

Effects of Targeted Procurement Strategies on SMES Growth – A Review of Literature

Talal Abadi¹, Dr. Samson Kitheka² and Charles K. Chogo³
^{1,2,3}Lecturer, School of Business, Technical University of Mombasa

Abstract:- Public procurement has become an issue of public attention and debate over a long period. It has been subjected to reforms, restructuring, rules and regulations to ensure compliance in achieving value for money by the procuring entities. Despite statutory provisions and internal controls, public sector institutions have not fully complied with Access to Government Procurement Opportunities regulations for special groups in several nations. The main objective of this study was to determine the effects of targeted procurement strategies on the growth of SMEs. Specifically, the study determined the effects of financial access, evaluation criteria, compliance monitoring and capacity building on the growth of SMEs. It's conjoined on the Pecking Order Theory, Preferential Procurement Model, Institutional Theory and Dynamic Capability Theory. The study methodology was empirical review whereby relevant research journals based on targeted procurement were reviewed. The study findings indicated that financial access, evaluation criteria, compliance monitoring and capacity building were all positively significant to the growth of SMEs. The study recommended for the full financial assess and support, flexible tender evaluation criteria, compliance monitoring by the buying organizations and capacity building to the SMEs to hasten their growth. Further, a study proposed a future study to consider assessing other factors like bid price, youth owned or women enterprises to see whether similar findings could be gotten.

Keywords:- Access to Government Procurement Opportunities, Capacity Building, Compliance Monitoring, Public Procurement, Special Groups.

I. BACKGROUND INFORMATION

Public procurement is an important instrument for the government to attain various social and economic policy goals in many nations and constitutes significant parts of a gross national product (GDP) (Arrowsmith, 2014; Bovis, 2015; McCrudden, 2015). One objective that has attracted much policy attention as well as academic attention through the years in many jurisdictions is the promotion of tiny and medium-sized businesses (SMEs). There is important financial justification for promoting SMEs in government procurement (McCrudden, 2015). For powerful local economies, SMEs are essential to hire more individuals and generate prosperity for the citizens (World Bank Report,

2016). Enhanced market access for small and medium-sized enterprises to the procurement industry could increase competition and in specific diversity and thus boost economic innovation potential (Cabral, 2016). Supporting small and medium-sized enterprises can therefore help governments seek out effects for competitiveness, innovation and development in general (Erridge & Greer, 2012; Uyarra & Flanagan, 2012; European Commission (EC) 2015). Small companies, in particular, are not only the largest contributors to overall economic jobs and job creation in the context of the newly-industrialized and developing economic systems, but also a rather inconclusive, powerful, and competitive reduction in income inequality and poverty reduction. Clearly, the SME industry could mainstream the official value added market operations of big casual operations and marginalized population segments (Beck, 2015; OECD, 2014). In pursuing developing policy objectives in nations around the globe (Kattel & Lember, 2015; Tiryakioğlu & Yülek, 2015). SME involvement in government procurement is also commonly preferred.

In the developed nations, there are policies instituted on procurement to allow SMEs to have equal participation in the government procurement (De-Boer & Telgen, 2013). However, the main barrier was insufficient compliance with regulations. De Boer and Telgen (2013) confirmed that not only the third world but also the advanced nations are affected by the non-compliance issue. Gelderman, Ghijsen and Brugman (2016) further support this stance, who maintain that compliance with government contracts remains an important problem. Therefore, the prudent management of public procurement tasks is essential to achieve the Government's financial, social and political goals (Thai 2014).

Similarly in Kenya, there is the establishment of the Public Procurement and Asset Disposal Act, (2015) upon which has the overall mandate to regulate the provisions of the public procurement in Kenya. Autonomous bodies include PPAB, PPOA and PPARB. The PPOA is mandated to monitor the procurement system, and provide a report on its overall functioning to ensure that the procurement procedures established by the Act are complied with. The initiation and sharing of public procurement policies, guidance and aid for procurement bodies, and advancement, promotion and supporting the education and professional development of procurement employees (Onsongo, 2012) in the execution and operation of the scheme for public

procurement. The policy directive was introduced that required the procurement rules be amended to allow 30 per cent of contracts to be given to the youth, women, persons with disability and SMEs without competition from established firms. The goal of the Access to Government Procurement Opportunities (AGPO) program is to promote participation in government procurement for young people, females and individuals with disabilities. The presidential directive will enable 30% of public procurement possibilities to be specifically devoted to the procurement bodies. It is a positive step towards empowering young people, females and people with disabilities by providing them more company chances with the government. The Public Procurement Directorate under the Ministry of Finance is in charge of the AGPO initiative. The Cabinet Secretary for the National Treasury published the Public Procurement (Preference & Reservations) (Amendment) Regulations 2013. The objective of these regulations is to accord the youth and other disadvantaged groups or SMES in Kenya preference on competition in the government procurement. However, in Kenya, reports brought forward by GoK,(2014), GoK, (2016); PwC,(2014) show that the aggregate value of public sector contracts awarded to small and medium-sized enterprises remains underrepresented vis-à-vis major enterprises. This is primarily owing to the varied obstacles that companies face in accessing procurement markets in connection with processes, bureaucracy, the business climate and economic constraints.

II. PROBLEM STATEMENT

A revision of the Asian Development Bank's SME policy support (2012); Anderson (2011) shows that in many nations some of the objectives to enhance small business involvement in public tenders as well as the total value of public sector agreements are still not being achieved. It also demonstrates the overarching framework circumstances in terms of various legal norms and laws that mainly affect the execution of SMO-led actions. These are further compared to the variables in the government sectors of medium-sized and small enterprises such as lack of funds, gaps in knowledge and information attitudes. Small and medium-sized companies' strategies thus often fail to tackle the asymmetries between customers and vendors in economic and information terms (Karjalainen & Kemperainen, (2014); fee, (2012). In addition, efficient application of these measures demands powerful surveillance and assessment capabilities that in the majority of developing countries may not be available (Nagel, 2013; Jain, 2014; Loader, 2013).

In a thorough study carried out by Ireland's purchasing organizations, Flynn and Davis (2015) shows low level of complying and access by the procurement sector to policies which impose greater operating costs such as the division of agreements into prices and promoting consortium bids, etc. Furthermore, Flynn and Davis (2015) have observed a

number of organizational problems, such as diffusion of procurement responsibilities between public agencies, ancillary nature of public procurement functions, and lack of awareness of policies, evaluative criteria and capacity building. Glover (2014), who has been presenting proof from Australia, noted that despite the rise in average agreements obtained since by SMEs in government purchasing, minimum SME involvement requirements for big agreements have not been fulfilled by procurement organizations.

In South Africa surveys have demonstrate that the implementation of TP strategies has contributed considerably to enhanced involvement by SMEs in public tendering, led to more achievement in public agreements, and encouraged company linkages between historically authorized enterprises and (South), including the implementation of TP strategies (Gounden 2015; Kajimo-Shakantu 2015; Letchmiah 2012; Manchidi and Harmond 2012). Attempts to assess the effect of TP on the performance of individual SMEs in the building industry have been so far avoidable. In addition, the quality of the relationship interacts with the TP policies introduced to affect the growth performance of SMEs is unknown.

In Kenya, the regulations provides that a procuring entity shall allocate at least thirty percent of its procurement spend for the purposes of procuring goods, works and services from youth, women and persons with disability owned enterprises (Onyinkwa, 2013). The criterion for this allocation is centered on compliance with AGPO regulations. Registration and pre-qualification of Youth, Women and Persons with Disability owned enterprises is done for basic foundation of accessibility to government tenders and contracts (Simayi, 2015). Although many enterprises owned by youth, women or persons with disabilities are legal entities, registered with the relevant government body; and have at least seventy percent membership failed to be prequalified (Simayi, 2015). Wanderi, (2014) noted that many SMEs owned by youth, women and persons with disability in Kenya have been applying to access government procurement opportunities but to ascertain their growth was wanting. Well-defined selection criteria allow suppliers to produce a response that is appropriately aligned with the requirements and the value of the contract. As set by PPADA (2015), the selection criteria should allow an appropriate timeframe for responses elicits higher quality responses and allows suppliers to include more intricate details of their bid to improve the evaluation and selection process and provides a better outcome which should be an exceptional to the SMEs (Zadawa, 2015). However, the set of criteria to be selected prominently depends on the organization's objectives and the type of industry in which the organization competes. The current study will sought to determine the extent to which financial issues, evaluation, compliance and capacity building has ensured the growth of SMEs in Kenyan as they have Access to Government Procurement Opportunities (AGPO).

III. GENERAL OBJECTIVE

The main objective of the study was to determine the effects of targeted procurement strategies on the growth of SMEs.

➤ *Specific Objectives*

- To determine the effects of financial access on the growth of SMEs.
- To find out the effects of organization's evaluation criteria on the growth of SMEs.
- To assess the effects of compliance monitoring on the growth of SMEs.
- To determine the effects of capacity building on the growth of SMEs.

➤ *Research Questions*

- Does financial access affects the growth of SMEs?
- Do evaluation criteria by the buying organization affects the growth of SMEs?
- Does compliance monitoring affects the growth of SMEs?
- Does capacity building affects the growth of SMEs?

IV. REVIEW OF LITERATURE

A 2013 OECD study revealed that a large number of nations have adopted particular legislation and/or policies that promote medium-sized and small enterprises' involvement in public procurement (OECD Procurement Data, 2013). Countries such as Malaysia, Australia, Canada, the United Kingdom, the United States of America, and South Africa all commonly used preferential public procurement policies for SMEs, with extensive development in public procurement at the governmental level (Albano 2014; Bovis 2016). The Small Business Settlement Program was first created in the United States in 1978. At the same time, the US Administration implemented several procurement-related reforms, in particular in the 1990s, resulting in a greater share of the contracts awarded to small enterprises. In 1997, a revised federal prime contracts' objectives of 20 to 23 percent for tiny companies were set out in a Small Business Reauthorization Act (Denes, 2014). The UK Government is one of the few nations to have adopted a policy framework that would be most conducive to SMEs and which would guarantee the development of such businesses, according to the last Association of Certified Chartered Accountants (2014).

A appropriate policy as mentioned by Berman (2014) is needed to fulfill targeted procurement in order to achieve its aim. As two classes of issues, macro and micro, Berman (2014) considered application of policy. At the macro-implementation level, key government actors are preparing a program or politics while local organizations at the micro-level are developing and running the program as they wish. The institutional distinction as described by Berman in 2014

is directly related to the execution of the targeted small and medium-sized companies' procurement method. Several writers such as Levine (2012), Pressman and Wildavsky (2013), Matland (2015) and Schneider and Ingram (2014) have asserted, for instance, that effective policy delivery depends both on organizational aspects and the political environment surrounding a programme.

The literature also clarifies the notion of execution as a method, several measures and the results based on organizations and political decision-makers (Montjoy & O'Toole, 2013). In the research of SME friendliness in contract policy, there are three factors to concentrate on the organizational structure: firstly, the application of such a policy is an interdependent and group job, requiring participation in the same department with distinctive functional specializations by the staff (procurement officers and personnel, in this case). Therefore, the efficient application of an SME-friendly development strategy is essential to organizational problems such as planning, administrative coordination, resource allocation and technical support (Montjoy & O'Toole 2013). May, (2014) has further described by the effectiveness and growth of the SMEs as they access preferences in the government procurement depends largely on the implementation of the SME-friendly policy, administrative capacity and the organization's readiness.

However, the pre-accessibility policy program was implemented in South Africa under the auspices of the Pre-acquisition Policy Framework Act No. 5 of 2000 in 2001, primarily aimed to rectify discrimination in the award of procurement agreements to small and medium-sized businesses (Taylor & Raga 2012). However, certain preferential factors were not fully incorporated into tenders of a extremely subjective nature which caused extensive manipulation and abuse in the programme's program (Taylor & Raga, 2012). A public service business study (2016) shows that although latest reforms such as the scheme of preference areas have sought to tackle questions of subjective interference, they have been considered to be less than effective in promoting adequately black economic empowerment and development.

Loader, (2013), has also discovered that many government agencies in Kenya have persistently found it difficult to implement SME-friendly procurement strategies. Despite increasing access to financing for SMEs and removing obstacles to entry, Loader (2013) points at organisational problems, including absence of engagement at public level and the preference for contract aggregation, which influence small and medium-sized enterprises' involvement in the procurement sector. Indicating a prospective conflict in policy objectives (Pickernell 2014) the implications of supporting SMEs through public procurement have been considerably different. By splitting government level and operate as a policy tool, they underline a tension

between particular public procurement objectives, for example (demand side) support for SMEs, and overall economic development versus innovative SMEs and innovation.

V. THEORETICAL FRAMEWORK

➤ *The Pecking Order Theory*

The pinching order theory of finance hypothesizes information asymmetries by which only company managers know the true value of the company and that the market does not know the real distribution of company incomes. Since investors suppose that executives will issue stocks only when they think they are overestimated, this means a fresh stock issue will be regarded as a bad signal, causing a decrease in share prices on the exchanges. The concept expanded by Myers ' (1984) is that companies will hierarchically fulfill the investment and financial requirements of the company, preferring first inner resources, next external debt and last-resort external capital. There are several questions and reasons for supply as to why companies prefer domestic sources of financing over external sources and debt over equities. Literature offers information.

Stilitzand (2014) argued that supply side restriction exists when SMEs cannot receive debt funding, leading in under-capitalization that they need at market interest rates. This is seen as a issue of investment, where equity clears the market. Bolton's (2014) demand explanation is based on the reality that small and medium enterprises are highly unwilling to abandon control of their businesses, for example. Small and medium-sized enterprises are trying to satisfy their finance requirements by first ordering their own cash, personal savings, retained incomes, second-term loans, third-last-term debt and preferred. The issue of scarcity of resources has frequently been suggested by peer and Wilson, (2014), Laitinen, (2015), on SME finance. Gopinath, (2015) has also noted that the tiny businesses ' finance seem to be restricted to internal capital markets. Thus the Pecking Order Theory will help in understanding the effects of accessibility of fund by the SMEs in Kenya enhance their growth.

➤ *Preferential Procurement Model*

Procurement can be used to support socio-economic policies using a number of approaches that includes reservation, preferencing, indirect strategies and supply side measures. A preferential procurement policy is an acquisition policy that encourages targets other than those linked to the instant procurement goal itself (Simayi, 2015). Internationally, supply, services as well as engineering and building works have been used to promote several socioeconomic or policy (secondary) goals. Reservation plans and supply-side schemes in the United States, for instance, are used to guarantee that tiny businesses and minority companies ' market share. Legislative arrangements in Botswana (republic of Botswana, 2011), for the

reservation and preferential treatment of businesses owned entirely by residents of Botswana.

There are four generic schemes for using procurement to attain socio-economic objectives. They include reservation, preferencing, indirect strategies and supply side measures. In the reservation schema, contracts or parts thereof shall be reserved for contractor firms which meet certain prescribed requirements, including, for example, agreements owned, managed and regulated by a target demographic group. These contracts may be categorized as Small Businesses.

The preferential procurement systems include preference at a quick listing stage and award criteria for techniques used to enforce preferential procurement strategies (Osei-Tutu, 2011). Indirect measures include product or service requirements and the layout of requirements, contractual terms, and procurement for specific companies as techniques employed for implementing preferential procurement strategies. Methods for the implementation of preferential procurement strategies are generally supported in supply side interventions. This offers assistance to target groups to compete for company without favorably treating these parties in the real procurement (Simayi, 2015).

➤ *The Institutional Theory*

Theory of institution is proposed by Scott (2004) support the organizational cultural regulations governing organizations. Institutions consist of cultural and regulatory components that give significance to life along with related operations and resources. The theory suggested that organizations should have three pillars as legislative, regulatory and cultural cognitive (Sutinen & Kuperan, 2013). The regulation pillar emphasizes the application of rules, regulations and punishments as an enforcement mechanism. The normative pillar relates to the rules of how matters should be performed and values that are preferable or desirable. A common knowledge, which is common convictions, symbols, and common understandings, is the cognitive cultural pillar (Brammer & Walker, 2014). The institutional theory is critical as it inform the implementation of sustainable procurement policy, regulatory framework and practice in institutions that serve the public. This is a matter of firm culture and the degree to which the prevailing climate in an organization is supportive of sustainability and/or of compliance with the set out regulations. There are various mechanisms introduced by government to enhance compliance to procurement processes. According to Naidoo (2012), institutions are charged with ensuring that not only procurement officials, but public service in its entirety should conduct and comply with the values and principles enshrined in procurement legal framework and thus geared to promoting good procurement governance.

In Kenya, public procurement is under guidance of the PPDA Act 2015. The Act spells out the regulations and guidelines issued by the PPOA (Barrett, 2010). Institutions such as Kenya National audit and Public Procurement Regulatory Authority foster compliance with procurement regulations such as AGPO. Thus compliance monitoring will be explained by the laid down procurement constitution as contained in the PPADA (2015).

➤ *Dynamic Capability Theory*

The human resource management of the organization is viewed through the dynamic capabilities notion. Business competition in both internal and external environment that drives the firm in the quest for new approaches that are adequate to meet the competitive business environment. The theoretical underpinnings of dynamic capability were propounded by Selznic and Eisenhardt in 1980s. The theory exhibits some common elements across a number of firms and the individual approaches that enhance competitive advantage (Eisenhardt & Martin, 2014). The theory presupposes a wide range of processes, resources and capabilities within a business company. The innovation, capacity development and performance related outcome in any business organization are linked to the dynamic capabilities of the available resources within the organization (Anderson & Markides, 2015).

According to Boesen and Therkildsen, (2014), Capacity development initiatives are key pillars in the learning by doing approaches. The effects of capacity development initiatives affect organization and individuals through the skills and knowledge achieved, and emphasized through capacity development strategies. Individual learning directly contributes to organizational learning through policies, processes, information management and reward systems based on the overall objectives of the organization (Palmer & Kaplan, 2014).

The business external and internal environment is meant to maximize on the capacity development gains that lead to robust policies and operational structures which can better the functional performance of the organization. According to Murphy and Hill (2012), approach to capacity development is three fold; marketing, staff development and ICT/innovations. According to the value and performance of an organization is measured by the level of intellectual and employee capacity (Barreto, 2010). Empowered staffs have confidence, room for creativity and ability to maintain and enhance the overall performance of the organization. The Dynamic Capability Theory depicts on the capacity building of an individual to perform better for long term success.

VI. CONCEPTUAL FRAMEWORK

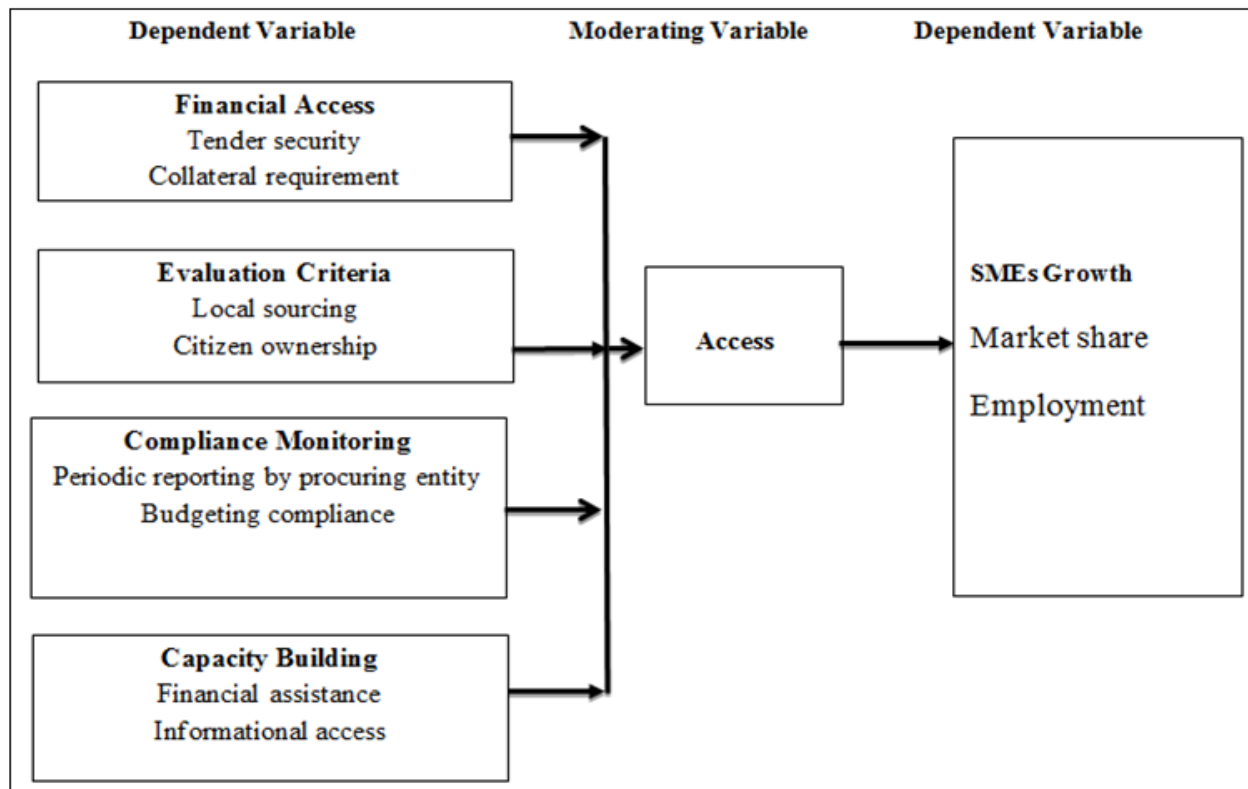


Fig 1:- Conceptual Framework

➤ *Financial Access*

Accessing finances for the procurement activities by the SMEs entities is a key pillar to developments both in Africa and the world-over. Although it is crucial to maintain development effects, the majority in grassroots countries are increasing and maintaining poverty reduction initiatives (Ramsay 2014), so rural poor need to focus on achieving general financial development by financing them to access government procurement. Snider, (2015) suspected the success of attempts to develop by the large share of females in the Third World poverty group. The investment threshold for the third world has moved far beyond present financing, so local growth is the only viable alternative to a nation's sustainable growth initiatives (Gomez, 2015).

Ayyagari, (2013) pointed out that in developed and developing economies SMEs contribute on average 60% of formal employment in the manufacturing sector Nguyen (2016) pointed out an important aspect for SMEs sector development in access to finance particularly from financial institutions. SMEs in the Kenyan economy have become major players but, at the same moment, are still facing limitations which restrict growth and economic results. Lack of access to economic services is a major constraint and this issue has been explained by a number of variables. These include the section and the incompleteness of the financial market, increasing financial services transaction costs. The supply side, most official financial institutions regards SMEs credit worth.

Finance is a main input for company companies' development and growth. One reason for corporate connections and relationships between companies is access to finance (McCormick & Atieno, 2013). Credit contributes in a variety of respects to business development. Access to external funds makes resource distribution flexible and decreases the effect on company operation of the issues of money flow (Bigsten, 2014). Companies with access to funds can build up stocks so as not to inventory in crisis situations, whereas the use of credit improves the development of surviving companies in circumstances of macroeconomic instability. Companies without access to economic financing were also discovered exposed to economic shocks (Nkurunziza, 2015). Issakson (2014) asserted that credit can be seen by locking companies with feasible initiatives, weak legal institutional framework, forcing them to either depend upon social networks or deny credit to possible borrowers, as an restriction for company development due credit allocation process.

Weston and Brigham (2014) has provided arguments to explain SMEs capital structure using a lifecycle approach. A major element in their explanation is the combination of rapid growth and lack of access to the capital market. The capacity in SMEs in developing economies to access accessible loans is a critical component of economic development. Small enterprises often without the original

capital required to grow and expand less likely to develop, particularly when their owners lack collateral in order to secure their loans. This limits small and medium-sized companies' development and development making it hard for them to cope and survive in this industry (Braver & Guasch, 2016). Aryeetey (2014) argues that SMEs in developing nations are especially essential to support financial development and livelihoods. Although there was no significant levers ratio impact, the qualitative variable of dummy was a substantial growth restriction. Chen, (2015) stated that the availability of external sources of financing used profitability of the firm as a proxy of financial resources of the firm to boost growth.

The government of Kenya has had an upward mission in terms of the economic capabilities of youth and women's organizations in the big billing public procurement leagues (Orodho, 2013). Fortunately, a variety of financial instruments, including local buying order (LPO) finance and invoice discounts, have been provided by multiple organizations. There is also the Uwezo Fund and the youth and women enterprise fund which have been put in place to ensure that the SMEs attain the financial access to contact on the public procurement

➤ *Evaluation Criteria*

Preferences at short listing stage are one of the practices in targeted procurement schemes applicable for the SMEs to assess the government procurement (Nkonge, 2013). Arrowsmith (2014) has given some two categorizations in which preference schemes can be applied in public procurement. Under preferences at short listing stage a number of suppliers / service providers who are invited to tender are limited on the basis of qualification. Weighting is given to policy objectives along with the usual commercial criteria, such as quality, at the short listing stage. Whereas all contractors eligible for the agreement may be offered, contractors which meet prescribed requirements or undertake to achieve certain objectives in the performance of the contract are awarded tender evaluations points (Abouzeedan & Busler, 2014).

In Britain, as note by Erick, (2014), a Special Contract Arrangement (SBA) was introduced to support the disabled people in the European economic area as an economic appreciation to offer back discriminatory policy. The SBA had to give unique attention to the providers which registered with the system to contracting officials. The system includes a 'supply bid' which should allow a licensed provider who is unacceptable on a cost basis alone to apply for portion or the complete contract (Eyaa & Oluka 2011).

Nga and Skitmore (2013) have noted that most public organizations have adopt a selective approach to public tendering aimed at improving the economic growth among the less financially stable groups in the society. Efforts have been made to cope with the non-linearity existing between

contractor attributes and the corresponding pre-qualification decisions made by the owner (Fong & Choi, 2015). These efforts include the development of a range of nonlinearity models such as programmed evaluation review technique (PERT), the artificial neural network model (Lam, 2014), the analytical hierarchy process (AHP) (Fong & Choi, 2014) and the multi – attribute utility model. In an attempt to improve the economic balance between different socially status members of the society.

➤ *Compliance Monitoring*

According to Mrope, Namusonge, Iravo (2017) compliance is critical to the achievement of the objectives of the procurement legal framework and its attendant regulations such as transparency, competition, and value for money, accountability and the efficient use of public resources. Institutions consist of cultural-cognitive and regulatory components that bring significance to life in conjunction with related operations and resources (Scott 2014). As regulatory, normative and cultural cognitive are the three pillars of organizations. The legislative pillar emphasizes that the enforcement mechanism uses rules, regulations and sanctions with adequacy as a grounds for compliance (Zadawa, 2015).

As noted by Tan (2013), public procurement has been, for long, overshadowed with inefficiency, corruption and disregard of fundamental "value for money" considerations. This has adversely impacted the rate and quality of progress in realizing the objectives of national development, especially in developing countries. Employees may neither engage in, nor give the appearance of engaging in, dishonest or unethical actions. Both are injurious to the public's perception of honest government (Tan, 2013). Government employees might have access to procurement and other non-public information that could affect a contract bid or the award process (Wymer & Regan, 2015).

Gelderman, (2016) stipulated that compliance occurs when the target performs a requested action, but is apathetic about it, rather than enthusiastic, and puts in only a minimal or average effort. However, as an organizational outcome, compliance has traditionally been understood as conformity or obedience to regulations and legislation Lisa, (2010). For instance in Uganda, a wave of procurement reforms that begun in 1997, culminated into the enactment of the Public Procurement and Disposal of Public Assets (PPDA) Act 2003, and regulations 2003. Zubcic (2011) explores processes of enforcement to improve compliance with legislation on public procurement. The research shows that enforcement activities and enhanced sanctions lead to higher rates of enforcement of procurement law.

According to Zubcic and Sims (2011), regulatory enforcement can generally be seen as any measures made to enforce compliance by the regulators. Cunningham and Kagan (2013) also said compliance with defined preference

processes is improved. Accorctly, enforcement actions and enhanced sanctions lead, according to Zubcic and Sims (2012), to enhanced rates of enforcement. Countries with powerful bidding systems can engage and lodge complaints if they believe that the procurement method does not conform with the laws (Mrope, Namusonge, Iravo, 2017) and bidder is permitted to engage in every procurement process. Gunningham and Kagan (2015), notes that the risk of lawful sanctions is crucial for enforcement compliance and that enforcement actions have cumulative impacts on the consciousness of controlled businesses.

➤ *Capacity Building*

No nation can have sustainable development without improving her human capital (Nwankwo & Okorie, 2015). Capacity building involves equipment of people with the knowledge, skill, information and trainings that make them carry out their functions effectively in a nation (Nwankwo & Okorie, 2015). Capacity building involves the training of staff in relevant skills, competencies and general and technical know-how (Ikupolati, Medubi, Obafemi, Adeyeye, & Oni, 2017). SMEs depend more on individual employee contributions than the big companies (Ojokuku, 2012). Macgregor (2014) also poised that the staff of SMEs is their backbones, there is need for capacity building for these staff memebers. According to Eniola and Entebang (2014), the performance and growth of SMEs is a major driver and indices for the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, equitable distribution of income, the welfare, income per capita and quality of life enjoyed by the citizenry.

The human capacity building is the practice of providing people with the knowledge, expertise, and opportunity to access information, knowledge, and training that enables them to perform effectively (UNDP 2012). According to Nell and Napier, (2016), capacity building refers to activity to generate knowledge, skills, and expertise to improve the thinking ability that may assist in increasing productivity and sustenance in performance. Capacity is the ability of an organization to excel while capacity building is how to develop and strengthen this ability (Nwankwo & Olabisi, 2017). Capacity building means enhancing or strengthening a person's or organization's capacity to attain their objectives (Lusthaus, Adrien & Perstinger, 2015). Further, Brown, Lafond, and Macintyre (2017) opined that capacity building is a multifaceted and dynamic process that improves the capability of a firm to attain its goals and do better in a competitive arena.

Harnessing the human capital of a firm can be vital to business continuity (Afande, 2015), capacity building may be critical to SMEs activities. Brown *et al.*, (2017) asserted that capacity building increases the output of an average worker. Booth and Snower (2016) commented that on the job training is better for employees of small firms. Sels, (2015) observed

that HRM activities like capacity building can improve profitability, the volume of sales, lifespan and infrastructural improvement. Lee, (2014) and Tan, (2014) has shown that inadequate human resources capabilities are a significant barrier to the growth of SMEs in developing nations.

Human resources in terms of capabilities, managerial skills among others increase the performance of SMEs (Morgan, 2014). It is necessary to build the capacities of entrepreneurs to make an essential contribution to the economy of a nation (Bamfo, Asiedu- Appiah, Oppng-Boakye. 2015). Olawale and Garwe (2010) noted that management capacities are sets of skills, competencies, and knowledge that can make SMEs more effective and expand on their activities. Pasanen, (2014) has linked SME growth to management training. Acquisition of knowledge is a critical factor that can change the competition model of business over time and contribute to the success of an organization (Pasanen, (2014). Acquisition of knowledge is important in successful running SMEs today. Training is a vital agent which leads to the development and growth of businesses and increase their capabilities and profitability (Bamfo, Asiedu-Appiah, Oppng-Boakye. 2015). Management skills are vital to an SME owner/manager in order to plan, organize, control and direct its activities (Zarook, Rahaman & Khanam, 2013). Entrepreneurial education and training are vital to the success of entrepreneurship venture (Elmuti Khoury & Omran, 2012). Wen-Long Wen Guu & Chiang (2014) argued that entrepreneurs that have went through entrepreneurial courses had a good chance of identifying opportunities as compared to those who have no. Afande (2015), indicated that the areas of capacity building for SMEs include all forms of Marketing, Computer skills, Taxation, Product development, Leadership, Communication, Materials and Production, Quality Control, Accounting, Finance, Economy, Foreign Trade, Sales, Networking, and Interpersonal relations. Training should be delivered at different levels of sophistication (Adebisi & Oni, 2012).

According to O'Dwyer and Ryan (2014), SMEs Capacity Building should emphasize managerial and educational training, as both are important to the success of an enterprise. Governments of developing countries have important roles to perform in capacity building of entrepreneurs in their countries ((Bamfo, Asiedu- Appiah, Oppng-Boakye. 2015). Government agencies can build the capacity of SME owners and managers through workshops, training and subsidized accounting services (Maseko *et al.*, 2012; Afandi, 2015; Jayasekara & Thilakarathna, 2013).

➤ *Assess to Targeted Procurement*

Targeted procurement (TP) is an innovative intervention approach for public procurement aimed at promoting the involvement in the economy of targeted companies and targeted labor (Ofori 2013). Watermeyer, (2014) has stated that targeted procurement is practiced in a bid to achieve state's economic agenda through relevant

criterion for contract award, along with other functional criteria e.g. price and quality. A Letchmiah Report (2012); Manchidi and Hartond, (2012) revealed that the construction industry has effectively opened up its own contractual rate and market share to SMEs.

ADB (2012) revealed that SMEs are most often used by governments in two respects: offer price preferences that load the highest non-SME offer or discount the highest SME offer and setbacks that allow targeted small and medium-sized enterprises to bid competitively against each other. Botswana, however, has introduced preferential bidding systems for promoting the participation of citizen contractors in Singapore, for instance (Watermeyer 2013), given to local building companies and joint enterprises (Ofori, 2014). Instead, set-asides or reserved acquisition policies have been used to promote involvement of tiny companies and minority companies, and to counter the impacts of previous discrimination (Bolton, 2016 ; Chatterji, 2014), in public agreements in the United States, Southern Africa, Indonesia and Malaysia (Arrowsmith, 2015 ; Hawkins, 2012) and to create minority companies.

Public procurement preferences are an significant government intervention strategy to stimulate growth and development in construction industry for small and medium-sized enterprises in many nations including South Africa (Hawkins, 2012). The adoption in South Africa of preferential procurement strategies as an engine for the growth of contractor contractors is recorded in the literature in a practice known as focused procurement (Shakantu, 2012; Watermeyer, 2003). The Department of Public Works has implemented innovative TP approaches in 1996 to encourage the involvement of targeted SMEs in agreements in the public sector as part of domestic procurement reforms to deal with previous imbalances and boost growth and development in SMEs (Shakantu, 2012). The government's financial, social or environmental objective was promoted with public procurement as a tool (Wanderi 2014). Public institutions have one of the highest procurement budgets. Their procurement budgets can have a significant impact on trade in the areas they operate in (Zadawa, 2015). Government policy can be used to skew procurement opportunities in favor of certain interest groups such as youth, women and persons with disability (special groups). This can be done through public procurement preference practices such as Access to Government Procurement Opportunity (AGPO) program. Letchmiah, (2012); Watermeyer, (2015) have indicated that various TP strategies applied in different nations in the public procurement includes; Unbundling of Contracts, Mandatory Subcontracting, Preferencing and Third Party Management to enable the SMEs asses government contracts.

In Kenya, the Access to Government Procurement Opportunity Program is an affirmative action aimed at empowering youth, women and persons with disability-

owned enterprises by giving them more opportunities to do business with Government (Gatere & Shale, 2014). It was introduced by government to facilitate the youth, women and persons with disability-owned enterprises to participate in government procurement (GoK, 2013). A Presidential Directive was issued that 30% of government procurement opportunities be set aside specifically for enterprises owned by youths, women and people with disabilities.

➤ *SMEs Growth*

Small company growth theorists (Davidsson 2013; Starbuck 2014) refer to development as the shift in size of an organization, which necessarily takes place over time. In contrast, tiny companies are generally organically growing through acquisitions (Starbuck 2014). In the assessment of company development, growth was evaluated from a changing view with a range of distinct factors in literature. Sales, income, work, assets, physical performance, market share, and profit were the most commonly proposed factors (Ardishvili, 2015; Delmar, 2013). More specialized measures can be envisaged in particular sector research (Davidsson, 2013). In the building industry, for instance, increased turnover and jobs are mainly and frequently used by researchers to show development (Ofori & Chan, 2013; Tucker, 2015).

The Marion (2015) report on the effect of set-aside procurement on the US building sector stated that set-aside: a substantial increase in SME contract awards (that has a favorable and substantial empirical effect on SMEs, irrespective of how growth is measured and plays a major part in these SMEs' net survival rates. Studies in South Africa have shown that the implementation of TP approaches contributed considerably to an increase in the involvement of small and medium-sized enterprises in public tenders, resulted in more successful public agreements and encouraged company ties between historical powerful enterprises (Gounden, 2015 ; Kajimo-Shakantu, 2015 ; Letchmiah, 2012, Manchidi and Harmond, 2012). Brown, Ashleigh, Riley and Shaw, (2015) have also stated, based on the TP approach and the extent of inclusion in the supply chain, that SME development performance changes. Moreover, Brown et al. (2015) stated that the growth of SMEs depends on economic, assessment, public subsidies and policy considerations.

VII. RESEARCH METHODOLOGY

➤ *Research Design*

Kathuri and Pals, (2013) asserted that a good research should be based on the good strategy of getting the information from the respondents. According to Kombo (2013), a research design is a strategy outlining the plan to be used to generate answers to research problems. This study adopted the empirical research design. As reiterated by Elahi and Dehdashti, (2015) an empirical research design is

appropriate when there is enough literature work and limited time.

➤ *Target Population*

According to Castillo (2012), target population is generally a large collection of individuals or objects that is the main focus of a scientific query. The population can either be living or non-living objectives which the researcher postulates to get the information from. For this study, the total target population were relevant research journals based on targeted procurement.

➤ *Sampling Technique*

According to Silverman (2014), the sampling technique be appropriate for giving chance to any population to be selected. This study used an empirical approach through random stratified sampling technique with a proportional allocation of each stratum from the target journals. A random sampling technique was used to select the relevant and appropriate journals for the study.

VIII. RESEARCH FINDINGS

Since the study was conducted empirically by analyzing past journals, the study was also embedded on the specific objectives. These specific objectives included to determine the effects of financial access, organization's evaluation criteria, compliance monitoring and capacity building on the growth of SMEs. The findings was analyzed as follows;

➤ *Findings on the Effects of Financial Access on the Growth of SMEs*

A relevant literature reviews was done to determine the effects of financial access on the growth of SMEs. The findings revealed that financial access offered by various organizations, channeled by the government has an effect on the growth and progress of SMEs. The findings by MacCormic & Atieno (2013) revealed that financial access to the SMEs is key input in the development and growth of business enterprises. Bigsten, (2014), also found out that access to credit contributes to enterprises development in ways such as allowing for flexibility in resource allocation and reduces the impact of cash flow problems and the financial shock. Financial access was therefore found to have a significant effect on growth of SMEs.

➤ *Findings on the Effects of Organization's Evaluation Criteria on the Growth of SMEs*

The second objective was to find the effects of organization's criteria on the growth of SMEs from the literature review. A number of empirical study showed a positive effect on the evaluations criteria put forward by the buying organizations as a basis for tender award. A study by Nga and Skitmore (2013) noted that most public organizations have adopt a selective approach to public tendering aimed at improving the economic growth among

the less financially stable groups in the society. Fong and Choi, (2015); (Lam, 2014) have found out that efforts such as evaluation review technique (PERT), artificial neural network model the analytical hierarchy process (AHP) have been made in the developed nations to solve the problem on the evaluation criteria so as to allow for the access by the SMEs to the government tenders. It was therefore found out that organization's evaluation criteria has a significant effect on the growth of SMEs.

➤ *Findings on the Effects of Compliance Monitoring on the growth of SMEs*

Since compliance monitoring is the act of ensuring that the stipulated regulations on targeted procurements are adhered to (Mrope, Namusonge & Iravo, 2017), empirical has given a positive evidence on growth of SMEs. Mrope, Namusonge and Iravo (2017) further found out that compliance is critical to the achievement of the objectives of the procurement legal framework and its attendant regulations such as transparency, competition, and value for money, accountability and the efficient use of public resources. Zadawa, (2015) depicted that institutional regulations is a good base for ensuring organizational compliance in ensuring targeted procurement. Zubcic and Sims (2012), found out that enforcement actions and increased penalties lead to greater levels of compliance with the laws for better targeted procurement compliance and bidders can lodge complaints on areas they feel unsatisfied with the award. Compliance monitoring by the state agencies was therefore found to have a positive significant on the growth of SMEs.

➤ *Findings on the Effects of Capacity Building on the Growth of SMEs*

The last objective was to find out the effects of capacity building on the growth of SMEs. Several literature was reviewed. Since capacity building involves equipping people with the knowledge, skill, information and trainings that make them carry out their functions effectively (Nwankwo & Okorie, 2015), capacity building was found to affect SMEs growth. Nwankwo and Olabisi, (2017) found out that capacity enhances or strengthens a person's or organization's capacity to attain their objectives due to increased and acquisition of knowledge. Pasanen, (2014) found out that acquisition of knowledge is important in successful running SMEs for better strategies and success. Training was found to be very vital in ensuring that SMEs employees are provided with the current tools in managing such enterprises. O'Dwyer and Ryan (2014) found out that SMEs Capacity Building emphasized managerial and educational skills are important to the success of an enterprise. Therefore, capacity building was found to have a positive effect on growth of the SMEs.

IX. CONCLUSIONS, RECOMMENDATIONS AND SUGGESTIONS FOR FUTURE STUDY

➤ *Conclusions*

Targeted procurement is a current strategy in enhancing the growth of a nation through empowering the youths, women, local companies and SMEs. The general objective of the study was to determine the effect of targeted procurement on the growth of SMEs using empirical review as the study design. The study found out a strong significant effect among the study objectives on SMEs growth. The specific objectives of the study used included financial access, evaluation criteria, compliance monitoring and capacity building were all found to have a positive effect on SMEs growth. It was concluded that for better growth of any less able business enterprise such as youths owned business, women enterprise, local companies or SMEs, there should be a financial access, the evaluation criteria needed to accommodate them, there must be a compliance monitoring and capacity building.

➤ *Recommendations*

Since the study findings has revealed a positive significance of financial access, evaluation compliance monitoring and capacity monitoring on the growth of SMEs, the study recommended that the Kenya government should ensure that the 30% targeted procurement rule is adopted and effected by all public entities. The study further recommends a full financial assess and support, flexible tender evaluation criteria, compliance monitoring by the buying organizations and capacity building to the SMEs to hasten their growth.

➤ *Future Study*

Since this current study only focused on financial access, evaluation criteria, compliance monitoring and capacity building on the growth of SMEs, future study can consider assessing other factors like bid price on the growth of SMEs. Moreover, since this study only used SMEs, further study can consider using youth owned or women enterprises to see whether similar findings could be gotten.

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