The financial capital hypothesis underscores the importance of capital access for resource acquisition and business establishment. The social capital hypothesis highlights the role of social networks in identifying and exploiting business opportunities, while the human capital hypothesis emphasizes the influence of experience and education on entrepreneurial success.
2. **SMMEs Encounter Resource-Based Challenges:** Here, the primary challenges faced by SMMEs, such as access to capital, managerial skills, infrastructure, and technology, are highlighted. Overcoming these obstacles is crucial for the growth of developing SMMEs.
3. **Resources-Based Approaches for Growing SMMEs:** This component suggests that resource-based entrepreneurship theories can assist emerging SMMEs. It proposes that SMMEs can benefit from accessing human, social, and financial capital, as well as from receiving coaching, mentoring, and training from experienced business professionals.

Overall, the framework offers a comprehensive understanding of resource-based entrepreneurship concepts and their potential application in addressing the challenges encountered by SMMEs in the Tshwane Metropolitan Municipality. It underscores the importance of resource access in facilitating SMME success.

## **2.6.2 CONCEPTUAL FRAMEWORK**

The Resource-Based View (RBV) model, introduced by Barney in 1991, posits that a company's resources and capabilities can serve as the foundation for its competitive advantage. According to RBV, for a company to gain a competitive edge, its resources and capabilities must be valuable, rare, inimitable, and non-substitutable (VRIN). These traits enable a company to stand out in its industry by creating value for consumers.

RBV has been applied across various fields such as medicine, education, and information technology. It emphasizes the significance of resources, including financial, social, and human capital, for entrepreneurial growth and success. Financial capital is seen as advantageous for acquiring resources and starting new ventures, though it's debated whether it's a necessity. Social capital, referring to access to a wide social network, aids entrepreneurs in resource acquisition and opportunity exploitation. Human capital, encompassing education and experience, plays a crucial role in identifying and seizing opportunities.

Given the challenges faced by Small, Media, and Micro Enterprises (SMMEs) in accessing resources, particularly in the construction sector, resource-based entrepreneurship theories are applied to assist these emerging ventures. By leveraging these theories, SMMEs can tap into mentorship, coaching, and training from experienced businesspersons, recognizing the importance of social networks and human characteristics for success.

SMMEs, recognized as crucial for economic growth, encounter obstacles in securing public procurement contracts in regions like the Tshwane Metropolitan Municipality. As public procurement contracts are vital revenue sources for SMMEs, their inability to access them hinders their growth and sustainability. A literature review utilizes RBV as a theoretical framework to understand the challenges faced by SMMEs in Tshwane in obtaining public procurement contracts.

RBV theory, pioneered by Barney and Wernerfelt, underscores the significance of firm-specific resources and capabilities in achieving a sustained competitive advantage. It categorizes resources into financial, social, and human capital, emphasizing their role in driving competitive success.



## **2.6.3 FINANCIAL, SOCIAL, AND HUMAN CAPITAL: KEY DETERMINANTS OF SMMES' PROCUREMENT SUCCESS**

### **2.6.3.1. FINANCIAL CAPITAL**

The financial capital hypothesis posits that individuals with financial resources are better positioned to start businesses. However, some scholars dispute this, suggesting that financial capital isn't always a prerequisite for entrepreneurship. This hypothesis is particularly relevant for Small, Medium, and Micro Enterprises (SMMEs), which often struggle to access the funds needed to engage in public procurement. Limited financial access can hinder SMMEs' ability to compete with larger companies for government contracts. (Clausen, 2006; Aldrich & Keister, 2003; Kim, Hurst & Lusardi, 2004; Ibrahim & Shariff, 2016).

### **2.6.3.2. SOCIAL CAPITAL**

The concept of social capital emphasizes the importance of entrepreneurs having access to a wide social network, which can facilitate resource acquisition and the establishment of new businesses. Social capital is defined as the network of relationships within a society that enables effective functioning (Putnam, 2000). Studies (Shane & Eckhardt, 2003; Aldrich & Zimmer, 1986) indicate that social networks are crucial for Small, Medium, and Micro Enterprises (SMMEs) to thrive. Entrepreneurs with expansive social networks are better equipped to identify opportunities and acquire necessary resources (Mago & Toro, 2013; Green, Jones & Miles, 2012). Conversely, SMMEs lacking strong social networks may struggle to access vital information and resources, making competition with larger firms, particularly in public procurement processes, challenging.

### **2.6.3.3. HUMAN CAPITAL**

The human capital entrepreneurship paradigm underscores the significance of education and experience in recognizing and seizing opportunities (Becker, 1975; Anderson & Miller, 2003; Shane & Venkataraman, 2000; Chandler & Hanks, 1998). Human capital, as defined by the OECD (2001), encompasses competencies, knowledge, social and personality attributes, and creativity essential for economic value creation through labour (p. 22). For small, medium, and micro enterprises (SMMEs), human capital is crucial for success in public procurement, enhancing technical skills, management capabilities, and innovation (Ibrahim & Shariff, 2016). Nonetheless, SMMEs often encounter obstacles in accessing training, mentorship, and coaching, impeding their capacity to cultivate the requisite human capital to compete effectively in public procurement processes.

## **2.6.4 IMPLICATIONS FOR SMMEs IN TSHWANE METROPOLITAN MUNICIPALITY**

### **2.6.4.1. DEVELOPING FINANCIAL CAPITAL**

Limited financial resources pose a significant barrier for SMMEs in accessing public procurement contracts (Ismail & Nyoka, 2018). To address this challenge, SMMEs in the Tshwane Metropolitan Municipality can explore various financing options, including loans, grants, and venture capital (Ismail & Nyoka, 2018). Additionally, partnering with larger firms can provide access to additional financial resources and opportunities for growth and expansion (Ismail & Nyoka, 2018).

### **2.6.4.2. BUILDING SOCIAL CAPITAL**

Enhancing social capital is essential for SMMEs to navigate the complexities of public procurement processes (Putnam, 2000). Establishing relationships with stakeholders, joining business associations, and participating in networking events can help SMMEs expand their social networks (Putnam, 2000). These connections provide valuable opportunities for collaboration, knowledge-sharing, and accessing resources necessary for success in public procurement (Putnam, 2000).

### **2.6.4.3. DEVELOPING HUMAN CAPITAL**

Investing in human capital development is crucial for SMMEs to enhance their competitiveness in public procurement (OECD, 2001). SMMEs should prioritize employee training, mentorship programs, and partnerships with academic institutions to improve skills, knowledge, and expertise (OECD, 2001). By investing in human capital, SMMEs can better position themselves to meet the demands of procurement processes and drive sustainable growth (OECD, 2001).

## **2.6.5 RESOURCE-BASED CHALLENGES**

### **2.6.5.1. ACCESS TO CAPITAL**

SMMEs in the Tshwane Metropolitan Municipality face challenges in accessing capital, hindering their growth and competitiveness (Ismail & Nyoka, 2018). Traditional sources like banks may be reluctant to provide funding due to SMMEs' size and lack of collateral (Ismail & Nyoka, 2018). This limitation impedes investment in essential resources such as equipment, staff, and marketing, constraining expansion and survival in the market (Ismail & Nyoka, 2018).

### **2.6.5.2. MANAGERIAL EXPERTISE**

The lack of managerial expertise among SMMEs' leadership contributes to poor decision-making and resource management, leading to financial losses and reduced competitiveness (Nyarko et al., 2021). Strengthening management capabilities through training and mentorship programs is essential for addressing this challenge and improving the overall performance of SMMEs (Nyarko et al., 2021).

### **2.6.5.3. INFRASTRUCTURE CONSTRAINTS AND TECHNOLOGICAL ACCESS**

Infrastructure constraints, including limited access to transportation, electricity, and water, pose significant challenges for SMMEs in the Tshwane Metropolitan Municipality, particularly in rural areas (Molefe & Maritz, 2019). Additionally, inadequate access to technology and information leaves SMMEs struggling to compete, hindering innovation and market responsiveness (Nyarko et al., 2021). Addressing these challenges requires investment in infrastructure development and initiatives to improve technological access and literacy among SMMEs (Molefe & Maritz, 2019).

## **2.7 REVIEW OF EMPIRICAL STUDIES**

Empirical studies provide valuable insights into the challenges encountered by Small and Medium Enterprises (SMEs) in participating in public procurement processes across various countries. Researchers such as Zawdie & Adera (2018), Tengeh et al. (2019), and Shumba et al. (2020) have identified common obstacles faced by SMEs, including limited access to crucial information, financial resources, and technical capacity. Additionally, SMEs often struggle with compliance issues related to procurement regulations.

These studies emphasize the significance of governmental interventions in addressing these challenges. Recommendations from the research highlight the importance of initiatives such as technical assistance, training programs, and access to financing. Simplifying procurement regulations and fostering business networks and partnerships are also identified as essential strategies to enhance SMEs' participation and success in public procurement processes.

In the exploration by Maximilian Müngersdorff and Tim Stoffel (2020), the spotlight is on the subpar implementation of procurement practices within German municipalities. Their research question centers on determining the most effective methods for these municipalities to bolster socially responsible procurement practices. To tackle this, they employed a conceptual framework encompassing five key factors crucial for managing change within public

organisations. However, it's worth noting that their study primarily involved representatives from municipalities, with limited insight into the involvement of small, medium, and micro-enterprises (SMMEs) with other government entities, highlighting a gap in understanding the broader implications of procurement practices.

In another study by Anthony Flynn and Paul Davis (2019), the narrative shifts towards the role of theory in shaping public procurement research. Their inquiry revolves around understanding the influence of theoretical frameworks on procurement studies. Flynn and Davis constructed framework models based on existing theories from previous authors. Despite the theoretical depth, their research lacks specification regarding the population and sample, leaving room for further empirical studies to validate and expand upon existing theoretical constructs.

Transitioning to the challenges faced by SMMEs in public procurement, Temidayo O. Akenroye and Oluseyi Aju (2018) shed light on the obstacles encountered by these businesses. Their research endeavours to visually portray the hurdles confronting SMMEs in procurement processes. Utilizing a model-based representation, they sampled 120 SMMEs, contributing significantly to understanding the challenges faced by such enterprises. However, their study also underscores the scarcity of empirical research on this subject, particularly in developing countries, suggesting a pressing need for more comprehensive investigations.

Finally, Chen (2018) addresses the preferential treatment in government procurement and its ramifications for SMEs. His study delves into flaws within the Chinese regulatory framework, allowing large corporations to exploit benefits meant for SMEs. However, Chen's research primarily focuses on regulatory loopholes, leaving a gap in understanding the practical implications of preferential treatment for SMEs in government procurement. Each study offers valuable insights into the multifaceted realm of public procurement, yet collectively they point towards areas warranting further exploration and empirical validation.

Overall, the findings from empirical studies underscore the need for multifaceted support mechanisms to overcome the barriers faced by SMEs and facilitate their meaningful engagement in public procurement activities.

## **2.8 SUMMARY OF CHAPTER**

The introduction of the study lays the groundwork for understanding the challenges Small, Medium, and Micro Enterprises (SMMEs) encounter in accessing public procurement opportunities within South Africa, focusing specifically on the Tshwane Metropolitan

Municipality. Emphasizing the significant role SMMEs play in the nation's economy, the introduction identifies hurdles they face when engaging with public procurement initiatives. Structured around three main inquiries, the literature review delves into existing procurement methods and practices, investigates necessary support mechanisms for SMMEs, and proposes strategies to address their challenges. It highlights the complexities of procurement processes, which often act as barriers for SMMEs, advocating for initiatives like training programs and improved access to financial resources to empower them in navigating the procurement landscape more effectively.

Furthermore, the literature review uncovers various obstacles hindering SMME involvement in public procurement, including a lack of expertise, resources, and information. Bureaucratic hurdles, regulatory compliance issues, financial constraints, and inadequate municipal support emerge as significant barriers. Overcoming these challenges is deemed crucial for fostering SMME growth and success within the Tshwane Metropolitan Municipality. By addressing these obstacles, SMMEs can better access public procurement opportunities, thereby contributing to economic development and inclusive growth. The insights provided by the literature review inform policymakers and practitioners, guiding efforts to create a more supportive environment for SMME participation in public procurement, thus setting the stage for the subsequent sections of the study.

## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1. INTRODUCTION

The main aim of this chapter is to offer a comprehensive outline of the methods that will be employed to collect and analyse the data essential for investigating the research topic and attaining the associated research objectives. It begins with an overview of the research strategy and then proceeds to outline the research design, population and sample selection, data collection methods, analysis techniques, limitations, quality assurance measures, and ethical considerations inherent in this research endeavour.

### 3.2. RESEARCH APPROACH

It is crucial to choose the research method before beginning any investigation. This is significant because the research philosophy plays a crucial role in defining the study design and outlining the types and quantities of evidence that are necessary to meet the research objectives. The evolution of research knowledge, along with the nature of that knowledge and the research context, can be referred to as research approach.

The approach followed in this study is the interpretative phenomenological approach (IPA). According to Love et al (2020), a phenomenological approach in research is a qualitative research method that aims to explore and understand the subjective experiences and perspectives of individuals regarding a particular phenomenon or lived experience. It is rooted in phenomenology, a philosophical perspective that focuses on describing and understanding the essence or meaning of human experiences as they are lived.

Key characteristics of a phenomenological approach include:

1. **Description of Lived Experience:** Phenomenological research seeks to provide a detailed and rich description of the lived experiences of individuals who have encountered a specific phenomenon or event. The emphasis is on understanding the essence of the experience from the perspective of the participants.
2. **Suspension of Preconceived Notions:** The researcher strives to approach the phenomenon with a phenomenological reduction, suspending their own preconceived notions, assumptions, and biases. This allows the researcher to be open and receptive to the participants' perspectives without imposing external interpretations.

3. **Intensive Data Collection:** Phenomenological research relies on in-depth data collection methods such as interviews, participant observations, and diaries/journals to gather rich and detailed accounts of the participants' experiences. These methods aim to capture the essential aspects of the phenomenon as experienced by individuals.
4. **Data Analysis:** The data analysis process in phenomenological research involves a systematic examination of the collected data to identify patterns, themes, and structures that represent the essence of the lived experiences. This typically involves a process of coding, categorization, and interpretation to derive meaning from the data.
5. **Essence or Meaningful Structures:** Phenomenological research aims to uncover the underlying essence or meaningful structures of the phenomenon being studied. The focus is on understanding the shared and unique elements that constitute the participants' experiences and uncovering the fundamental nature of the phenomenon.
6. **Phenomenological Reflection:** The researcher engages in a reflective process to examine their own experiences, biases, and interpretations that may influence the research. This self-reflection enhances the researcher's understanding and helps to ensure that the findings remain faithful to the participants' experiences.

The numerous procedures involved in the data gathering process and the analysis of the gathered data are all presented in this chapter along with the philosophical foundation for the study. The chapter outlines the study's design, methods, and overall background. Additionally, the chapter explains the methods and processes used for data collecting and analysis.

### **3.3. RESEARCH DESIGN**

The selection of the sample frame, the sampling size, the research population that was employed as respondents, and the sampling techniques that was used in choosing the final respondents are all decisions and processes that are guided by the study design. In addition to confirming the government's efforts to ensure that SMMEs participate in public procurement, this study aims to identify the procurement challenges faced by SMMEs, particularly regarding the information and opportunities that are available. It also aims to learn how the SMMEs perceive the government's current system that targets public procurement in the Tshwane Metropolitan Municipality. The research also aims to uncover possibilities for SMMEs in the Tshwane Metropolitan Municipality to take advantage of, as well as some recommendations on how to overcome some of the observed problems in public procurement.

### 3.4. DATA COLLECTION METHOD

There are three different types of research methods: mixed, qualitative, and quantitative. However, this study used a qualitative technique to look at the phenomena of research.

#### 3.4.1. Qualitative Research:

- **In-depth Interviews:** Conducting structured or semi-structured interviews with SMMEs to gather insights on the challenges faced by SMMEs in public procurement.
- **Document Analysis:** Reviewing relevant documents such as public procurement policies, reports, and case studies to understand the context, regulations, and challenges faced by SMMEs in the municipality.

There are several justifications for the choice of qualitative approach chosen in this study. Qualitative research is an appropriate methodology that was used in conducting a study into the public procurement challenges faced by SMMEs in the Tshwane Metropolitan Municipality. Here are some justifications for using qualitative research in this context:

1. **In-depth understanding:** Qualitative research allowed the researcher to gain a detailed and comprehensive understanding of the challenges faced by SMMEs in public procurement. It involved exploring the experiences, perceptions, and perspectives of the participants, which provided rich and nuanced insights into their challenges.
2. **Contextual understanding:** Qualitative research enabled the researcher to study the challenges within their specific context. By conducting interviews or observations, the researcher was able to explore the unique factors and dynamics that influence public procurement challenges in the Tshwane Metropolitan Municipality. This context-specific understanding can contribute to the development of targeted interventions and policies.
3. **Flexibility and adaptability:** Qualitative research provided flexibility in data collection methods and analysis techniques. The researcher adapted his approach based on emerging findings, allowing him to explore new avenues and adjust his research questions or methods accordingly. This flexibility is particularly beneficial in an exploratory study where the research questions may evolve throughout the research process.



4. **Participant perspectives:** Qualitative research prioritised the perspectives and voices of the participants. By directly engaging with SMMEs and stakeholders involved in public procurement, the researcher captured their subjective experiences, opinions, and challenges. This approach allowed for the exploration of diverse viewpoints, ensuring a more comprehensive understanding of the issues at hand.
5. **Rich data:** Qualitative research generated rich and detailed data. Through methods like interviews, the researcher gathered in-depth narratives, stories, and anecdotes from SMMEs. This data provided valuable insights into the complexities, nuances, and underlying factors that contribute to the challenges faced by SMMEs in public procurement.
6. **Exploratory nature:** Qualitative research is well-suited for exploratory studies, as it helps identify new themes, patterns, and areas of inquiry. It allowed the researcher to generate hypotheses or research questions for further investigation. In the case of exploring public procurement challenges faced by SMMEs, qualitative research helped identify emerging issues and potential avenues for future research or policy development.

### 3.5. POPULATION & SAMPLE

In a qualitative study exploring public procurement challenges faced by SMMEs in the Tshwane Metropolitan Municipality, the population typically consisted of individuals or organisations that met the criteria of being SMMEs and are involved in public procurement within the municipality.

Determining the specific population depended on the research objectives, the scope of the study, and the availability of potential participants. However, a population for this study included:

1. **Small, Media, and Micro Enterprises (SMMEs) registered in the Tshwane Metropolitan Municipality:** These encompassed businesses that fall under the SMME category and are operating within the geographical boundaries of the municipality.
2. **Procurement officers or officials:** These included individuals responsible for managing public procurement processes within the Tshwane Metropolitan

Municipality. Their insights provided valuable perspectives on the challenges faced by SMMEs during the procurement process.

Sampling in qualitative research is often purposive or purposeful rather than random, as the focus is on selecting participants who can provide rich and relevant information related to the research objectives. Here are some sampling strategies used for this study:

1. **Convenience sampling:** Participants were selected based on their availability and accessibility. This approach involved reaching out to SMMEs who were easily accessible within the Tshwane Metropolitan Municipality.
2. **Snowball sampling:** This method involved identifying initial participants who met the study's criteria and then asking them to refer other relevant individuals or organisations. Through this process, the researcher gradually expanded the network of participants.
3. **Maximum variation sampling:** Participants who represented a wide range of SMMEs in terms of size, sector, experience, or other relevant characteristics were purposefully selected. This approach ensured diversity and captured a variety of perspectives within the population.

### **3.6. THE RESEARCH INSTRUMENT**

In a qualitative study exploring public procurement challenges faced by SMMEs in the Tshwane Metropolitan Municipality, several research instruments were used to gather data and insights. The choice of research instruments depended on the specific research objectives, the nature of the data to be collected, and the preferences of the researcher. Here are some research instruments that were applied in this qualitative study:

1. **Interviews:** Conducting interviews allowed for in-depth exploration of participants' perspectives, experiences, and challenges related to public procurement. Interviews were structured (with a predetermined set of questions) or semi-structured (with flexibility to explore emerging themes). They were conducted in person, and over the phone. Interviews enabled the researcher to probe further, clarify responses, and capture rich narratives.
2. **Observations:** Direct observation of public procurement processes and interactions provided valuable insights into the challenges faced by SMMEs. The researcher observed SMMEs submitting procurement bid documents and conducted site visits to

gain a first-hand understanding of the dynamics and complexities involved. Field notes were taken during observations to record observations, behaviours, and any noteworthy details.

3. **Document analysis:** Analysing relevant documents such as public procurement policies, guidelines, reports, or legal documents provided contextual information and support the interpretation of findings. Document analysis helped identify systemic challenges, policy gaps, or discrepancies that may contribute to the challenges faced by SMMEs in public procurement.

This study followed a mixture of the research instruments because it allowed for in-depth exploration of participants' perspectives, experiences, and challenges related to public procurement. The interview followed a structured set of questions and interviews that was conducted in person and telephonically.

### **3.7. PROCEDURE FOR DATA COLLECTION**

The procedure for data collection in a qualitative study exploring public procurement challenges faced by SMMEs in the Tshwane Metropolitan Municipality involved the following steps:

1. **Define research objectives:** Clearly articulated the research objectives, questions, and areas of exploration related to public procurement challenges faced by SMMEs in the Tshwane Metropolitan Municipality. This guided the entire data collection process.
2. **Determine participant selection:** Decided on the criteria for selecting participants, such as SMMEs and procurement officers involved in public procurement within the municipality. Considered sampling strategies discussed earlier.
3. **Obtain necessary permissions:** Obtained the necessary permissions to conduct the research. Ensured compliance with ethical guidelines and standards for data collection involving human participants.
4. **Develop interview:** Created a set of open-ended questions or topics that will guide the interviews discussions. The questions were designed to elicit detailed responses about the challenges faced by SMMEs in public procurement. Ensured that the questions were clear, concise, and aligned with the research objectives.
5. **Conduct pilot testing:** Before initiating data collection with the target participants, conducted a pilot test of the interview guides. This helped identify any issues or areas

for improvement in the questioning format or flow. Made necessary adjustments based on the pilot test feedback.

6. **Schedule and conduct interviews:** Contacted the selected participants and scheduled interviews sessions at mutually convenient times. Depending on the participants' preferences and availability, interviews were conducted in person and over the phone. Created a conducive environment that encouraged open and honest sharing of experiences and challenges.
7. **Record data:** Permission to record sessions was sought from participants to audio record the interviews sessions for accurate data capture, and a detailed notetaking was employed during the sessions. Ensured confidentiality and data security by anonymizing participants' identities and using secure storage methods for recorded data.
8. **Supplement with observations and document analysis:** Conducted observations of relevant procurement processes. Collected and analyse relevant documents such as policies, reports, or legal documents related to public procurement.
9. **Data saturation:** Continuously assessed the data collected to determine data saturation, the point at which new information or insights ceased to emerge.
10. **Transcribe and organize data:** Transcribed the recorded interviews sessions and organise the data systematically. Created a data management plan to ensure easy retrieval and organisation of data for analysis.
11. **Analyse the data:** Employed qualitative data analysis methods, such as thematic analysis, to identify patterns, themes, and recurring challenges within the data. Used appropriate software to facilitate the analysis process.
12. **Interpret and report findings:** Interpreted the analysed data, drawing conclusions and insights related to the public procurement challenges faced by SMMEs in the Tshwane Metropolitan Municipality. Ensured transparency and thoroughness by providing a clear account of the data collection process and the analytical approach employed.

### **3.8. DATA ANALYSIS STRATEGIES & INTERPRETATION**

In a qualitative study exploring public procurement challenges faced by SMMEs in the Tshwane Metropolitan Municipality, the data analysis strategies and interpretation play a crucial role in deriving meaningful insights. Below are common strategies and approaches for data analysis and interpretation that were followed in this qualitative study:

1. **Constant comparative analysis:** This approach, often associated with grounded theory, involved comparing data within and across participants to identify similarities and differences. Data was analysed, making comparisons to identify emerging categories, concepts, or relationships. This process allowed for the development of a conceptual framework that explains the public procurement challenges and their interconnections.
2. **Interpretative phenomenological analysis:** This approach focused on understanding the lived experiences of participants. There was thorough understanding of descriptions and narratives provided by participants, aiming to uncover the underlying meanings, emotions, and perspectives related to public procurement challenges. The analysis involved a process of interpretation, which considered the preconceived ideas of all parties involved and the broader social and cultural contexts.
3. **Reflexivity and researcher's role:** This process involved a reflection of own biases, assumptions, and positions throughout the data analysis process. Reflexivity involved acknowledging and critically examining any influence on the interpretation of data.

### **3.9. LIMITATIONS & CHALLENGES OF THE STUDY**

When conducting a qualitative study exploring public procurement challenges faced by SMMEs in the Tshwane Metropolitan Municipality, there were several potential limitations and challenges considered. The following were some of the limitations and challenges:

1. **Generalisability:** Qualitative studies often focus on specific contexts and a limited number of participants, which may limit the generalisability of the findings to other settings or populations. The results may be context-specific and may not be representative of all SMMEs or procurement challenges in different regions or municipalities.
2. **Sample selection bias:** The selection of participants, such as SMMEs and procurement officers, may introduce bias. Convenience sampling or reliance on referrals may result in a sample that is not fully representative of the entire population. It was therefore important to acknowledge and consider the limitations of the chosen sampling strategy.
3. **Researcher subjectivity:** The researcher's background, beliefs, and perspectives can influence data collection, analysis, and interpretation. It was crucial for the researcher to acknowledge and mitigate researcher bias by employing reflexivity and engaging in critical self-reflection throughout the study.

4. **Social desirability bias:** Participants may provide responses that they perceive as socially desirable or acceptable, rather than expressing their true experiences or opinions. This bias can limit the depth and authenticity of the data collected. Building rapport and creating a safe and non-judgmental environment helped in mitigating this bias.
5. **Time and resource constraints:** Qualitative studies require substantial time and resources for data collection, transcription, analysis, and interpretation. Limited time and resources could have affected the depth and breadth of data collected or analysed.
6. **Language and communication barriers:** Language differences and communication barriers may arise when working with participants who have diverse linguistic backgrounds. This could have affected the quality of data collected and the ability to fully comprehend participants' experiences. Fortunately, this barrier was mitigated using the English language which was understood by all participants.

### 3.10. QUALITY ASSURANCE

Quality assurance in qualitative research for studying SMME challenges in Tshwane Metropolitan Municipality involved several considerations:

- **Research Design and Methodology:** Objectives, questions, and scope were clearly defined. Appropriate qualitative methods like interviews or case studies were chosen. Methodology was justified.
- **Sampling and Participant Selection:** Target population was clearly defined. Purposeful sampling was used. Selection process and potential biases were documented.
- **Data Collection:** Guides aligned with objectives were developed. Multiple methods were used for reliability. Rapport was established, ethics were maintained, and consent was ensured.
- **Data Analysis:** Systematic techniques like thematic analysis were used. Analysis was done iteratively, and the process was documented for transparency.
- **Member Checking and Peer Review:** Findings were validated with participants. Peer review was sought for an external perspective and robustness.
- **Reflexivity and Researcher Bias:** Biases throughout were acknowledged. Techniques like peer debriefing were used.
- **Reporting:** Entire process was clearly documented. Detailed findings including participant quotes were provided. Limitations and biases were addressed.

These measures enhanced the rigor, validity, and trustworthiness of the study.

### **3.11. ETHICAL CONSIDERATION**

The ethical considerations in qualitative research, particularly in studying challenges faced by SMMEs in the Tshwane Metropolitan Municipality, were paramount to safeguard participants' rights, privacy, and confidentiality. The study committed to:

- **Informed Consent:** Participants were fully informed about the study's purpose, their rights, voluntary participation, and potential risks or benefits. They could freely ask questions and withdraw without repercussions.
- **Confidentiality and Anonymity:** Participant identities were protected using unique identifiers, and data was securely stored, protected, and anonymized to mitigate re-identification risks.
- **Privacy and Consent for Recording:** Explicit consent was obtained for audio or video recordings, with participants having the right to decline or restrict recording. Recordings were securely stored and used only for analysis.
- **Respect for Participants:** Participants were treated respectfully, ensuring their viewpoints were valued, avoiding exploitation, and being sensitive to power imbalances and vulnerabilities, especially concerning sensitive business topics.
- **Ethics Committee Approval:** Ethical review and approval were sought from the ethics committee.
- **Reporting and Dissemination:** Research findings were shared responsibly, avoiding misrepresentation or exploitation. Additional consent was obtained if participants' identities or direct quotes were used in publications or presentations.

### **3.12. CHAPTER SUMMARY**

Chapter 3, "Research Methodology," offered a comprehensive guide to the methods employed for data collection and analysis in the investigation of the research topic and objectives. Beginning with an overview of the research strategy, it proceeded to delineate the research design, population and sample selection, data collection methods, analysis techniques, limitations, quality assurance measures, and ethical considerations inherent in the research project. The chapter emphasized the importance of these methodological aspects in ensuring the rigor, validity, and ethical integrity of the study.

The research approach, influenced by the interpretative phenomenological approach (IPA), was discussed, highlighting its qualitative nature aimed at understanding subjective experiences related to the research topic. The chapter also outlined the research design, focusing on confirming government efforts regarding small, medium, and micro-enterprise (SMME) involvement in public procurement while identifying challenges faced. Moreover, it delved into data collection methods, population and sample selection strategies, research instruments, data collection procedures, and data analysis strategies, along with limitations, quality assurance measures, and ethical considerations.



## **CHAPTER 4. RESEARCH FINDINGS AND DISCUSSION**

### **4.1 INTRODUCTION**

This analysis provides a detailed examination of the challenges and opportunities faced by Small, Medium, and Micro Enterprises (SMMEs) in engaging with public procurement processes in the Tshwane Metropolitan Municipality. It organizes responses into thematic sections to systematically explore issues such as eligibility criteria, competition dynamics, bureaucratic hurdles, and the effectiveness of existing support structures. By posing a diverse range of questions to stakeholders within SMMEs, the analysis aims to uncover insights into issues like information accessibility, collaboration strategies, and the impact of government policies on SMME participation. Ultimately, this comprehensive resource aims to provide valuable insights to stakeholders, policymakers, and interested parties to inform strategic decision-making and policy formulation in the procurement ecosystem.

### **4.2. SURVEY FINDINGS**

A total of 30 respondents were interviewed during the specified data collection period. The interview was conducted based on a questionnaire which was grouped according to the subsequent themes.

#### **4.2.1. COMPANY AND ROLE**

The data from the questionnaires collected responses from small business owners in various sectors such as goods supply, retail, music production, consulting, and more, highlighting the diversity in the small business landscape. The analysis focused on the duration of companies' operation in the Tshwane Metropolitan Municipality. The mean duration of operation was approximately 6.4 years, indicating the average reported by the surveyed businesses. The most frequently reported durations were around 3 years and 10 years, suggesting a mix of businesses in early stages and more established ones. An outlier of "32 years" indicated a business with a significantly longer operation, prompting further investigation into its unique circumstances. Overall, the analysis showed a diverse range of timelines for businesses in the area, with the outlier underscoring the need for deeper investigation into exceptional cases.

#### **4.2.2. PROCUREMENT PROCESSES AND OPPORTUNITIES**

The examination of familiarity with procurement processes in the Tshwane Metropolitan Municipality unveiled a varied landscape among surveyed businesses. While a substantial majority (66.67%) indicated familiarity, a notable segment (33.33%) admitted to a lack of

understanding. Additionally, one participant's confident affirmation highlighted varying levels of comprehension, underscoring the mixed familiarity with procurement protocols in the specified area. This diversity suggested the necessity for tailored support or information dissemination to ensure all businesses could navigate the procurement landscape effectively.

Analysis of how small business owners typically became aware of procurement opportunities revealed a multifaceted approach. Traditional media, like newspapers, remained relevant for some, while others embraced digital platforms such as online portals and email. Notably, instances of admitted unawareness indicated potential gaps in knowledge or accessibility to information, emphasizing the need for targeted initiatives to bridge these gaps among certain small business owners. The utilization of both traditional and modern methods, along with acknowledgment of industry-specific sources, underscored the adaptable approach necessary for effective communication and information dissemination in municipal procurement.

Furthermore, challenges faced in accessing procurement information provided valuable insights into the experiences of small business owners. These challenges ranged from perceived lack of transparency in tender selection to difficulties in communication due to the unavailability of procurement offices or supply chain units. The clarity and comprehensiveness of information emerged as significant challenges, alongside financial concerns such as payment challenges. Addressing these issues could contribute to a more inclusive and accessible procurement environment, fostering equitable opportunities for businesses of all sizes.

### **4.2.3. ELIGIBILITY CRITERIA AND DOCUMENTATION**

The examination of responses regarding challenging eligibility criteria or requirements in procurement opportunities provided a nuanced understanding of the hurdles faced by small business owners. These responses depicted a varied landscape, showcasing the multifaceted nature of challenges encountered in pursuing procurement opportunities. Specific difficulties, such as meeting Broad-Based Black Economic Empowerment (BEE) compliance and financial statement requirements, were highlighted, reflecting the intricate nature of empowerment standards and financial transparency within procurement processes. Additionally, the acknowledgment of contextual diversity in eligibility criteria across different businesses and industries underscored the nuanced understanding of procurement requirements among respondents.

Administrative challenges surfaced prominently, with the need for proof of Central Supplier Database (CSD) certificates and staffing requirements posing significant obstacles. The

complexities of maintaining an in-house expertise pool were illuminated, with some businesses resorting to outsourcing professionals to align with eligibility criteria. Moreover, issues with the clarity of project scopes and the requirement for a track record in projects highlighted the challenge of establishing credibility and proving past success, adding layers of complexity to the procurement process.

Financial constraints emerged as a pervasive theme among small businesses, with strong financials being a prerequisite for bidding but perceived as setting requirements too high. Limited guidance and resources compounded the challenges, as businesses struggled with document submission and post-bid communication. Resource limitations, especially for SMMs, underscored the uphill battle smaller enterprises face in adhering to extensive bid criteria.

Documentation challenges were multifaceted, ranging from compliance certificates to recommendation letters, indicating the complexity of this aspect. The notion of cumbersome requirements raised questions about the clarity and accessibility of bid criteria, suggesting the need for streamlining. Despite prevailing challenges, some respondents expressed a positive experience, suggesting varying levels of preparedness in navigating the bid preparation process.

In conclusion, the identified challenges underscored the multifaceted nature of the competitive bidding landscape for small business owners. Addressing these challenges necessitated tailored support mechanisms, improved communication, and a more inclusive approach to accommodate the unique circumstances of small businesses. Insights from these challenges could inform policymakers and support agencies in developing interventions to foster an equitable and accessible procurement environment, thereby promoting the growth and sustainability of small enterprises.

#### **4.2.4. FINANCIAL AND TECHNICAL CAPACITY**

The responses from small business owners regarding challenges in demonstrating financial and technical capacity for procurement contracts revealed a pervasive struggle within the community. The unanimous acknowledgment of these challenges underscored a common issue among small businesses, emphasizing the need for collective efforts to systematically address these obstacles. Insights into specific burdensome requirements, such as professional indemnity, cash flow demonstration, and upfront capital needs, provided a nuanced understanding of the intricate nature of challenges faced by small enterprises in procurement.

Financial barriers, including cash flow constraints and lack of support from lenders and banks, were prominent, hindering their ability to meet procurement requirements effectively. On the technical front, challenges included proving project completion and obtaining recommendation letters, highlighting the importance of positive project histories and client endorsements, which may pose difficulties for smaller businesses.

The burden associated with time-intensive processes, coupled with funding delays, added complexity and further hindered small businesses, particularly those lacking resources to navigate prolonged procedural requirements. While the responses offered a broad understanding, deeper exploration into specific pain points would have been valuable for designing targeted support mechanisms. Integrating these responses painted a detailed picture of challenges encountered by small business owners, highlighting areas where tailored interventions could enhance their capacity to participate more effectively in procurement contracts. The identified challenges underscored the necessity for a holistic approach addressing both financial and technical aspects to empower small enterprises in the competitive procurement landscape.

#### **4.2.5. COMPETITION AND BIDDING**

The responses regarding how SMMEs perceived competition in the procurement process revealed a complex landscape. While a predominant theme was the acknowledgment of high competition, nuanced perspectives emerged. The experience and track record of firms were seen as crucial determinants, with established firms perceived to face higher competition. Pricing dynamics also played a role, with smaller enterprises potentially leveraging competitive pricing to their advantage. Internal tender appointment processes and disparities in technical requirements and financial advantages were identified as significant influencers of competition. Moreover, perceptions of unfair competition highlighted resource disparities between SMMEs and larger firms, emphasizing the relational aspect of competition and prompting considerations for fostering fairness and transparency in the procurement environment.

The responses concerning whether SMMEs faced disadvantages in competitively pricing their bids underscored collective awareness of the challenges encountered in the bidding process. The belief that municipalities often preferred the lowest bidder introduced a challenge for SMMEs balancing competitiveness with sustainable pricing strategies. Recognition of SMMEs' disadvantages due to economies of scale enjoyed by large corporations highlighted

inherent difficulties in achieving cost efficiencies. The acknowledgment of large corporations potentially engaging in collusion added another layer of complexity, suggesting challenges beyond market forces impacting SMMEs' ability to competitively price bids. The varied responses indicated the dynamic nature of municipality influence on bid pricing, emphasizing the need for tailored support mechanisms addressing the unique pricing challenges faced by SMMEs.

In summary, the responses provided a nuanced understanding of the competitive dynamics and pricing challenges encountered by SMMEs in the procurement process. These insights underscored the complexity of factors influencing competition and bid pricing, including experience, pricing dynamics, internal processes, technical requirements, and disparities in resources. Addressing these challenges would require tailored support mechanisms and policies to foster fairness, transparency, and inclusivity in the procurement landscape, ensuring equitable opportunities for businesses of all sizes.

#### **4.2.6. ADMINISTRATIVE CHALLENGES AND TRANSPARENCY**

The responses to inquiries about bureaucratic and administrative challenges during the procurement process revealed a myriad of issues, particularly impacting SMMEs. A common concern was the significant influence of personal connections in securing appointments, raising questions about fairness and transparency. Many respondents felt disadvantaged without such connections, indicating a potential imbalance in the procurement landscape.

Moreover, the acknowledgment that active connections were crucial for winning bids added complexity, suggesting a reliance on personal relationships rather than merit. Some respondents even highlighted the disturbing notion that bribery might be necessary for consideration, posing ethical and legal dilemmas. Additionally, perceived biases in tender specifications further compounded challenges for SMMEs, indicating a need for comprehensive review and inclusivity in procurement practices.

Furthermore, the responses collectively conveyed dissatisfaction and scepticism regarding transparency and accountability in procurement procedures. The prevailing sentiment indicated a widespread belief that existing practices fell short of expectations, with a notable lack of confidence in the fairness of procurement processes. This underscored the urgency for reforms to enhance transparency, foster trust, and promote fair competition, essential for the integrity of procurement procedures. However, several respondents offered constructive suggestions:

1. **Fair Bidding Opportunities for Small Companies:** A key recommendation was to ensure fair bidding opportunities for small companies by avoiding excessively tight requirements that may exclude them from participating. This suggestion underscored the importance of tailoring procurement criteria to the capacity of SMMEs, fostering a more equitable competition landscape.
2. **Specialized Sessions for SMMEs:** Another proposal advocated for scheduling detailed sessions specifically for SMMEs, separate from larger corporations. This approach recognized the unique needs and challenges faced by small businesses, providing them with dedicated opportunities to understand and navigate the procurement process effectively.
3. **Fairness and Inclusiveness:** The call for total fairness and inclusiveness in the process was a broader recommendation. It encompassed simplifying the process for SMMEs and minimizing the financial burden associated with compiling bid responses. This aligned with the overarching goal of making the procurement process more accessible and supportive for smaller enterprises.
4. **Exploration of Online and Open Bids:** The mention of exploring online and open bids, particularly through platforms like eTenders, introduced a technological solution to streamline the process. Leveraging online platforms had the potential to enhance accessibility, reduce paperwork, and democratize the bidding process, aligning with contemporary practices.

In summary, the responses collectively underscored the importance of tailoring procurement practices to support SMMEs. The recommendations ranged from ensuring fairness in bidding opportunities to providing specialized sessions, promoting inclusiveness, and exploring technological solutions. Addressing these suggestions could contribute to a more equitable and accessible procurement environment, fostering the growth and sustainability of small businesses.

#### **4.2.7. SUPPORT AND CAPACITY-BUILDING**

The responses to inquiries about assistance or support from the municipality in navigating the procurement process were unanimously negative, with all respondents answering with a straightforward "No." This consistent and uniform response highlighted a prevailing lack of support from the municipality, indicating a potential gap in assistance mechanisms for businesses engaging in procurement. Particularly concerning was the absence of support for small and medium-sized enterprises (SMMEs), which may have faced challenges in

understanding requirements, submitting competitive bids, and navigating procedural nuances without adequate guidance.

The absence of assistance or support posed significant hurdles for businesses, especially SMMEs, who may have required help in navigating the complexities of the procurement process. Without such support, businesses likely struggled to comprehend documentation, meet evaluation criteria, and adhere to procedural requirements effectively. This lack of assistance underscored the need for the municipality to reassess and enhance its support services, identifying areas where businesses require guidance and implementing targeted programs to foster a more inclusive and supportive procurement environment.

The unanimous negative responses signalled a need for improvements in the provision of support services, particularly for small businesses, to facilitate their active and successful participation in municipal procurement activities. Suggestions for capacity-building initiatives and training programs highlighted various areas where assistance was sought, ranging from knowledge enhancement and financial aid to practical training on documentation completion and understanding evaluation criteria. Addressing these needs through targeted initiatives could enhance the accessibility and comprehensibility of procurement processes, empowering SMMEs to participate more effectively in public procurement.

#### **4.2.8. COLLABORATION AND NETWORKING**

The responses to inquiries about collaborative efforts or partnerships among Small, Medium, and Micro Enterprises (SMMEs) to secure procurement contracts revealed a prevailing trend of limited collaboration. Most respondents simply stated "No," indicating a lack of ongoing collaborative efforts. However, one respondent mentioned that larger players approached SMMEs for joint ventures (JVs), but SMMEs were hesitant to merge at such early stages of their businesses. This nuanced response suggested a disconnect between the willingness of larger enterprises to collaborate and the reservations held by SMMEs, potentially due to concerns regarding business maturity or compatibility.

While the majority of responses indicated a lack of collaboration, one respondent noted occasional instances of collaboration, suggesting that it might not be entirely absent. However, the overall pattern of "No" responses indicated a prevalent culture of individualistic approaches among the surveyed SMMEs. This hesitancy, as mentioned by one respondent, hinted at barriers to collaboration, such as concerns about merging or partnering, especially in the early stages of business development.

Exploring the reasons behind the lack of collaboration, whether due to competitive dynamics, trust issues, or other factors, could provide valuable insights into the challenges faced by SMMEs in forming partnerships to enhance their competitiveness in securing procurement contracts. Despite occasional instances of collaboration, understanding the circumstances or conditions that might encourage SMMEs to work together is essential for fostering a more collaborative procurement environment. Further investigation into these dynamics could shed light on potential opportunities for partnership development among small businesses.

Regarding the belief in fostering networking opportunities between SMMEs and larger firms in the procurement ecosystem, the responses varied. While the majority expressed scepticism with a straightforward "No," nuanced perspectives suggested potential benefits under specific conditions. Understanding the factors shaping these beliefs and uncovering the specific conditions under which networking opportunities are perceived as beneficial is crucial. This exploration could inform strategies for enhancing collaboration within the procurement landscape and address any barriers hindering SMMEs' participation in collaborative efforts.

#### **4.2.9. GOVERNMENT POLICIES AND REGULATIONS**

The responses to inquiries about government policies or regulations perceived to hinder SMMEs participation in public procurement revealed a unanimous agreement among respondents who indicated "Yes." This collective acknowledgment suggested a shared perception that certain policies or regulations present challenges to SMMEs' involvement in public procurement. Specific concerns highlighted included the lack of clarity in the Request for Quotation (RFQ) process, potential competition from larger enterprises, and the impact of the Preferential Procurement Policy Framework Act (PPFA). These insights underscored the need for transparency, fairness, and policy refinement to support SMMEs in navigating procurement processes effectively.

Moreover, concerns were raised regarding funding processes, with one respondent describing them as slow and biased. This perspective shed light on the financial challenges faced by SMMEs in accessing funding for procurement initiatives. The uniform agreement on the existence of hindrances indicated a need for a comprehensive examination of existing policies and regulations to identify and address barriers to SMMEs' participation in public procurement. Specific suggestions for policy adjustments, such as reducing cash flow requirements for small entities and ensuring fairness in bid awarding processes, highlighted potential areas for improvement to create a more supportive environment for SMMEs.



In response to the question seeking suggestions for changes or improvements in government policies to enhance SMMEs' participation in the procurement process, several constructive recommendations were provided. These included reducing financial barriers, ensuring transparency and fairness, improving market accessibility, and amending policies to prevent gatekeeping for SMMEs. The emphasis on integrity and ethical conduct in the procurement process underscored the importance of promoting transparency and equal opportunities for all stakeholders. These suggestions collectively provided valuable insights into specific policy changes that could enhance SMMEs' participation in procurement, aligning with the broader goal of fostering inclusivity and equal opportunities within the procurement landscape.

#### **4.2.10. RECOMMENDATIONS AND ADDITIONAL INSIGHTS**

The responses to the question seeking key recommendations based on respondents' experiences offered valuable insights into addressing challenges faced by Small, Medium, and Micro Enterprises (SMMEs) in public procurement under the Tshwane Metropolitan Municipality. While one respondent indicated "None," possibly suggesting either a lack of specific recommendations or satisfaction with the current system, another recommended more information sessions and tailored opportunities for SMMEs. This practical approach aims to bridge the knowledge gap and make procurement more accessible.

Furthermore, recommendations for "openness and transparency" underscore the importance of building trust, promoting fairness, and providing clarity in processes. Another respondent suggested implementing a rotation system to mitigate biases or favouritism, emphasizing the need for equitable distribution of opportunities. These recommendations reflect a nuanced understanding of challenges faced by SMMEs and offer practical solutions for improvement.

Additionally, while many respondents did not offer additional insights, one highlighted the importance of increased public awareness on tendering systems. This suggestion emphasizes the necessity for educating stakeholders, particularly SMMEs, about procurement processes to enable more effective participation. The focus on education and communication underscores the broader need for continuous efforts to optimize the efficacy of public procurement processes and foster an informed and engaged business community.

### **4.3. DISCUSSION**

This analysis delves into the landscape of Small, Medium, and Micro Enterprises (SMMEs) engaging with public procurement in the Tshwane Metropolitan Municipality, addressing several critical questions. Firstly, it identifies the significant challenges faced by these

enterprises, ranging from administrative complexities to concerns about transparency. Secondly, the analysis examines the need for coordinated action among government agencies, public organizations, consultants, and community beneficiaries to improve SMMEs' access to public procurement opportunities, aiming to create a more supportive environment.

Furthermore, the analysis explores the success factors that differentiate SMMEs effectively navigating procurement complexities, considering factors such as experience and strategic networking. Lastly, it outlines strategies for enhancing public procurement, synthesizing insights for transparency enhancement, tailored support, administrative streamlining, and networking facilitation. The goal of this comprehensive exploration is to provide policymakers and stakeholders with valuable insights to foster a transparent, equitable, and supportive procurement landscape for businesses of all sizes.

- i. What difficulties do SMMEs have in Tshwane Metropolitan Municipality when trying to access public procurement?*

The research findings on Small, Medium, and Micro Enterprises (SMMEs) attempting to access public procurement in the Tshwane Metropolitan Municipality revealed a complex landscape characterized by various challenges. The predominant theme of individualistic approaches among surveyed SMMEs, stemming from factors like competition and trust issues, highlighted a reluctance to engage in collaborative efforts or partnerships, particularly with larger enterprises. This hesitancy raised questions about cooperation dynamics within the local business ecosystem, indicating potential barriers to building beneficial relationships.

Moreover, respondents expressed a unanimous sentiment regarding the perceived absence of support from the municipality in navigating the procurement process. This lack of guidance posed significant challenges for SMMEs, hindering their ability to comprehend requirements, submit competitive bids, and navigate procedural intricacies. Additionally, concerns about transparency and accountability in current procurement procedures underscored the need to address issues affecting the fairness and integrity of the process. Policymakers had to consider interventions to level the playing field and ensure fair competition while fostering a more inclusive, equitable, and supportive procurement environment for SMMEs in the region.

- ii. What coordinated actions from all parties (government agencies, public organisations, consultants, and community beneficiaries) are necessary to increase SMMEs' access to public procurement?*

The survey findings on Small, Medium, and Micro Enterprises (SMMEs) attempting to access public procurement in the Tshwane Metropolitan Municipality revealed a landscape fraught with challenges. Notably, a prevalent theme emerged indicating a reluctance among SMMEs to engage in collaborative efforts or partnerships, especially with larger enterprises. This individualistic approach stemmed from factors such as competition and trust issues, shedding light on the complex dynamics within the local business ecosystem and suggesting potential barriers to fostering beneficial relationships.

Furthermore, respondents unanimously expressed a perception of inadequate support from the municipality in navigating the procurement process. This lack of guidance significantly impeded SMMEs' ability to understand requirements, submit competitive bids, and navigate procedural complexities effectively. Additionally, concerns were raised about transparency and accountability in current procurement procedures, underscoring the necessity to address issues impacting the fairness and integrity of the process. Policymakers were urged to consider interventions aimed at leveling the playing field and ensuring equitable competition while fostering a more inclusive, supportive procurement environment for SMMEs in the region.

In conclusion, the survey findings painted a comprehensive picture of the challenges faced by SMMEs seeking to participate in public procurement within the Tshwane Metropolitan Municipality. Addressing these challenges necessitated a holistic approach, including promoting collaboration, enhancing support mechanisms, improving transparency, and ensuring fairness in procurement procedures. Policymakers and stakeholders were called upon to leverage these insights to develop strategies aimed at fostering a more equitable, accessible, and supportive procurement environment for SMMEs.

*iii. What are the success factors of SMMEs that managed to access public procurement?*

The survey results highlighted that while many Small, Medium, and Micro Enterprises (SMMEs) faced challenges in accessing public procurement opportunities, there were noteworthy instances of success. This discussion explored the success factors identified in the survey that contributed to SMMEs successfully navigating the complexities of public procurement.

One prominent success factor identified in the survey was the significance of experience and a proven track record. SMMEs with a longer operating history and successful completion of projects were perceived to have a competitive advantage. This suggested that a positive project history contributed to building credibility and instilling confidence in procurement entities.

Successful SMMEs often engaged in networking activities and collaborative efforts. While the survey indicated limited collaboration, instances of successful partnerships or joint ventures with larger firms were noted. Networking provided SMMEs with exposure, opportunities for joint projects, and potential mentorship from established players.

Pricing strategies played a crucial role in the success of SMMEs in accessing public procurement. The survey suggested that some larger firms faced challenges due to higher pricing. Successful SMMEs strategically leveraged competitive pricing to their advantage. This involved a nuanced understanding of market dynamics and the ability to offer cost-effective solutions without compromising quality. Meeting regulatory compliance requirements, such as Broad-Based Black Economic Empowerment (BEE) and licensing criteria, emerged as a success factor. SMMEs that demonstrated a commitment to regulatory standards and maintained up-to-date compliance certificates were perceived more favourably in the procurement process. Compliance reflected a commitment to ethical business practices.

*iv. What are the strategies for consideration in Public Procurement in Tshwane Metropolitan Municipality?*

The survey findings underscore critical aspects requiring strategic reform in the public procurement landscape of the Tshwane Metropolitan Municipality, particularly in addressing the challenges faced by Small, Medium, and Micro Enterprises (SMMEs). A multifaceted approach is deemed necessary, covering various dimensions such as transparency enhancement, tailored support mechanisms, administrative efficiency, networking facilitation, tender specification refinement, proactive communication, stakeholder engagement, financial barrier mitigation, collaboration encouragement, and periodic policy reviews.

Key recommendations include enhancing transparency and fairness in procurement processes through measures like clear tender specifications and unbiased evaluation criteria. Tailored support mechanisms are proposed to address the diverse challenges encountered by SMMEs, including training programs, financial aid, and specialized sessions. Streamlining administrative processes is highlighted as crucial, emphasizing the importance of clear information, accessible documentation, and responsive communication channels to reduce barriers for SMMEs.

Furthermore, fostering networking opportunities, reviewing tender specifications to ensure inclusivity, establishing proactive communication channels, continuous stakeholder engagement, addressing financial barriers, encouraging collaborations between large

corporations and SMMEs, and conducting periodic policy reviews are advocated. Implementing these strategies is expected to create a more inclusive, transparent, and supportive procurement environment conducive to the growth and success of businesses of all sizes in the Tshwane Metropolitan Municipality.

#### **4.4. SUMMARY OF ANALYSIS**

The analysis delves into the challenges faced by Small, Medium, and Micro Enterprises (SMMEs) navigating public procurement in the Tshwane Metropolitan Municipality, revealing complex hurdles ranging from administrative complexities to transparency concerns and limited collaboration. A prevalent theme emerges, highlighting a lack of engagement in collaborative efforts among SMMEs, possibly due to competitive dynamics, trust issues, and early-stage business hesitancy in merging.

Furthermore, the analysis emphasizes the need for coordinated actions from various stakeholders, including government agencies, public organizations, consultants, and community beneficiaries. Recommendations include enhancing support services, fostering networking opportunities, and developing targeted capacity-building programs, emphasizing the importance of public-private partnerships and continuous stakeholder engagement to create a more supportive and inclusive procurement environment.

Exploring success factors such as experience, strategic networking, pricing strategies, regulatory compliance, and effective communication, the analysis underscores the importance of leveraging these insights for policymaking. The examination concludes with a strategic overhaul for public procurement in the Tshwane Metropolitan Municipality, proposing strategies such as transparency enhancement, tailored support mechanisms, streamlined administrative processes, networking facilitation, and periodic policy reviews. Implementation of these strategies aims to foster a more inclusive, transparent, and supportive procurement environment for businesses of all sizes, aligning with the broader goal of equitable economic participation and growth.

## **CHAPTER 5: CONCLUSION AND RECOMMENDATIONS**

### **5.1. INTRODUCTION**

The focus of this chapter is on conclusions and recommendations. From the key findings highlighted in the preceding chapter, a conclusion was drawn, and recommendations were made.

### **5.2. RECOMMENDATIONS**

The study on barriers to Small, Medium, and Micro Enterprises (SMMEs) accessing public procurement in the Tshwane Metropolitan Municipality has uncovered valuable insights and provided recommendations. Further research could delve deeper into specific barriers identified in the study, such as administrative intricacies, lack of transparency, and reluctance to collaborate. Understanding the root causes and nuances of these challenges can provide more targeted solutions and contribute to a nuanced understanding of the issues faced by SMMEs.

As the study recommends coordinated actions involving government agencies, public organizations, consultants, and community beneficiaries, further research can assess the long-term impact of such interventions. This could involve tracking the progress of SMMEs over an extended period to determine the effectiveness and sustainability of the recommended actions.

Conducting comparative studies with other municipalities or regions in South Africa or internationally can offer insights into the contextual variations in challenges faced by SMMEs. Understanding how different environments influence SMMEs' access to public procurement can inform tailored strategies for specific regions.

Research exploring the cultural and social dynamics influencing SMMEs' engagement in public procurement can provide a more comprehensive understanding of the barriers. This could involve examining cultural attitudes towards collaboration, trust-building, and business relationships, which may impact SMMEs' strategies in procurement.

If policy adjustments or new interventions are implemented based on the study's recommendations, further research can evaluate the effectiveness of these changes. This includes assessing the extent to which policies are implemented, their impact on SMMEs, and any unintended consequences that may arise.

Given the scepticism expressed by SMMEs in the study regarding the positive impact of networking, further research can explore the conditions under which networking can be

beneficial. Understanding the specific factors that contribute to successful collaborations and partnerships can inform strategies to encourage networking among SMMEs. Success factors identified in the study, such as experience, networking, pricing strategies, and regulatory compliance, can be the focus of dynamic analysis. Research could explore how the significance of these factors evolves over time and under changing economic or regulatory conditions.

Further research can evaluate the effectiveness of capacity-building programs implemented based on the study's recommendations. This involves assessing the impact of training initiatives on SMMEs' ability to navigate the procurement process, submit competitive bids, and address specific capacity-building needs. While the study identifies certain success factors, further research can explore additional factors contributing to SMMEs' success in accessing public procurement. This could involve interviews or case studies with successful SMMEs to uncover additional strategies and practices that have proven effective.

Comparative research on international best practices in facilitating SMME participation in public procurement can provide insights into strategies that have succeeded globally. This could involve studying countries or regions that have effectively promoted the inclusion of SMMEs in public procurement processes. By addressing these areas in further research, scholars, policymakers, and practitioners can contribute to a more nuanced and comprehensive understanding of the challenges faced by SMMEs in accessing public procurement. This, in turn, can inform evidence-based policies and interventions to support the growth and development of SMMEs in the Tshwane Metropolitan Municipality and beyond.

### **5.3. CONCLUSION**

In conclusion, the study investigating barriers to Small, Medium, and Micro Enterprises (SMMEs) accessing public procurement in the Tshwane Metropolitan Municipality has illuminated a complex landscape marked by multifaceted challenges. The findings shed light on the difficulties faced by SMMEs, ranging from administrative intricacies and a lack of transparency to a reluctance to engage in collaborative efforts. The study has achieved its objectives by identifying these barriers, elucidating coordinated actions necessary for improvement, exploring success factors among SMMEs, and recommending strategies for enhancing public procurement practices.

The challenges identified underscore the need for a strategic overhaul of the public procurement landscape to foster a more inclusive, transparent, and supportive environment for businesses of all sizes. Lack of engagement in collaborative efforts, scepticism about

networking opportunities, and resource disparities between SMMEs and larger firms present formidable obstacles that require targeted interventions.

The study recommends a set of coordinated actions involving government agencies, public organizations, consultants, and community beneficiaries. These actions, if implemented, can contribute to creating an enabling environment that enhances SMMEs' access to and participation in public procurement opportunities. Emphasis is placed on transparent tender specifications, tailored support mechanisms, streamlined administrative processes, proactive communication, and addressing financial barriers.

Success factors identified among SMMEs that have navigated the system successfully, such as experience, strategic networking, pricing strategies, and regulatory compliance, provide valuable insights for both policymakers and aspiring entrepreneurs. These success factors highlight the importance of a holistic approach encompassing business networks, effective resource management, and proactive preparation.

Furthermore, the study recommends strategies for consideration in public procurement, addressing issues such as unequal bargaining power, transparent procurement processes, and lack of access to information. The proposed strategies, including enhanced transparency, tailored support, networking facilitation, and continuous stakeholder engagement, serve as a comprehensive framework for improving procurement practices.

As the Tshwane Metropolitan Municipality and other stakeholders consider the study's findings and recommendations, it is crucial to recognize the broader implications for economic growth and employment. The proposed strategic interventions are not only relevant to the Tshwane Metropolitan Municipality but also serve as a blueprint for municipalities and regions facing similar challenges globally.

In essence, the study advocates for a collaborative, transparent, and supportive approach to public procurement, acknowledging the pivotal role of SMMEs in fostering economic development. By addressing the identified barriers, implementing coordinated actions, leveraging success factors, and adopting recommended strategies, stakeholders can contribute to a more equitable and flourishing business environment. The goal is to pave the way for sustained economic growth, job creation, and the empowerment of Small, Medium, and Micro Enterprises in the Tshwane Metropolitan Municipality and beyond.



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