

FACTORS AFFECTING LOCAL FIRMS' PARTICIPATION IN COMPETITIVE TENDERING IN DODOMA REGION, TANZANIA

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ABSTRACT

The main purpose of this study was on examining factors affecting local firms' participation in competitive tendering in Dodoma region, Tanzania. In particular, the study intended to examine public procurement opportunities available in Dodoma and what influences local firms to involve in acquiring those opportunities focusing on competitive tendering as a method of procurement. Case study research design was employed whereby a sample of 50 respondents was used. Data was collected through a questionnaire and analysed by using multiple regressions data analysis technique. Results indicated that lack of technical capability and weak technology advancement among local contractors; lack of experience on development projects; poor staff competence in development projects; poor financial capability and lack of awareness of public procurement policies, rules and regulation necessary for successful participation of local firms in development projects are the factors contributing to poor participation in competitive tendering in Dodoma Region. Finally, the study concluded and recommended that the best initiatives for improving local firms' participation in competitive tendering in Dodoma region are; frequent seminars and workshops with the intention of building local firms' technical capability and creating of awareness on procurement policies, rules and regulations, advancement of technological matters, promoting own source collection so as to cover funds gap, recruiting competent staff with enough experience in tendering practices and proceeding specifically in competitive projects.

Keywords: Local firm, participation, competitive tendering, preferential treatment.

1.0 INTRODUCTION

Local firms' involvement in competitive tendering in public procurement constitutes an important and growing line of research inquiry. Over the past two decades, scholars from across public administration and management disciplines have examined local firms' experiences and perceptions of competing for public sector contracts (Flynn & Davis, 2017). Local firms must have confidence in the competence of the contracting authorities at all levels within the public procurement system in order to be able to participate effectively. The more local firms participate in the procurement process, the wider competition is encouraged, and the better price, quality and timely delivery of the procured items are anticipated (Mrope *et al.*, 2017). To have more strength to support the participation of more local capacities in more productive activities, the government established preference schemes known as preferential treatment. Preferential Treatment in Public Procurement or Preferential Procurement (PP) is sometimes referred to as Targeted Procurement (TP) or Domestic Preferential treatment (Nyeko and Kakwezi, 2011). The scheme is provided for works or services and for certain goods manufactured, mined, extracted or grown in the United Republic (PPA, 2016). However, a number of studies have shown that local firms are interested in doing business with the public sector but due to critical procurement procedures and practices their participation becomes worst (Loader, 2015). MacManus (1991, p.3420) found that only one in three believed that public procurement procedures and practices were competitive, efficient, or equitable (Esteves & Barclay, 2011). Similar negative sentiments have been expressed by firms across Europe (Flynn & Davis, 2017). Loader (2015) revealed that Local firms are highly hampered by lack of professionalism in public sector purchasing, bureaucratic tendering procedures, restrictive entry criteria for contracts competitions, buyers' preference for market incumbents, and local firms own resource constraint.

Local firms in Dodoma region have a chance to contribute to the government economy as the government shifts its government operational activities in Dodoma. Different projects like construction and rehabilitation of infrastructures such as roads and government building, houses and lighting of the city are the government priorities. It has been noted that for the past three years in Dodoma, most of the advertised construction tendering opportunities were acquired by foreign firms, whereby the rest of light projects were executed by domestic constructions firms. For this reason, the focus to undertake this study is to come up with the main challenges limiting the local firm's participation in competitive tendering in Dodoma Region.

1.1 Objectives of the Study

The main objective of this study is to examine the challenges affecting Local firm's Participation in competitive tendering in Dodoma Region. Specifically, the study intends to explore the influences of Local firm's participation in Competitive

tendering in Dodoma Region; and to identify the key challenges affecting Local firm' s Participation in Competitive tendering in Dodoma Region.

1.2 Significance of the Study

The study expects to explore the key challenges affecting participation of local firms in competitive tendering. The aim is to create awareness among the local firm's so that at time of involving in the same opportunities they understand technical skills that are really required by most of procuring organizations. The researcher focuses on specified construction project opportunities. Similarly, the study will deliver constructive recommendations to the key practitioners in competitive tendering concerning the need to undertake special training to the key interested local firms as part of empowering them with adequate competitive capacity. Furthermore, the study is very important as it stresses the need for technological and financial advancement among local firms to increase ability and ambitions of participating actively and sustainably in competitive tendering opportunities.

1.3 Definition of Key Terms

1.3.1 Local Firm

A local firm is a firm which provides goods or services to a local population though most often is used when referring to a locally-owned business. The term may also be used to describe a franchise or corporate operating within a local area (Bartik, 1995). The researcher defines the local firm as local contractors who are stationed in the Dodoma region

1.3.2 Participation

Participation is the act of getting involved in something. The Cambridge University dictionary defines participation as the act of taking part or becoming involved in something. According to this paper, participation is defined as the act of involving local contractors and suppliers in competitive tendering and being able to win the contracts mostly floated by the government.

1.3.3 Competitive Tendering

Competitive tendering is the method of procurement whereby a procuring entity through a notice advertised nationally and internationally, invites tenderers regardless of their nationality, to submit priced tenders for goods, works or services or purchase of public assets (PPA, 2016). Unless otherwise specified in Public Procurement Regulation (PPR) 2013, Participation in the invitations to tender or proposal and awarding contracts is open on equal terms to natural persons, companies or firms or public or semi-public agencies of Tanzania and foreign countries; cooperative societies, community-based organization, civil society organizations, farmers' associations and other legal persons governed by public or private law; joint ventures, consortium or association of firms.

2.0 LITERATURE REVIEW

2.1 Opportunities Available to Local Firms

Tanzania is currently implementing big development projects in Dodoma which include the construction of infrastructures and residential buildings which attract local and international companies. If the construction of these projects are well planned and designed in a manner that considers local firms, it will be economically beneficial to the country. Goga and Murphy (2006) clarified that the benefits to the country can be achieved through having friendly policies in government operation in such a manner that enables local firms to have access to opportunities that are floated by the entities and eventually getting contracts. This can be achieved through fair-practice laws. The initiatives can include adjusting the size of contracts so that smaller companies may bid, encouraging and accepting bids from groups of local companies, holding procurement events for local businesses, and publishing local business competency directories (R.43 of PPA, 2011). Moreover, Goga and Murphy (2006) argued that facilitating more interaction between businesses (network facilitation) and supporting local firms development programs with local industry association can also encourage local business development through changing procurement policies (Capital, 2014).

2.2 Challenges Facing Local Firms

Local firms are facing several challenges. Stiff competition in competitive tendering specifically those tenders that attracts international bidders has become a big challenge. This is because local firms lack most of the required standard qualities such as substantial financial resources, advanced technology, superior products, powerful brands, seasoned marketing and management skills which most of the foreign bidders have (Dawaret *al.*, n.d.). To mitigate these challenges, the government has been providing conducive business environments to local firms by introducing preference schemes which is intended for all goods which are manufactured, mined, extracted or grown in Tanzania. It also includes works implemented by Tanzanian contractors or services offered by Tanzanian consultants or service providers or association of local and foreign firms (S. 54 of PPA, 2011). Karjalainen and Kemppainen,(2008) documented barriers experienced by local firms and what hinders their participation in public procurement that it has been done by many researchers, but they argue that the same cannot be said of the factors that promote their participation and success in public.

2.3 Conceptual Framework of the Study

The conceptual framework explains the relationship between variables that are used in linking the independent and dependent variables. The researcher identifies independent variables as those variables which influence the outcome and dependent variable as the variable which is influenced by independent variables. Specifically, the framework indicates that the participation of local firms in international competitive tendering is highly influenced by the ability to acquire new technology and technical resources. The firm can adopt the technology by expenditure on research and development and on the job training (Bee Yan Aw & GeetaBatra, 1998). Furthermore, the participation of local firms in international competitive tendering can be influenced by other variables like the experience of the local firm which is acquired through performing different development projects, competent staff in the construction industry, financial capability to bid on high volume tenders and capacity and knowledge on preference schemes. The researcher considers the government as the big market of local firms product and services, therefore the government can influence the participation of local firms in international tendering through establishing friendly policies, building local firms capacity by setting aside contracts which can be used for the purpose of capacity building and through creating awareness of public procurement policies, rules, regulations and on application of preferential scheme. The researcher defines the government as an intervening factor.

Furthermore, Everett (2002) argued that preferential treatment to local firms enables them to apply different concepts both at the local and international levels and hence increases the number of participation.

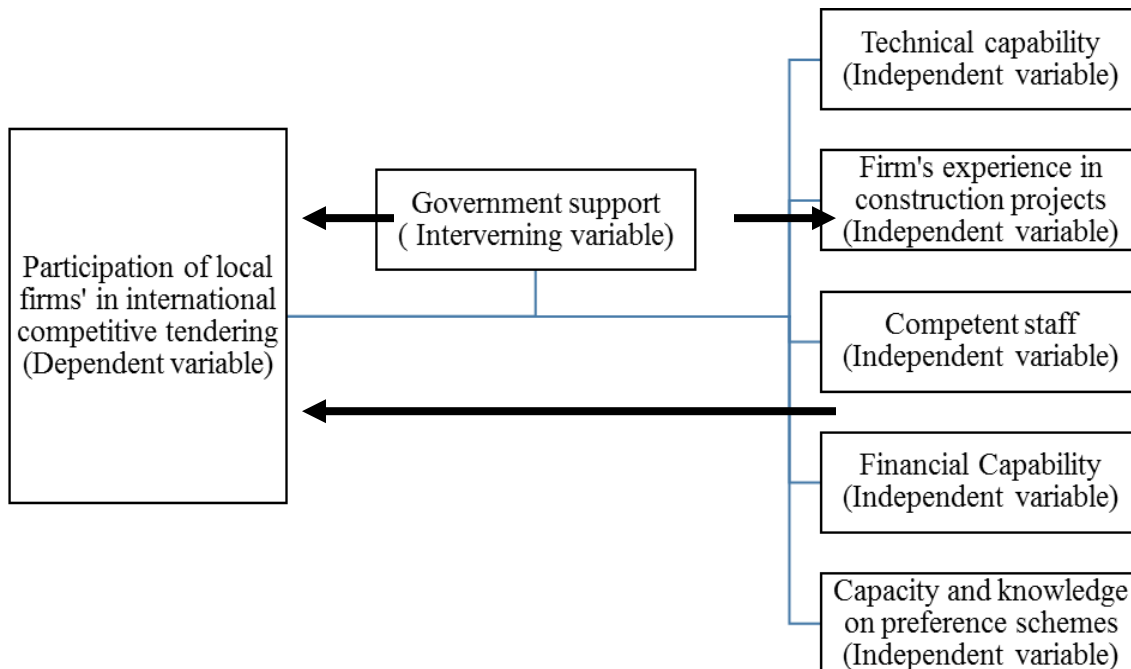


Fig. 1: Conceptual framework
Source: Researcher's manipulation

3.0 METHODOLOGY

The study was conducted in Dodoma region which is the capital of Tanzania Government. The cross-sectional design was employed in gathering the information in which the sample of 50 respondents from different procurement entities and local firms in Dodoma region were purposely selected. The selection based on the firms which have an interest in participating in competitive tendering in public procurement. Dodoma region was selected because it is the capital of Tanzania and since the Government has decided to move its operational activities in Dodoma more development projects are expected to be directed in Dodoma. Data were collected through self-administered questionnaires. Data were analyzed through inferential statistics whereby the researcher measures the relationship between dependent and independent variables through a regression model.

4.0 RESULTS AND DISCUSSION

The researcher considered five (5) continuous independent variables to predict one continuous dependent variable. Multiple regression data analysis technique was used to evaluate the predictive capability of independent variables which includes; technical capability, experience in development projects, staff competence, financial capability, capacity and

knowledge on preferences schemes with relation to participation in international competitive tendering. As advised by many kinds of literature that before running the regression model there must be checking of the fundamental assumptions of multiple regression model (Pallant, 2007). The following are the fundamental assumptions of multiple regression model which were checked by the researcher

4.1 Multicollinearity

The researcher tested multicollinearity by looking on the coefficients table in order to check the independent variables if are not highly correlated by using the Variance Inflation Factor (VIF) and tolerance statistics. The VIF is required to be below 10 and tolerance statistics to be above 0.2. VIF of all independent variables are below 10 and tolerance statistics are above 0.2 as indicated in Table 1

Table 1: Multicollinearity test

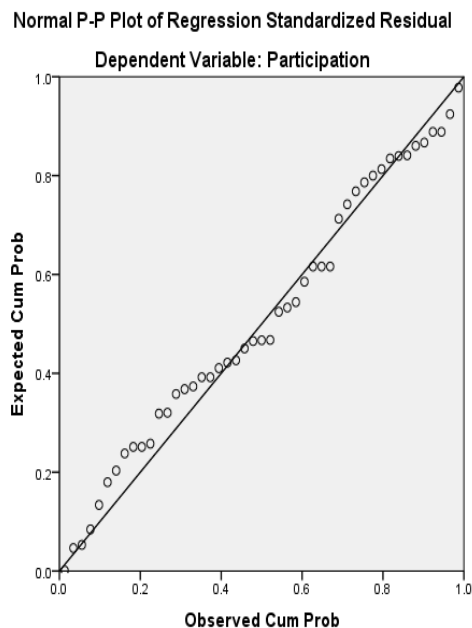
	Collinearity Statistics	
	Tolerance	VIF
Technical capability	.486	2.060
Experience	.669	1.496
Staff competence	.468	2.138
Quality and capacity on preferences scheme	.459	2.180
financial capability	.476	2.102

Research data (2019)

4.1.1 Normality

For testing normality the researcher looked on **P-P Plot** of the model. If the dots are very closer to the diagonal line indicated that the residuals are distributed and if the dots are spread away from the diagonal line indicate that the residuals are not well distributed. Figure 1 shows that the dots are closer to the diagonal line which indicates that there is a normal distribution of residuals hence the assumption of normality enhanced.

Figure 1 normal P-P Plot



Research data (2019)

4.1.2 Evaluating of the Model

The researcher assessed the model summary in order be able to determine the predictive capabilities of the independent variables to the dependent variables. R-square was used to explain the predictive capabilities of the independent variables; the value of R square in table 2 is 0.637 or 63.7%. This indicates that the model was good by all independent variables such

as technical capability, experience in development projects, staff competence, financial capability, quality and capacity on preferences schemes are the best predictors of dependent variable participation in public procurement. The model to be good R square must be above 0.5 or 50%.

Table 2: Model summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.798 ^a	.637	.593	.712	.637	14.398	5	41	.000	2.272

4.1.3 Statistical Significance of Results

The researcher used the statistical significance of results to determine the association of the relationship between independent variables (IVs) and the dependent variable. The Researcher checked the statistical significance of the results by using ANOVA as indicated in Table 3. The results show that the regression model was significant because the p-value is less than 5% ($p < 0.05$).

Table 3: ANOVA TABLE

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	36.520	5	7.304	14.398	.000 ^b
	Residual	20.799	41	.507		
	Total	57.319	46			

Research data (2019)

4.2 Results of Multiple Regressions

Table 4 presents the results of multiple regression analysis models in terms of participation in public procurement as a dependent variable with the independent variables; technical capability, experience in development projects, staff competence, financial capability, capacity and knowledge on preferences schemes.

The results show that technical capability has a positive statistically significant relationship with the participation of local firms in international competitive tendering because the p-value is less than 5% ($p < 0.05$) and the beta value was 0.303. This implies that the unit change in technical capability will increase 30.3% of participation of local firms in international competitive tendering. Therefore local firms failed to participate in public procurement tendering because of technical incapability. This was supported by Bee Yan Aw and GeetaBatra (1998) who argue that the critical role of the firm is to acquire in house technological capabilities.

The coefficient of experience was positively (0.338) related to participation in public procurement tendering and significant because the p-value is less than 5% ($p < 0.05$). This implies that the unit increase of experience will result in 33.8% increase in participation in public procurement tenders. Also, the results imply that there is a relationship between experiences of bidders with participation in tendering, in which most bidders who participate in public procurement tendering are the ones who have high experience. Local firms fail to participate and win large projects such as construction projects because of inadequate experience. These findings are aligned with those of Reyes (2017) who found out that for the firm to compete in global investment, there is a need of focusing on global competitiveness which requires enough experience and friendly environment.

Moreover, the findings of the study revealed that staff competency has an insignificant relationship with the participation of local firms in public procurement tendering ($p > 0.05$). This means the participation of local firms in competitive tendering is not affected by staff competency. This is contrary to the findings by Simkoko (1992) which indicates that the participation of local firm in large projects of the government is influenced by the staff competency of firms. According to Simkoko (1992), local involvement is a major factor in relation to competence development. Moreover, the findings of this study indicate there is an insignificant relationship between quality and capacity on preferences scheme with the participation of local firms in public procurement tenders. This implies that the participation of local firms in public procurement tendering was not influenced by quality and capacity on preferences scheme.

Furthermore, findings of this study indicate that there is a positive statistical significant relationship between financial capabilities of the firms with the participation of local firms in public procurement tenders. It also implies that the local firms' participation in public procurement tendering is influenced by the financial capability of the firms. The findings support those of Flynn (2016) which indicate that majority of the local firms participating in public procurement tendering are those with good financial muscles.

Table 4: Multiple Regression Results

	Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	.437		.636	.528
Technical capability	.126	.303	2.246	.030***
Experience	.106	.338	2.940	.005***
Staff competence	.131	.144	1.043	.303
Quality and caparegion on preferences scheme	.121	-.200	-1.443	.157
Financial capability	.122	.387	2.838	.007***

5.0 CONCLUSION AND RECOMMENDATIONS

Based on the findings from this study, the researcher concludes that lack of technological capability and poor technological advancement, lack of experience on similar assignment, incompetent staff, poor financial capability and lack of awareness of local firms are the key factors that affect most of the local private firms from participating in international competitive tendering in Dodoma region.

Further, the researcher recommends that to facilitate participation of local firms in Public Procurement through competitive tendering, more emphasis should be on frequent seminars and workshops with the intention of building local firms' technical capability and creating of awareness on procurement policies, rules and regulations, advancement of technological matters, promoting own source collection so as to cover funds gap and recruiting competent staff with enough experience in development projects. This will enable the Government to provide more chances to local firms to contribute to the country's economy through effective participation in development projects through competitive tendering.

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APPENDIX

QUESTIONNAIRE ON FACTORS AFFECTING LOCAL FIRMS’ PARTICIPATION IN COMPETITIVE TENDERING IN DODOMA REGION, TANZANIA ADMINISTERED TO LOCAL FIRMS AND PMU STAFF

Dear respondent

The purpose of this questionnaire is to help to gather data/information that will be used by the researcher to highlight the common reasons hinder effective and efficient participation of local firms. You are assured that information to be provided will only be for this research.

SECTION A: TO LOCAL FIRMS

1. (a) How many tenders floated by Tanzania Government you have participated? (tick on the preferred option)

- (i) 0 – 20
(ii) 20 – 40
(iii) 40 – and above

(b) Out of those tenders, how many did you get the contracts? (tick on the preferred option)

- (i) 0 – 10
(ii) 10 – 20
(iii) 20 – and above
(iv) None

(c) If in any chance it happens and you didn’t get contracts, what were the reasons?

- i.
ii.
iii.
iv.

2. (a) Are you comfortable with the competitive tendering process in public procurement in Tanzania? (tick on the preferred option)

- (i) Highly comfortable
(ii) Comfortable
(iii) Moderately comfortable
(iv) Not comfortable

Give reasons for any of the answers above.....

3. Do you have knowledge of the requirements for the Competitive tendering process in Public Procurement in Tanzania? (tick on the preferred option)

- (i) Highly knowledgeable
(ii) Knowledgeable
(iii) Moderately knowledgeable
(iv) Not knowledgeable

4. (a) What should be done to improve the participation of local firms in competitive tendering in Tanzania? (*tick on the preferred option*)

- (i) Capacity building to public procurement stockholders
- (ii) PMUs' be staffed with qualified staff
- (iv) Accounting officers be willing to support their application
- (v) Legal framework be improved to support the participation of local firms
- (vi) Financial Institutions will be needed to support their local firm to access
- (vii) We need to learn from other countries that have been successful
- (viii) Local firms need to be strong to address the need for capacity building so as to be able to participate in development projects.

(b) Please give any other recommendation (s)

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5. (a) What problems do you think hinder the participation of local firms in development projects through competitive tendering in Tanzania? (*tick on the preferred option*)

- (i) Lack of knowledge on the application of competitive tendering
- (ii) The capability of local firms to submit competitive bids
- (iii) Lack of capital
- (iv) Poorly organized private sector
- (v) The legal framework in place not enough to support the participation of local firms in development projects
- (vi) Lack of local firms will
- (vii) Lack of access to finance
- (viii) Limited technical capability
- (ix) Limited staff

(b) Please give any other problem(s) you think important

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6. What is being done to support effective and efficient participation of local firms in development projects through competitive tendering?

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