

A REALIST EXPLORATION OF SMALL FIRM
TENDERING FOR PUBLIC SECTOR
CONTRACTS: A MICRO-FOUNDATIONAL
STUDY OF CAPABILITY

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A REALIST EXPLORATION OF
SMALL FIRM TENDERING FOR
PUBLIC SECTOR CONTRACTS: A
MICRO-FOUNDATIONAL STUDY
OF CAPABILITY

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Abstract

Keywords: Small firm (SME), tendering, critical realism, routines, capability, generative mechanisms, case study, absorptive capacity

Objectives: The current state of theory building in the field of small firm tendering capability requires better explanation of the detailed routines that underlie capability. This thesis enhances small firm productivity literature by proposing a new conceptual framework to explore small firm capability to competitively tender for public sector contracts

Prior Work: My prior work has tested literature themes in human capital and dynamic capability theory to move beyond the resource scarcity explanation of small firm difficulty in competing for public sector contracts. This suggested a conceptual framework to link competitiveness with capability building, drawing on cutting-edge organisational theory. It prepared me to begin an empirical mobilisation of dynamic capability theory, as it relates to small firms

Approach: A detailed analysis of an exceptionally successful small firm identifies specific resources and routines that form the micro-foundations for contingently contextual capability. Primary case findings are augmented by a comparative case analysis. Research is operationalised through a critical realist mode of perception, where tendering is examined as a social institution with overlapping layers of structural power that constrain and enable the exercise of agential efforts inside a firm. Theoretical case sampling through interviews and wider observational and documentary analysis demonstrates the utility of the framework

Results: Tendering capability is conceptualised using institutional, capability and absorptive capacity theory. Fifteen firm routines are identified and organised into a capability framework that comprises of operational and dynamic domains. Competitive capability emerges from routines that command resources effectively, not just resource ownership. Tendering activity is amenable to routinisation that are situated in regular patterns of knowledge, skills and action, but also in dynamic capabilities

Implications: The study of successful firm routines suggests a new research direction for studying aspects of small firm productivity, of which tendering is an example. The capability framework and findings will help practitioners and policy makers to focus beyond descriptions of practice towards a better understanding of causal relationships

Value: The study addresses a capability knowledge gap in small firms' empirical literature. It demonstrates how the exercise of agency is built and shaped through the notion of context. It benefits researchers, business support providers, public procurers and small firms. It creates knowledge about learning pathways that lead to more small firms placing themselves in the opportunity flow of public sector tendering, by using a capability framework.

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To my husband Steve and to my daughter Hannah, I am sorry for years of messy tables and scattered research notes in the house, but I can't promise that will change.

Half way through my doctorate I lost my dear dad. I dedicate this thesis to you dad, who always had more faith in me than I have felt I deserved. Hope this makes you proud.

Contents

Definitions of terms used in this thesis.....	9
List of abbreviations.....	12
List of tables.....	13
List of figures.....	15
Chapter One: Introduction	17
1.1 My doctoral journey.....	17
1.2 Introduction to the thesis aim.....	18
1.3 The nature of competitive tendering in the UK.....	22
1.4 Introduction to the state of knowledge on small firm tendering capability	24
1.5 Research approach.....	26
1.5.1 Case firms under study.....	27
1.5.2 Defining the small firm	28
1.6 The UK public procurement market practice of competitive tendering	29
1.7 A chronological perspective on the development of tendering practices.....	32
1.8 Dissertation structure.....	37
1.9 Contributions to knowledge and practice.....	39
Chapter Two: A review of literature on small firm tendering	41
2.1 Introduction.....	41
2.2 Conducting the literature review.....	43
2.2.1 Literature search methods and criteria	43
2.3 The nature of studies on small firm tendering.....	45
2.4 Firm tendering practices.....	48
2.5 Firm resources absorbed by public sector tendering and their application	58
2.6 Empirical observations of structural conditions and market access	63
2.7 Regulation and empirical observation of its causal powers	69
2.8 Discussion of empirical findings.....	71
2.8.1 Firm-level resources associated with competitive tendering	71
2.8.2 Strategic orientation towards winning public contracts: the exercise of agency.....	75
2.8.3 The nature of the tendering environment	77
2.9 Location of a research gap and research questions	79
2.10 Chapter summary.....	82
Chapter Three: Theoretical framework to conceptualise tendering capability	84

3.1 Introduction.....	84
3.1.1 Establishing the research framework.....	85
3.2 Capability theory and tendering practices.....	86
3.2.1 Defining what capability means.....	86
3.2.2 Models of capability theory.....	88
3.2.3 Capability examination and firm routines.....	92
3.2.4 Capability examination through a firm's resource base.....	94
3.2.5 Synthesis of discussion on capabilities, routines and resources.....	100
3.3 Institutional theory: legitimacy, isomorphism, and structural rules.....	101
3.3.1 Organisational legitimacy.....	103
3.3.2 Institutional Isomorphism.....	104
3.3.3 Structural rules.....	104
3.4 Absorptive capacity and firm level learning about tendering capability.....	105
3.5 Chapter summary.....	111
Chapter Four: The stratified context of public sector tendering.....	114
4.1 Introduction.....	114
4.2 Public sector tendering explained as a social institution.....	116
4.2.1 Defining tendering as a social institution.....	116
4.2.2 Ontological considerations for studying firm tendering capability.....	119
4.2.3 Epistemological considerations for studying firm tendering capability....	120
4.3. Reality as a stratified concept.....	121
4.4 Public sector tendering as a laminated structure.....	122
4.4.1 The nature and role of generative mechanisms.....	124
4.4.2 The structural powers of entities in a laminated tendering institution.....	126
4.5 Firm agency and reflexivity.....	129
4.6 Structure and agency: Emergence and the morphogenetic cycle.....	131
Chapter Five: A qualitative and critical realist research methodology.....	136
5.1 Introduction.....	136
5.2 Outline of a qualitative inquiry and case study method.....	138
5.2.1 A qualitative line of inquiry.....	138
5.2.2 Use of a case study method.....	139
5.2.3 Critical realism as a mode of perception.....	141
5.2.4 Research timeframe.....	141
5.3 Case study data collection stages and sources.....	142

5.3.1 A theoretical case sampling strategy	142
5.3.2 Data collection stages.....	143
5.3.3 Organisational attributes in case firms.....	146
5.3.4 Conducting semi-structured case interviews	147
5.3.5 Documentary artefacts	149
5.3.6 Field notes.....	150
5.3.7 Data recording and storage	150
5.3.8 Ensuring case study validity and reliability	150
5.4 Data analysis phases.....	152
5.4.1 Data analysis and findings from the first data collection stage	152
5.4.2 Review and recalibration of research focus after stage one	154
5.4.4 Phase two of data analysis - abductive and retroductive techniques	158
5.4.5 Phase three of data analysis - contextual broadening	161
5.4.6 Write up and presentation of data.....	161
5.5 My role as researcher in the study.....	162
5.6 Chapter summary	163
Chapter Six: Tendering routines in Fit for Life	165
6.1 Introduction.....	165
6.2 Primary case description: Fit for Life	166
6.2.1 Fit for Life company background and services	166
6.2.2 Fit for Life vision and values	167
6.2.3 Fit for Life leadership and management	168
6.2.4 Fit for Life successful engagement with public sector tendering	169
6.3 Tendering routines.....	170
6.3.1 Information seeking routines	170
6.3.2 Strategic routines	175
6.3.3 Interpretive routines	180
6.3.4 Cultural routines	194
6.3.5 Data mining routines.....	196
6.3.6 Transformational routines	198
6.4 Routine clusters that build tendering capability	204
6.4.1 A market analysis capability	205
6.4.2 A market positioning capability.....	206
6.4.3 Reputation building capability.....	207

6.4.4. Capability to read a tender specification.....	207
6.4.5 Creative resource mobilisation capability	208
6.4.6 Capability to complete the technical components of a tender	209
6.4.7 The role of transformational routines as dynamic capabilities	209
6.4.8 Summary of tendering capability framework in Fit for Life.....	210
6.5 Structural conditions in pre-existence and the exercise of agency.....	212
6.6 Chapter summary	213
Chapter Seven: A comparative case review of tendering routines	216
7.1 Introduction.....	216
7.2 Secondary case firms	217
7.2.1 Software4U.....	217
7.2.1 Re-analysis of data-sets from pilot case firms	218
7.2.2 The expert informant on small firm tendering	219
7.3 Comparative analysis of routine enactment to FFL.....	219
7.3.1 Comparison of information seeking routines.....	220
7.3.3 Comparison of interpretive routines	228
7.3.4 Comparison of cultural routines	237
7.3.5 Comparison of data mining routines.....	242
7.3.6 Comparison of transformational routines.....	244
7.3.7 Summary of routine presence and utilisation in comparative cases	246
7.4 Comparison of capability expression in comparative cases	248
7.4.1 Market analysis capability	248
7.4.2 Market positioning capability	250
7.4.3 Reputation building capability.....	251
7.4.4 Capability to read a tender specification.....	252
7.4.5 Creative resource mobilisation capability	253
7.4.6 Capability to complete the technical aspects of a tender specification...	254
7.4.7 The role of dynamic capabilities as routines	254
7.5 Chapter summary	257
Chapter Eight: Discussion and conclusions	262
8.1 Introduction.....	262
8.2 Statement of contribution from this thesis.....	263
8.3 Utility of the theoretical framework.....	266
8.3.1 Tendering capability from an institutional theory perspective	266

8.3.2 Tendering from a capability theory perspective	268
8.3.3 Absorptive capacity as a theoretical explanation for capability renewal	270
8.4 A structural analysis of context.....	274
8.5 What case firms exercise through agency.....	276
8.6 Extended use of a critical realist ontology to explore tendering capability	278
8.7 A generative mechanisms-based account of tendering capability.....	280
8.8 Successful tendering routines that encase capability	282
8.9 Implications of the research for theory, policy and practice.....	284
8.9.1 Implications for small firms tendering practice.....	285
8.9.2 Implications of research for theory	288
8.9.3 Implications of research for policy makers	291
8.10 Implications for the direction of future study.....	292
8.11 Study limitations.....	293
8.12 Concluding remarks	294
References	299

Definitions of terms used in this thesis

Abduction	The identification and testing of links between empirical observations and underlying causal mechanisms
Absorptive capacity	A capacity to learn through knowledge acquisition and integrating that knowledge inside the firm
Agency	Reflexive behaviour within a structural context
Austerity	Refers to official measures or actions taken by the government, during a period of adverse economic conditions, to reduce its budget deficit using a combination of spending cuts or tax rises. In procurement terms, public institutions and departments are asked to deliver services from a reduced income stream
Brexit	A term given to the 2016 UK vote to leave the European Union
Capability	A set of differentiated skills, complementary assets, and routines that provide the basis for a firm's competitive capacities and sustainable advantage in a particular business
Causation	The process of causing something to happen or exist, often used to express the relationship between an event and its cause
Context	The specific and temporal environment within which activity takes place
Critical realism	A meta-theory for social sciences to view reality as stratified in nature, with the notion of a social structure that people (agents) interact with, but that exists independently of observable phenomena
Dynamic capability	A routine that builds and reconfigures internal skills and routines to rapidly adapt to changing environments
Embedded	Human action is situated within a wider set of social processes
Emergence	What comes about as change or transformation from structure-agency interactions
Entity	A theoretical building block used to explain relational arrangements of a unit of a social structure to guide behaviour and exert power with social effects
Entrepreneurial capital	The skills and abilities to organise socially-embedded resources used in the creation and exchange of goods and services

European Union	A political union, often called the EU, with law-making powers
Financial capital	Resources to provide goods or services, measured in terms of their monetary value
Generative mechanism	Social and cultural forces that are hidden, and operate independently or in concert to cause change and bring about an effect
Human capital	The bundle of accumulated knowledge and skills that exist, often used at firm-level
Institution	A typed of social structure that exists where social actors or individuals are grouped together by a common and boundaried purpose
Isomorphism	A term to describe types of pressure that emanate from an environment
Laminated structure	Overlapping layers (entities) of a compositional social structure
Mechanism	A causal structure that explains a phenomenon
Micro-foundational	A research technique to gather information at the level of everyday practices
Morphogenetic cycle	A temporal cycle of events that explains the concept of emergence. A morphogenetic cycle has three analytical phases that occur at different points in time
Organisational legitimacy	A general assumption made that the actions of a firm are appropriate within a socially-constructed set of norms
Prime contractor	Firms that directly hold a contract with a public purchasing unit
Public sector	The part of the economy that is owned by the State, i.e. the UK government
Reflexivity	Circular relationships between cause and effect
Resource	A tangible or intangible asset that can be a source of competitive advantage
Retroduction	An analytic technique critical realists use to explain events by identifying generative mechanisms that are capable of producing them
Routine	A codified skill or process built from resources
Small firm	
Social capital	The ability to facilitate external knowledge acquisition and support knowledge exploitation
Social value	A way of thinking about how resources are allocated and used to improve the economic, social and environmental well-being of an area
Stratification	The division of the world into emergent, explanatory levels

Structure/structural conditions	The operating environment which pre-exists individual and firm interaction with it
Supplier diversity	A market mechanism for goal-setting and monitoring equality in procurement and buying services
Tender	A legally-binding set of documents that set out the specification and terms used to purchase a product or service
Tendering	A persistent form of competitive public sector purchasing action that influences the market and conditions under which small firms operate.
Transfer under protected employment	A legal term to describe a process to transfer individual employment rights from one organisation to another when a specific contract or service is awarded to another organisation
Value for money	A stated goal for procurement to achieve the optimal use of resources to achieve intended outcomes sought, sometimes referred to as <i>'spending well, spending less and spending efficiently'</i>

List of abbreviations

AC	Absorptive capacity
CBI	Confederation of British Industry
CMO	Context-mechanism-outcome
CSR	Corporate social responsibility
DC	Dynamic capability
EO	Entrepreneurial orientation
EU	European Union
FFL	Fit for Life
FSB	Federation of Small Businesses
MD	Managing Director
MO	Market orientation
MRes	Masters in Research
ODA	Olympic Development Authority
ODPM	Office of the Deputy Prime Minister
OGC	Office of Government and Commerce
PQQ	Pre-qualification questionnaire
RBV	Resource-based view
S4U	Software4U
SME	Small and Medium Enterprise
TUPE	Transfer under protected employment
UK	United Kingdom
US	United States
VRIN	Valuable, rare, inimitable, non-substitutional

List of tables

Table	Description	Page Number
1.1	Summary of existing knowledge and knowledge gaps about small firm tendering	24
1.2	Tendering Procedure Types (EU Rules and Procedures, 2015)	31
1.3	Timeline of EU and UK Public Procurement Legislative and Policy developments	33
2.1	A summary of literature sources (1989-2017)	46
2.2	Four capability attributes small firms need to sell to large organisations	50
3.1	Key concepts of absorptive capacity	107
5.1	Case study characteristics	140
5.2	Summary of case firm attributes	146
5.3	Description of research participants	147
5.4	Description of other research artefacts used as data	149
5.5	Case study validity and reliability test	150
5.6	Initial development of thematic framework and codes from stage one of data collection	153
5.7	Revised and final thematic coding template	156
5.8	Steps of abductive reasoning within critical realist ontological domains	160
6.1	Examples of upward and additive counterfactuals by study respondents	200
6.2	Descriptions of tendering routines and capabilities they serve	210
7.1	Summary of routine use in comparative case firms	247

Table	Description	Page Number
7.2	Comparative routine use in market analysis	248
7.3	Comparative routine use in market positioning	250
7.4	Comparative routine use in reputation building	251
7.5	Comparative routine use in reading a tender specification	252
7.6	Comparative routine use in creative resource mobilisation	253
7.7	Comparative routine use in completing technical tender components	254
7.8	A typology of competitive tendering routines that drive patterns of behaviour	257
8.1	FFL case data illustration of the morphogenetic cycle of tendering	268

List of figures

Figure	Figure description	Page number
3.1	Theoretical framework to study small firm tendering capability	85
3.2	Broad interpretations of capability	88
3.3	Forms of absorptive capacity	106
4.1	Bhaskar's three domains of reality	121
4.2	A laminated structure of public sector tendering	123
4.3	A critical realist view of causation	125
4.4	Adaptation of the morphogenetic cycle	133
5.1	Theoretical framework to study small firm tendering capability	138
5.2	Research timeframe	142
5.3	A critical realist research approach	159
6.1	Routines that comprise a market analysis capability	205
6.2	Routines that comprise a market positioning capability	206
6.3	Routines that comprise a reputation building capability	207
6.4	Routines that comprise reading a tender specification capability	208
6.5	Routines that comprise a creative resource mobilisation capability	208
6.6	Routines that comprise capability for completion of technical tender components	209
6.7	A dynamic capability framework for public sector tendering	212
Figure	Figure description	Page number

8.2	A laminated structure of public sector tendering (as 4.1)	267
8.3	Conceptual model for assimilation of learning in small firm tendering episodes	273
8.4	A path creation approach to designing firm capability to tender	276
8.5	A dynamic capability framework for public sector tendering (as 6.7)	282

Chapter One: Introduction

1.1 My doctoral journey

In 2009, whilst in full-time employment at Manchester Metropolitan University as a Senior Enterprise Fellow, I enrolled part-time onto a doctoral degree to research small firm public tendering capability. My research interest arose from over ten years' practitioner experience of completing public tenders in blue chip and small firm environments. Between 2004 and 2009, I was a self-employed consultant who provided bid-writing advice and review services to SME management teams. Subsequently, whilst in university employment, I was awarded government funding to assist an architectural practice with public sector tendering. In Manchester Metropolitan University's Business School, I developed new business for the University's Centre for Enterprise through tender completions.

My practitioner knowledge on tendering capability requirements has accumulated through multiple contexts. Yet in 2009, I came to a realisation that I did not really understand all the ingredients that allowed some firms to become successful at tendering whilst others did not, often with comparable resource efforts. Product, reputation, market pricing and an ability to follow tendering rules are obvious competitive differentiators. I was unable to offer a satisfactory explanation as to whether capability rested primarily on experience accumulation, 'learning by doing' (Zollo and Winter, 2002), or if what happens in a firm's external environment affects how firm leaders choose to respond and the resources they employ to do so. As I thought harder, I began to see that firms have a complex and dynamic interface with the public procurement market. I was curious, and this led me to enquire into the small body of empirical knowledge in existing research on what is specifically known about small firm tendering.

I achieved a Masters in Research (MRes) milestone award towards my doctorate in 2012 for a dissertation entitled 'Tackling procurement from the smaller end: SME capability enactment through non-tangible resources' (Turner, 2012). Between 2011 and 2015, it was necessary to suspend my

doctoral studies twice for health and personal reasons. After a seven-year period of academic study and reflection, I have conducted sufficient research to gain a theoretically informed and contextually-led perspective of small firm tendering capability to submit my doctoral thesis.

I am studying small firm tendering capability at a time when contemporary procurement policy still seeks to promote SME engagement in public procurement, evidenced by an industrial strategy green paper that dedicates an entire chapter to mobilising small firm engagement with tendering for public sector contracts (UK Government Green Paper, 2017). Simultaneously, enactment of the UK 'Brexit' decision (the 2016 UK vote to leave the European Union), could significantly change the landscape for firms if European Union (EU) procurement legislation is repealed or reformed, but the effects of Brexit on my research topic will not emerge for some time. Knowledge about tendering as an environment and competitive tendering practice is vital for the UK to decide its future regulation strategy. I feel privileged to make my own contribution into this important ongoing debate.

1.2 Introduction to the thesis aim

This thesis offers a novel conceptual model of tendering capability, defined in extant literature as *“the ability of a firm to marshal its organisational resources in order to identify contract opportunities and subsequently position itself to exploit them”* (Flynn and Davis, 2016, p.9). This definition is accepted, but it has limitations too. It is unclear from the definition if small firm action of tendering for public work is in itself a single and distinctive capability or a subset of other existing firm capabilities. The thesis develops a set of core ideas around what comprises tendering capability in small firms to win public sector tenders. It analyses tendering activities by specifically connecting firm practices to the concept of capability in an SME context. The conceptual framework proposed recognises the macro and micro societal factors in play that make firms socially dependent and engaged in an interactive influence of external conditions and with firm

behaviour. Yet by using the small firm as the unit of analysis, the notion of capability presented also recognises how leaders of small can exercise agency to create their own tendering capabilities. The proposed research framework therefore explores how capability is built from firm practices and shaped by context.

Application of a capability-based approach to small firm tendering has several advantages. First, it offers a model of interpretation that rejects one-dimensional definitions and it bypasses some of the narrow or simplistic definitions of resource poverty in small firms versus large firms. Second, it can accommodate the notion of context between firms and tendering situations. Third, it has a sound theoretical basis and it is practically relevant, as illustrated by the influence of the capability approach on other issues small firms face. For example, empirical studies of collective forms of capability in small firms have been applied to multiple operational dimensions such as compassion (Lilius *et al*, 2011), innovation (Branzei and Vertinsky, 2006; Hervas-Oliver *et al*, 2016; Saunila, 2016), internationalisation (Raymond *et al*, 2014) and environmental performance (Lee and Klassen, 2008), and yet not to tendering. The flexibility of adopting a capabilities-based approach to understand tendering practices is able to capture what firms do without imposing a rigid conceptual structure.

The objective of the study is to analyse tendering practices created inside a single small business that is very successful at winning public sector contracts. A comparative case study method enables further examination of the role and influence of contextual conditions in a primary case. There are two reasons why research into tendering capability is required. Firstly, tendering capability is not defined adequately in the literature, and it lacks a consensus of understanding and approach from the small firm perspective. Flynn and Davis's (2016) definition in section 1.2 does not take account of the influence of contextual conditions that surround every tendering episode and it does not suggest the role of learning as a construct of capability. The distinctive nature of my contribution is to use a micro-foundational process perspective to study successful small firm tendering

actions through a comparative case study approach. A micro-foundational approach requires a method such as a case study that can gather information at the level of everyday firm tendering activities (Felin *et al*, 2015). In this study, the main subject of study is at firm level, with data accessed from the firm owner and managers who are the decision-makers and deploy resource stocks into tendering. Its novelty lies in learning from effective tendering practices and using case findings to conceptualise capability in a theoretical framework that includes a dynamic learning perspective, with utility for broader audiences beyond academia. Knowledge developed on forms of capability and the routines and resources that support those capabilities offers a set of thinking tools that firms can use to increase their sensitivity to their environmental context.

Secondly, 5.5 million small firms drive the UK economy that account for 99.3% of all private sector businesses (House of Commons Library, 2016). Their ability to win and deliver public sector contracts has both economic and social implications. The combined annual turnover of SMEs is £1.8 trillion, 47% of all private sector turnover in the UK (FSB, 2016). As a sector, the role small firms play in economic development and growth is recognised, referred to as the *vital 95%* of the UK economy (Young, 2013). Access to winning public contracts offers firms income, reputational gain, reliable service payment and opportunities for job creation. The UK government spends £268 billion per year on goods and services (UK Government Green Paper, 2017), which amounts to 14% of overall UK gross domestic product (GDP). Small local firms are believed to generate over 58 per cent more economic benefit for their locality over two rounds of re-spending than large local firms do (FSB, 2013). SME participation and success rates in the public sector marketplace do not match their economic weight (GHK, 2010). The UK government reports that over 25% of its spending reached SMEs in 2014-15, and that it aims to increase this to 33% by 2020 (National Audit Office, 2016). However, these figures refer to SMEs delivering public sector contracts both directly (by winning tenders themselves) and indirectly (through entering into sub-contracted arrangements from a large firm). The focus of interest in this study is upon

a small firm's capability to win tenders directly, and reliable data does not exist to report on direct contract awards to SMEs. Promises of more opportunities for SMEs and government responsibility to create the 'right conditions' are encouraging, but do not offer any clues about how small firms can develop capability to participate further.

Socially, SMEs increase the volume and nature of supplier diversity (Baden *et al*, 2011). Supplier diversity is a market mechanism concerned with equality in procurement and buying services. It exists to ensure that any supplier or potential supplier has a free and fair opportunity to compete for business, based on individual merits. For tendering to work as a social institution, it must be inclusive of small firms as suppliers to counterbalance market monopoly by a few organisations that can impose limits on procurer choices. The local nature of SMEs offers public purchasers an opportunity to act upon their wider responsibilities to the local economy and to society (Preuss and Walker, 2011). For economic and social reasons, public responsibility towards SME suppliers has been visible for over fifteen years and it is an important element of economic policies (Pickernell *et al*, 2011). In 2013, an SME Friendliness tool (Cabinet Office, 2013) encouraged government departments to self-assess their procurement practices. Results of this show that there is a consensus that support for SMEs needs to be at the heart of Government procurement to support business growth (House of Commons, 2013, Public Contract regulations, 2015) even as economies of scale are sought in government procurement in the current era of austerity. A government green paper (2017) about building an industrial strategy dedicates a chapter to improving public procurement, with new promises. Government support for economic growth promises to remove several burdens and to provide a listening platform to hear SME experiences and concerns. What it does not do is address how firms can become more capable to compete for publicly tendered contracts.

My research aim is to address the capability knowledge gap on small firm tendering, and its construction is based upon findings from a review of

empirical literature in chapter two. Three research questions shape the focus and methods of this inquiry:

- *What causal powers exist within the tendering environment to constrain and enable small firm tendering performance?*
- *What are the practices, expressed as routines, that generate capability to successfully tender in the case firm?*
- *To what extent, and how, do firms learn to improve through repeated tendering experiences?*

The research topic and its aim sit within a critical realist approach (Bhaskar, 1989, 2008; Sayer, 1992; Archer, 1995) as a mode of perception. A critical realist epistemology looks at facts at the level of that which is experienced and purports that they exist through interpretation. Social structures include factors that remain external to actors, but are open to agency interpretation as a form of reality. Critical realists are concerned with general questions about the nature of social structure and the behaviour and intention of human agency within a structure. Public sector tendering is analysed in this thesis at institutional level, with a focus on the consequences empirically observed for small firm agency as an element within the structure of the social institution.

The aim of chapter one is to locate this study in an empirical gap amongst a growing body of literature on small firm practices and tendering performance. I introduce and explain the nature and practices of competitive tendering in the UK, and use a chronological perspective to narrate the development of competitive tendering in the UK over the last twenty years, since its introduction in 1991. I state the methods used to conduct fieldwork research, with a brief introduction to case firms under investigation, before outlining the structure of the thesis.

1.3 The nature of competitive tendering in the UK

Tendering is a competitive and specialist form of business exchange. Under regulation, it is necessary to trade with public bodies for contracts above a

minimum financial threshold. Tendering describes a set of processes where specifications for public work are encased in a regulatory set of documents, under which potential suppliers can respond through completion of specialised information requests. As such, tendering is a social institution in a functionally specialist area (Scott, 2001). Public purchasers, such as local authorities, employ their power in tendering processes to promote self-interest and stability of operations (Loader, 2013). They shape tendering as a social system that legitimise fairness of supplier selection. Tendering has formal structures and informal rules to structure conduct activity (Steinmo *et al*, 1992) and individuals hold personal beliefs about the system. Tendering is a voluntary social act, based upon a system of norms (Parsons, 1934) and embodies a distinct set of values (Selznick, 1948).

Small firms opt into a tendering supply base when a tender is advertised or by registering their services in advance, on national, regional and local government portals. Tendering processes operate across all sectors where public money is used for purchase, and for different contract financial values. A supply base may comprise private and public sector organisations of any size and legal structure. According to sector, tendering firms may face more or less competition, and the complexity of completing a tender submission may also vary according to procurer and contract nature or size. Nevertheless, SMEs can participate in single or episodic tendering events, with each occurrence carrying a specific and temporal context open for examination.

Firm leader experiences of tendering may change as they become shaped by internal or external conditions. Conditions in an institutional setting can act to enable firms or else they can place sanctions on them. Either way, tendering as a social institution provides guidelines for actors to interpret the rules. It is a form of social reality with multiple actors occupying dynamic positions. Firm tendering capability is not an accident, a static process or even a single capability; it is a creative and purposeful endeavour built upon an interplay between business routines, building up knowledge of tendering inside a firm and the contextual environments where activity takes place.

As such, current tendering practice will always be shaped by conditions that pre-exist action, and the notion of ‘context’ is central to the field of investigation.

1.4 Introduction to the state of knowledge on small firm tendering capability

SMEs have become central to the discussion on public procurement (Pickernell *et al*, 2011; Flynn and Davis, 2016), yet there has been a paucity of research in how tendering capability is acquired in small firms. Interest in the concept of public procurement began to receive attention in the 1990s when it was aligned to the accelerated growth of small business policy as part of the economic engine. Small firms and public procurement together have not received adequate attention, but a small body of literature exists, and is investigated in Chapter Two. Table 1.1 below summarises the general nature of academic literature to date. It also highlights knowledge gaps that still exist. It shows that existing studies of tendering capability rarely focus on small firm practices. Indeed, *“prior studies have not given much attention to the process by which ... capabilities develop, emerge or evolve especially in small firms that have limited resources, knowledge bases and expertise in building and integrating diverse capabilities”* (Zahra *et al*, 2006, p.920).

Table 1.1 Summary of existing knowledge and knowledge gaps about small firm tendering

What is already known	Knowledge gaps (What is <i>not yet</i> explained or known <i>before this study</i> , and is <i>addressed by this study</i>)
Small firm perceptions of public sector tendering (Loader, 2005) and the reliability of those perceptions (Kitching <i>et al</i> , 2015)	The nature of reality expressed is unclear and one-dimensional. The structural conditions under which small firms operate and the importance of context is overlooked and requires investigation
SME engagement with tendering is linked to the human and administrative resources firms have at their disposal for tendering (Karjalainen and Kemppainen, 2008; Flynn <i>et al</i> , 2013)	How are firm resources mobilised into routines and capabilities? A process perspective of how firms acquire capability to tender is needed. It is not yet understood theoretically how small firms develop capability to tender
There are multiple barriers faced by SMEs when tendering (Loader, 2013)	In what contexts do these barriers exist? Are they applicable to all tendering contexts in small firms, and can they be overcome? The notion of context is missing from the debate

What is already known	Knowledge gaps (What is <i>not yet</i> explained or known <i>before this study</i> , and is <i>addressed by this study</i>)
Tendering capabilities are defined as relational and procedural (Flynn and Davis, 2016) and as functions of entrepreneurial orientation (Reijonen <i>et al</i> , 2016) and market orientation (Tammi <i>et al</i> , 2014)	Clues exist, but there is still no comprehensive, micro-foundational explanation of small firm capability that has been expressed through a study of successful firm routines and resource combinations
Resource poverty affects small firms more than large firms (Bannock and Peacock, 1989; Karjaleinen & Kempainen, 2008; Loader, 2013)	What resource investments do firms need? How do small firms make sense of the tendering process across idiosyncratic public tender specification requirements?

Current literature does not explain what a tendering capability is nor how we can come to understand it. Research into UK government procurement highlights the resource poverty of small firms in relation to larger firms (Bannock and Peacock, 1989; Karjaleinen & Kempainen, 2008; Loader, 2013), but few studies consider the nature of firm capability to tender or regard it as a process in an open system, where firm performance attempts to interact with external and dynamic environmental influences. Moreover, extant literature has not yet considered capability as a process or how tendering capability knowledge acquisition occurs within small firms. SME barriers to participation exist, and such barriers have been developed into a typology of barriers (Loader, 2013). Few inductive studies have been carried out to date, making it inconclusive on the micro-foundations of capability. Research to date has observed limitations to SME capability through business characteristics such as size (Pickernell *et al*, 2011), resource poverty (Bannock and Peacock, 1989; Karjaleinen & Kempainen, 2008; Watson, 2010; Loader, 2013) and by procurer behaviours or constraints (Loader 2007; Freshminds, 2008), not through a detailed consideration of operating context. Yet some small firms do succeed in winning public work. What is not known are the contextual and organisational factors that surround capability, and how these are acquired and built within small firms to place them in the opportunity flow of public sector tendering. If procurement is an operational capability that can be

learnt by firms, how does it involve the mobilisation of resources in different combinations and types, drawn from both within an organisation and from outside it? The exact customer capabilities involved in competitive tendering have not yet been fully explicated through empirical observation.

1.5 Research approach

This study aims at deepening the knowledge in the problem area by offering both theoretical and empirical insights. The theoretical foundation for tendering capability has been created from the literature. The reality is subjective and multiple, and firm participants in the study help us to understand the world from their point of view as individuals directly involved in tendering activities, but this is only accepted as a partial perspective on reality. A critical realist interpretation of practice uses a retroductive approach to data analysis to reach an explanation of structures and practices, not just perceptions, as it is concerned with causes and conditions. This investigation into small firm tendering utilises a case study approach, which has gained acceptance as a qualitative method within small business research (Perren and Ram, 2004) to investigate a contemporary phenomenon in depth within its real-life context (Farquahar, 2012). It is an enquiry vehicle used to understand successful tendering behaviour and to build empirical knowledge about small firms' capability in competing for public sector contracts. A case study approach can allow for a more dynamic understanding of how firms configure resources (Byrne and Ragin, 2009). The case study enables understanding of the dynamics present within a single setting (Eisenhardt, 1989) and allows for exploration of an under-theorised area of study. Additionally, it offers the researcher flexible and opportunistic data collection strategies (Eisenhardt and Graebner, 2007).

What a case study can produce, for the purposes of evaluating capability, is contingent on the characteristics of the setting (Koenig, 2009). The purpose of this comparative case study is to build theory (Eisenhardt, 1989; Eisenhardt and Graebner, 2007), to understand complexity (Stake, 1995),

analyse context and processes that illuminate theoretical issues (Hartley, 2004), and to provide insight into a specific issue or to revise a generalisation (Stake, 1995).

Small firms as a social unit have the capacity to take action to serve self-interest, and some case firms may display more agency than others. Such agency may be able to shape firm capability by neutralising negative institutional effects or by seizing contextual conditions to enhance business. Case research is described by critical realist practitioners as being very useful to explain complex social phenomena and to locate deep processes and structures that cause particular events to happen and the conditions for this to occur (Easton, 2010). A comparative case study has enabled identification of mechanisms, social causes, which underlie how capability can be observed. Case method can also capture the significance of historical and contextual settings (Pettigrew, 1987) that are important to analyse as data.

1.5.1 Case firms under study

This study uses a primary case of one small business, given the pseudonym Fit for Life (FFL) that was purposively selected as an example of strategic best practice at successful public sector tendering. Fit for Life has demonstrated rapid growth in acquiring public sector contracts and evidenced through its public sector income turnover, growth in employee numbers and outstanding commitment to resource investment into and leadership of firm strategy to deliver publicly funded services as a 50-60% proportion of its overall contract portfolio. The study explores, at micro-foundational level, everyday routines and behaviours conducted for tendering. Fit for Life is an outdoor leisure training business that is well known in the industry. Primary case data findings are presented in chapter six, and then compared in chapter seven to a secondary successful firm, Software4U, an educational software provider in a niche market, to three other firm datasets from a pilot study and to an expert informant interview. The purpose of comparison is to identify if similar routines and resource

combinations are displayed or have the potential for display in other firms to consider the necessity or efficiency of FFL's capabilities in other contexts. Software4U was also purposively selected for its repeated success at tendering, although on a smaller financial scale. Pilot firms, referred to as The Big Carer, The Local Care Company and Domiciliary Ltd, belong to the social housing sector, and they are all linked to one specific tendering case rather than a demonstration of successful practice. Pilot firms have been included to broaden examples of contextual positioning and practices employed, again through the presence, absence or difference to those routines discovered in Fit for Life. The expert informant contributed current commentary on her subjective experiences of small firm observed practices.

1.5.2 Defining the small firm

Attempts have been made to define a small firm, firstly by its size and secondly by its social structure. In relation to size, there is not one single standard definition of what constitutes a small business and it is subject to multiple interpretations and uses. In the UK, Her Majesty's Custom and Excise (HMRC, 2017) defines an SME (for the purpose of Research and Development Tax Relief) as a business with not more than 500 employees with an annual turnover not exceeding £100 million. The rest of the UK government uses other definitions. Statistics collected by the Department for Business (BIS, 2017) defines SMEs as companies with fewer than 250 employees. Companies House defines a small business for accounting purposes as employing fewer than 50 people and a turnover under £6.5 million and a medium business as fewer than 250 employees and a turnover under £25.9 million. European law (European Commission, 2005) defines small and medium enterprises (SMEs) by employee numbers, by turnover and by balance sheet. Within the band of small to medium enterprises, micro- firms employ nine or fewer staff with a turnover equal to or under two million euros, small firms employ between 10 – 49 staff with a turnover of 20 million euros or less and medium size businesses employ 50-249 staff and report a turnover of 50 million euros or less. As EU law

governs UK procurement law, the EU definition is applied to this study. This research classes small firms as having under 20 employees. Fit for Life is classed as a medium sized firm, with 62 staff.

From a social structure perspective, small firms exist in different lifecycles, from start-ups to long-established firms. They are formed as different legal entities: limited companies, partnerships, sole traders or forms of social ownership as a social enterprise. The ambitions of a small firm owner varies from a lifestyle business to a gazelle business with high intentions of rapid growth. Small firms are not a homogenous entity, although there is a broad set of characteristics that can be applied to the definition, starting with size itself (Beaver, 2002). Small firms have the 'liability of smallness' (Aldrich and Auster, 1986) that suggests limited resources for market power and often limitations in management capability. Small size can create cost disadvantages in the marketplace through raised transaction costs when regulations imposed are disproportionate to SMEs when compared to large organisations (Bannock and Peacock, 1989). In turn, this may limit the ability to take advantage of economic opportunities in their path. However, smallness can also enable agility (OGC, 2003).

1.6 The UK public procurement market practice of competitive tendering

Any conceptualisation of small firm capability to tender relies upon an understanding of the nature of public sector procurement. 'Public procurement' describes how public authorities spend public money to carry out their functions that may include their own service delivery that is contracted out through a tendering process. It is defined as *"the acquisition by means of a public contract of works, supplies or services by one or more contracting authorities from economic operators chosen by those contracting authorities"* (Public Contracts Regulations, 2015, p.9). Public tendering covers three phases of activity by a public body: procurement planning, placing a contract to acquire goods or services and administering the contract to ensure effective performance. Firms in a supply chain must respond to each phase of a tender they are involved in. Firstly, there is the

job of identifying and selecting tenders that are advertised, of which they may or may not have prior knowledge. Next, firms respond to a tender advert for the acquisition of goods and services through a formal document completion process, called competitive tendering or 'tendering'. Finally, firms become informed of the winner of competitive tenders, and are at liberty to seek feedback on their scoring and scored position from across the competitive supply base. In the UK, public procurement practices take place at central government level, operated by the Government Procurement Service, or at regional and community level within local government authorities and other organisations such as universities, hospitals, housing associations and emergency services. For small firms seeking a prime contractor relationship with a publicly funded agency, opportunities occur more frequently at regional or local level.

The market practice of 'competitive tendering' is a common form of purchasing within procurement, introduced in 1984 as part of a restructure of public sector commissioning. Placing a contract to buy goods or services is common practice in the UK, where the government body or agency entrusts the actual delivery of public services to private enterprise, guided by a set of regulatory principles and measures. Within an open competitive tendering process, firms voluntarily complete using a set of technical and codified documents that are matched against a set of specified buying criteria and ranked by their scores against market competitors to support a buying decision. This form of regulated selection limits discretion by procurement officers and is designed to provide transparent rules for firms to follow. There are four different types of competitive tendering procedure used by UK contracting authorities: open, restricted, competitive dialogue and negotiated. Open tendering tends to be the general default procedure. Table 1.2 below sets out the key characteristics of each method. An explanation of procedures offers insight into the technical language firms need to understand which opportunities are accessible to them in the public market.

Table 1.2 Tendering procedure types

Procedure	Description
Open	Any business may submit a tender. The minimum time limit for submission of tenders is 35 days from the publication date of the contract notice. If a prior information notice was published, this time limit can be reduced to 15 days .
Restricted	Any business may ask to participate in a restricted procedure, but only those who are pre-selected will be invited to submit a tender . The time limit to request participation is 37 days from the publication of the contract notice. The public authority then selects at least 5 candidates with the required capabilities, who then have 40 days to submit a tender from the date when the invitation was sent. This time limit can be reduced to 36 days , if a prior information notice has been published.
Competitive dialogue	Often used for complex contracts such as large infrastructure projects where the public authority cannot define the technical specifications at the start. After the publication of the contract notice, interested businesses have 37 days to request participation. The public authority must invite at least 3 candidates to a dialogue in which the final technical, legal and economic aspects are defined. After this dialogue, candidates submit their final tenders.
Negotiated	The public authority invites at least 3 businesses with whom it will negotiate the terms of the contract. Most contracting authorities can use this procedure only in a limited number of cases , for example, for supplies intended exclusively for research or testing purposes. The contracting authorities in sectors such as water, energy, transport or postal services may use it as a standard procedure. The time limit to receive requests to participate is 37 days from the publication of the contract notice.

Table Source: EU Rules and Procedures (2015)

Public sector tendering has a set of common factors that apply. Contract or 'solicitation' documentation is set out in a standard descriptor of supplier economic and financial standing, technical and professional ability, the requirement specification, commercial conditions, scoring criteria and administrative procedures. SMEs can participate in public contracts in one of two ways: they can directly contract with a public authority or participate as a sub-contractor in a supply chain held by a prime contractor. Tenders are published routinely on publicly accessible portals, and financial threshold levels determine all contract opportunities that need to be advertised. Information on award decisions is in the public domain, if firm leaders know where to look.

For contracts exceeding a published contract value, the UK government is obligated to follow EU rules, which aim to ensure transparency or accountability and non-discrimination in achieving value for money. Regulated procurement with rules routinises the opportunity alert process to improve transparency and competitiveness in the procurement of public services (Glover, 2008). EU legislation is applied to the UK to offer open access to opportunities from firms outside the UK, although this is not an objective or a legal position in other countries outside Europe. In addition, the UK has to apply 'non-discriminatory rules' from European legislation which means that small firms compete for public contracts on a level playing field with large organisations. The EU principles for contract letting are described as non-discrimination, equal treatment, transparency, mutual recognition and proportionality (OJEU, 2009). This is not the case elsewhere. A survey of OECD member countries shows that a third have adopted specific legislative provisions or policies to encourage SME participation of SMEs in public procurement (OECD Procurement Data, 2013). The United States of America, South Korea and Japan, for example, offer more favourable systems for small businesses by using set-aside procurement funds to offer SMEs closed access to lower value contracts (Kidalov and Snider, 2011). Without such set-asides, SME suppliers are placed on a level playing field with larger firms to compete in the same way for public sector contracts (ODPM, 2005).

1.7 A chronological perspective on the development of tendering practices

A review of the chronology of the use of competitive tendering in the UK affords insight into its dynamic history to date. Table 1.3 below sets out a timeline of key legislative and policy developments that relate to how public procurement has been conducted in the UK since its introduction in 1984.

Table 1.3: Timeline of EU and UK public procurement legislative and policy developments

Year	Type and nature of key developments to procurement law and policy
1984	Major restructuring of UK public procurement; tendering introduced as a purchasing practice
1997	Compulsory Competitive Tendering (CCT) was introduced as a requirement for public sector organizations to allow private sector firms to bid for the delivery of services, such as catering or security and improve value for money.
1999	The Office of Government Commerce is established as the new body to promote further improvements in government procurement. Government report (National Audit Office) published on central government procurement;
2004-5	The Gershon Efficiency Review considered public sector efficiency and made efficiency and expenditure recommendations
2004	EU directives were applied to governance of UK public procurement legislation
2005	An EU 'SME friendly concordat' was published to encourage governmental consideration of enabling small firms to compete for public sector work
2007	A new Government strategy, <i>Transforming Government Procurement</i> , highlighted the central importance of procurement in delivering high-quality public services and best value for money (VFM); that is, to award the contract, both monetary and non-monetary components of an offer are to be considered.
2009	The Glover Review considered new ways of improving participation in public procurement by small firms. Key changes it claims to have achieved were greater transparency of tender adverts and simplicity in tendering instructions
Jan 2011	Review of EU procurement rules and evaluation of impact and effectiveness of EU procurement legislation
July 2011	UK Government Procurement Service established for central government procurement
Dec 2011	Proposals published for revised public procurement directives – first widespread review since 2004
2012	Public Services (Social Value) Act introduced in UK Publication of report: Local Procurement: Making the Most of Small Business
2013	Lord Young's report, <i>'Growing Your Business'</i> : several key reforms to create a simple and consistent approach to procurement across all public sector agencies. Support for SMEs and voluntary organisations in gaining better and more direct access to contract opportunities. Implemented in part 4 of the Public Contracts Regulations 2015
2014	The 2014 EU Procurement Directives came into force at EU level. EU member states had two years to implement them in national legislation. This followed a successful lobbying campaign by the UK government and EU partners to negotiate a simpler, more flexible regime of procurement rules Confederation of British Industry's (CBI) endorsement of the procurement reform agenda in the 'Getting a Better Purchase: Public Sector Procurement Report'

Year	Type and nature of key developments to procurement law and policy
2015	Procurement Policy Note 03/15: Key reforms make public procurement more accessible to SMEs. Abolition of a pre-qualification stage for procurements below EU financial thresholds, and a requirement to have regard to guidance on qualitative selection issued by Cabinet Office for above EU threshold procurements A requirement for contracting authorities to insert provisions in all public contracts to ensure prompt payment through the supply chain The requirement to advertise public sector opportunities in one place (Contracts Finder), and to publish award notices for contracts from framework agreements
2015	The Public Contracts Regulations 2015. In practical terms, this ensured procurement documents are all available electronically from the date any contract notice, <i>and</i> compliance to Lord Young requirements to publish details of contracts and contract awards to Contracts Finder
2016	Brexit vote - decision taken for the UK to leave the EU
2017	Green paper, <i>'Building a New Industrial Strategy'</i> . New goal set to achieve one third of all government spend with SMEs (directly and in supply chains) by 2020.

In the 1980s, a new operating environment emerged to win public sector work that also began a positive political and economic climate for small firms. The decade saw the first major review of UK public procurement in 1984 led by the Cabinet Office as part of a new agenda to ensure government spending is efficient and effective. In turn, the Treasury Central Unit on Procurement was formed, more senior procurement staff were appointed in departments, and other bodies such as The Office of Government Commerce (OGC) were established. The market practice of tendering as one form of purchasing within procurement was first introduced in 1984 as part of restructuring activity for public sector commissioning. Within the new competitive tendering process, firms could submit a set of documents that demonstrated value and capability. In effect, they would be joining a competitor peer group to compete to deliver a public service or product when matched against a set of specified buying criteria.

The 1990s were characterised by major policy and infrastructure developments that directly affected UK public procurement. The Treasury Central Unit on Procurement had been formed, and from 1995 to 1999, there were three major government reports published on central government procurement (Treasury 1995; Treasury/Cabinet Office 1998; Gershon, 1999) that gave public procurement a prominent platform. The effects of regulation were observed to cause tendering to be an expensive

process for small firms (Curran and Blackburn, 2001) which became an area for exploration in subsequent empirical studies. By now, the concept of procurement was receiving attention in its own right. In 2001, seven benefits small firms bring to public procurement were articulated: competition, lower cost, innovation, responsiveness, flexibility, quality of service, and specialist knowledge (OGC and SBS, 2005). This report also stated that small firms may face barriers to tenders and so need support. Such support appeared nationally through the promotion of on-line tender access portals, tender completion guidance toolkits and increased localised efforts to engage small businesses in supplier briefing opportunities.

In 2003, the Office of the Deputy Prime Minister developed the National Procurement Strategy for Local Government (ODPM, 2003) that carried a target to create the Small Business Friendly Concordat, a voluntary code of practice that set out what SMEs can expect when tendering for local government contracts (ODPM, 2005). Secondly, in 2004-5, the Gershon Efficiency Review considered public sector efficiency and made efficiency and expenditure recommendations. These became key themes that influenced how public procurement was conducted in Britain. Thirdly, policy directives started to use procurement as a wider vehicle for economic regeneration (Glover, 2008) and so resource and capability requirements became extended through external influences, for example, to create local jobs. The Glover report (2008) built on previous policy statements (Morand, 2003; Small Business Service 2005) to call for amelioration of market functioning. As a process, tendering is primarily driven to achieve, or demonstrate, short-term achievement of 'value for money' (Morand, 2003; Treasury, 2007; Loader, 2007). The introduction of the EU Code of Best Practices for SME access to procurement (2008) stated that increased involvement of SMEs in public procurement would result in higher competition for public contracts, leading to better value for money for contracting authorities.

The Single Market (2010) introduced a recommendation to make public procurement work for *innovation, green growth and social inclusion* by

imposing specific mandatory requirements. The intention and effects of such moves upon small firm capability are examined in recent studies as tender documents begin to demand supplier evidence of compliance towards meeting new capabilities, such as environmental management (Lee and Klassen, 2008) and, later on, in corporate social responsibility (Baden *et al*, 2011). By 2011, it had become standard for governments to enact policies that are designed to facilitate an increased small firm engagement in public procurement (Organisation for Economic Co-operation and Development, 2013). In 2011, public intention towards SME engagement was again highlighted when the Cabinet Office declared that small firms should cease to be shut out of procurement processes by its own description of excessive bureaucracy and petty regulation.

In 2012, the government introduced the Public Services (Social Value) Act. This meant that for the first time, all public bodies in England and Wales must now consider how the services they commission and procure might improve the economic, social and environmental wellbeing of an area. *Social value* is a way of thinking about how resources are allocated and used. It looks beyond contract price towards the collective benefit to a community. This Act sits alongside other procurement laws to complement existing procurement legislation that is characterised by value for money.

In 2013, the role small firms play in economic development and growth was re-enforced in a procurement context. The concept of capability in relation to small firms to improve their skills and performance is cited as one of the three most important conditions for economic growth from this sector (Young, 2013) where much more needs to be done to encourage firms to invest in their capability. In a 2013 survey (FSB) the top three reasons for not engaging in tendering were a lack of awareness (31%), too time consuming (20%) and unable to compete (13%). Nearly half of those firms surveyed who had tendered had not won any public contracts. In 2015, the UK government introduced further reforms to make public procurement more accessible to SMEs, such as abolishing a pre-qualification tendering stage. In 2017, a Green paper on Building a New Industrial Strategy

published a new goal to achieve one third of all government spend with SMEs (directly and in supply chains) by 2020. It does not offer clues about how to improve small firm capability to compete successfully achieve this target.

Over a thirty-five year period, competitive tendering has been portrayed as an efficiency mechanism, a socio-economic instrument and as a small business support policy. It is clear that tendering capabilities are under-conceptualised and reliant on descriptive accounts that do not seek causalities that may exist independently of observable events. Social structures *can* and *do* condition the possibilities for firm actors to make sense of social situations and to act deliberately and competitively within them. This thesis sets out to explore those structural conditions and the exercise of agency that shapes successful tendering practices in small firms.

1.8 Dissertation structure

This dissertation has eight chapters, including this first introductory chapter.

Chapter two is a review of primary empirical literature about knowledge of SME tendering practices and SME operating environment and conditions.

Chapter three theoretically explores the concept of capability to underpin the research framework. Institutional theory, capability theory and absorptive capacity theory are utilised to make sense of small firm procurement capability and to produce a research framework within a realist ontology.

Chapter four is a context chapter. It presents public sector tendering as a social institution with multiple and overlapping (laminated) levels of entities that can exert power. It explores the structural conditions of tendering by dealing with structure, agency and the emergence of social effects through interaction.

Chapter five sets out the field research design and methodology, beginning with epistemological and ontological considerations that critical realism suggests. The research design includes details of a pilot project that helped to refine the selection of research methods. Data gathering and data analysis through fieldwork are embodied within a justification of a case study approach.

Chapter six identifies key findings from one primary case, Fit for Life. Using a micro-foundational approach, fifteen routines found are identified. Six operational capabilities and two dynamic capabilities constitute knowledge of the primary case firm's capability to compete for public sector contracts via tendering.

Chapter seven offers a set of secondary case findings that are systematically compared with Fit for Life. It restates what happens in each Fit for Life routine and identifies if that routine is present or absent in other firms. In terms of knowledge, this chapter examines comparative conditions or practice to further analyse routine enactment under different contextual conditions.

Chapter eight is the discussion and conclusion chapter. It discusses the implication of case findings. It also offers a higher level of contribution through an interpretation of tendering as a laminated social structure, where structure and agency interact in contextually contingent ways. The chapter reflects on thesis limitations and points to possible directions for future study, before summarising how each research question has been addressed in the thesis.

1.9 Contributions to knowledge and practice

This study makes the following contributions to knowledge:

A new interpretation of a tendering capability framework through a micro-foundational approach

Empirical findings build a macro-micro bridge between the causal effects of tendering environment as a national social institution and the micro-level study of firm actions through which tendering capability materialises through lower level factors observable at episodic level. Understanding of micro-foundations remains limited; this thesis contributes to the scholarly movement by considering what happens inside a firm at the level of practice, expressed through resource investments into skills, knowledge and forms of practice, typically routines.

A comprehensive analysis of firm routines to assemble operational and dynamic capabilities

Successful routines small firms use for tendering are a largely unexplored issue. The study categorises fifteen routines that are clustered into a capability framework. This improves understanding of what resource investments and combinations occur in SMEs, mediated through context, that enable small firms to consider strategies for managing tendering as a way of meeting the challenges within competitive and dynamic public sector environments. A typology of the nature and form of tendering capabilities is presented as an over-arching framework of operational and dynamic capabilities to build and change routines.

Use of a critical realist ontology to conceptualise small firm tendering environment capability

The study extends knowledge of situated reality and its consequences for the nature and composition of tendering routines that underpin capability. Tendering is a social system that is open, with mechanisms that overlap

that pre-dispose events to occur in the way that they do. As such it is not possible to close the system to study it. The production of an empirical study that articulates at micro-foundation level specific ways in which small firms can exercise agency in the face of structural constraints. This is a step towards unifying scholars behind a more informed common conceptualisation of what constitutes capability to tender in small firms.

An examination of the structural features of tendering as a social system

Structural awareness and description of tendering is a major contribution to the literature. The study furthers empirical and theoretical perspectives on the micro-foundations of capabilities by drawing on a laminated, contextual understanding of successful strategic and operational practices that empirically exist and combine to create tendering capability in small firms. An empirical evaluation of the role of absorptive capacity in small firm tendering fulfils a gap in knowledge about how firms learn to tender.

Creation of a practical set of requirements to help small firms consider the types of resources and routines for tendering

Small firms are often perceived as having too few resources to tender. This thesis challenges that perception by pointing to how tendering can be built as a specialist capability through an interlocking set of fifteen routines and a capability framework.

What is known empirically about small firm tendering capability is explored in the next chapter through a literature review.

Chapter Two: A review of literature on small firm tendering

2.1 Introduction

Competitive tendering is a well-established procedure for firms to win public sector contracts. Yet, despite a great deal of practical tendering experience by small firms, empirical studies that explore tendering components and firm resources upon which this activity depends are scarce. To date, there has not been a comprehensive literature review on small firm tendering, although recent articles have laid a useful, partial foundation for exploration of tendering practices (Tammi *et al*, 2014; Flynn and Davis, 2016). The literature is fragmented and limited in its utility, either to help small firms build or change their tendering practices or to enable public stakeholders to recognise the nature of the problem. The dominant discourse explains small firm lack of engagement through resource poverty, creating market disadvantage through the liability of smallness (Freshminds, 2008; Karjaleinen and Kemppainen, 2008; FSB, 2013; Loader, 2013). Little description exists from the small firm perspective about their everyday practices, or of the internal or external conditions that exist at the nexus of SME and public procurer interface in a tendering episode. Current approaches limit observation of agency by creative small firm leaders. Evidence shows that a knowledge gap still exists in extant literature:

“SME involvement in public procurement constitutes a burgeoning line of inquiry in organisation studies...there is a need for further empirical research in this area” (Flynn and Davis, 2016, p.16).

Knowledge about resource demand for tendering organisations within the public sector market regulatory framework has been steadily growing in terms of scope and quantity (Bannock and Peacock, 1989) when the study of issues in the UK that relate to small firms and public sector procurement began. Since that time, SME engagement with public procurement has already been examined from various perspectives: resource poverty

(Loader, 2005 and 2007); the risk averse culture in procurement departments to embrace supplier diversity (Smallbone *et al*, 2009), traditional approaches to procurement that continue to disadvantage SMEs (Loader, 2009; Ram *et al*, 2009); the environmental and 'social' criteria to be satisfied by SMEs when tendering (Baden *et al*, 2011); from a policy perspective (Glover, 2008); and, in terms of the relationship between government intent and effect (Erridge, 2007). Studies that are more recent provide a useful but incomplete picture of resources that assist understanding of how small firms can approach tendering. These include entrepreneurial orientation (Woldesenbet, 2011; Reijonen *et al*, 2014); market orientation (Tammi *et al*, 2014); and, relational and procedural processes (Flynn and Davis, 2016).

This chapter provides a review and synthesis of the extant literature. The investigation and critique of literature selection was primarily driven by deconstructing the study research aim: to explore small firm capability to tender competitively for public sector contracts. The chapter examines the extent to which studies explore firm resources and processes upon which capabilities depend to enable small firms to compete for public sector contracts. As a critical realist mode of inquiry, the review explores what role literature attributes to firm agency and self-management of capability, and how studies address the importance of context and the interplay between firms and their external environment. For this reason, a wider discussion on regulation and its causal significance to firm action is included. This approach has revealed a research gap in the micro-foundational study of what small firms do to prepare for and enter a tendering competition.

Chapter two comprises nine sections. Following the introduction, section two explains the literature review process. Section three summarises the nature of key studies critiqued. Section four evaluates four studies that build understanding of SME tendering practices. Section five considers wider studies that elucidate resource absorption associated with public sector tendering. Section six turns attention towards studies on the structural conditions for tendering. Section seven introduces empirical mobilisations

of the effect of regulation. Section nine discusses empirical findings and the last section locates a research gap and three research questions that guide the remainder of the thesis.

2.2 Conducting the literature review

An empirical literature review was first conducted in 2012/13 over a twelve-month period. Between 2013 and 2016, the researcher inductively searched for new articles, and between 2014 and 2016, some of the most interesting studies on firm tendering behaviour were published. The literature chapter was structured initially in a chronological order of studies to reflect the interplay between the empirical knowledge base and the changing regulatory environment within which small firms operate. However, in writing up the thesis, the original format has been replaced with an integrated critique of thematically organised studies. In 2017, the researcher invested time in upgrading and re-examining all literature sources. The result is a more critical, coherent and synthesised piece of writing that offers a better interpretation of how far tendering has been conceptualised. It is informed by Cooper's taxonomy of focus for literature reviews (1988) through critiquing the research methods, outcomes, theoretical interpretations and applications of extant studies. To construct a critical review framework, three questions framed the literature review:

- *What is the nature of studies on small firm tendering, and whose perspectives are heard?*
- *What is known about tendering practices?*
- *What firm resources does public sector tendering absorb, and what are they used for?*

2.2.1 Literature search methods and criteria

Over twenty key words and search terms were used in EBSCO and Google Scholar databases relating to public procurement and small firms with strings such as "SMALL FIRM* OR SME + TENDERING" and "SMALL FIRM" OR SME + PROCUREMENT" or "SMALL FIRM OR SME" +

RESOURCES + PROCUREMENT” OR “SME + REGULATION”. The highest search return was from SME/Small Firm + Procurement with 180 scholarly articles published. Twenty-seven articles were studied and the remainder were out of scope because they presented low knowledge contributions such as literature on how SMEs procure services for themselves (Bill and Luke, 2004) rather than selling their services. Additional search activity included a review of small business conference papers, “googling” references in unpublished articles and identification of “grey material” as additional data sources. Studies are included in the literature review if they report results on at least one of the following:

- A theoretical interpretation of small firm experience of or access to tendering
- An a-theoretical interpretation of small firm experience of or access to tendering, including public and private tendered opportunities
- Identification of small firm resources or routines used to tender
- Third party perceptions about small firm tendering capability
- Specific knowledge forms, e.g. corporate social responsibility (CSR), that are linked to tendering
- The nature and impact of the tendering environment
- Provide a theoretical perspective on the causal powers of the regulatory environment for small firms.

The literature is at an exciting place in its development. Until recently, a limited knowledge base had accumulated over a thirty-five year period across international research communities. Notably, much of the core literature that directly informs understanding of capability is recent and less than twenty years old. It is in the last three years that the most relevant studies on firm capability have been published. A significant proportion of earlier literature is biased towards reporting SME opinions of tendering as a market structure and to third party perceptions, namely public procurers, about how SMEs behave. Whilst this is helpful, it does not explore the practices that occur inside a firm to develop capability and sustain competitive performance. More recent studies have begun to investigate

broad practices that can make a small firm become successful at tendering.

2.3 The nature of studies on small firm tendering

Table 2.1 below summarises the *key papers* critiqued in this literature review. Small firm tendering practices have been empirically investigated repeatedly through quantitative, hypothesised methods, with attempts to identify significant market-level factors that enable small firms to identify or bid for publicly tendered contracts. Eight survey-based studies have investigated small firm perceptions. The studies are concerned with: i) firm resources required to tender (Karjaleinen & Kemppainen, 2008); ii) SME barriers to involvement in tendering episodes (Freshminds, 2008); iii), the environmental and social criteria SMEs need to satisfy when tendering (Baden *et al*, 2011); iv) links between procurement and firm growth (Pickernell *et al*, 2011); v) the implications of firm size on tendering (Flynn *et al*, 2013; McKevitt and Davis, 2013); vi) the effects of entrepreneurial orientation (Reijonen *et al*, 2014); vii) market orientation (Tammi *et al*, 2014); viii) the relational and procedural capabilities that can explain SME performance in public contract competitions (Flynn and Davis, 2016); and, ix) to show that the public market has competing priorities that can advantage and disadvantage SMEs (Erridge *et al*, 2007). Each study is critiqued for its insight into small firm tendering practices. Whereas quantitative studies tell a story of predictive factors linked to tendering, qualitative studies focus more on rich descriptions of firm practice. To date, there has not been a qualitative study that investigates successful firm tendering practices, or indeed studied small firm practices at micro-foundational level. Existing qualitative studies have investigated: i) perceptions held of SMEs as competitive bidders (Loader, 2005, 2007); ii) increased SME access to public procurement contracts (Smallbone *et al*, 2009); and iii) entrepreneurship and dynamic capability as interconnected dimensions that underpin supply chain capability (Woldesenbat *et al*, 2011).

Table 2.1 A summary of literature sources examined (1989 - 2017)

Author(s) and year	Study Purpose	Research Method	Key Findings
Bannock and Peacock 1989	To examine the “form of burden” as a characteristic placed upon small firms through taxation and regulation.	Desk review of survey data (source unknown)	Five approaches are identified to improve SME supplier success
Erridge <i>et al</i>, 1999	To examine competitive tendering and areas for improvement as an SME market model	Transaction cost analysis	Identified experience accumulation as a micro-foundation of capability
Loader, 2005	To evaluate perceptions of SMEs as competitive bidders by public bodies	Case study of seven public procurers	Large firm competitive advantage results from size and experience. Flexibility and responsiveness rated as top SME qualities
Erridge, 2007	To show that the public market has competing policy priorities; regulatory, commercial and socio-economic goals underlie UK procurement policy	Procurer and winning firm questionnaire	The tendering environment is seen as a dynamic marketplace and characterised by competing regulatory, commercial and socio-economic goals
Freshminds, 2008	To enable SMEs to identify barriers to their involvement in tendering episodes	On-line questionnaire to FSB members	Structural and procedural restraints; supplier requirements exclude SMEs, increasing contract sizes reduce opportunities for SMEs; SMEs lack capacity to take advantage of opportunities.
Baden <i>et al</i>, 2011	To investigate the environmental and ‘social’ criteria SMEs need to satisfy when tendering.	Exploratory interviews with SMEs prior to electronic survey	Problems experienced by SMEs in fulfilling ‘social’ and/or environmental criteria are caused by excessive bureaucracy that increases production costs
Tammi <i>et al</i>, 2014	To apply the concept of market orientation (customer orientation, & inter-functional coordination) to examine strategic and behavioural aspects associated with SMEs’ participation in public sector procurement	Questionnaire to Finnish SMEs	First empirical analysis of the relationship between a firm’s strategic orientation and its activity in public procurements. Market orientation (MO) has a positive effect on SME activity levels to search for information and participate in bidding contests

Author(s) and year	Study Purpose	Research Method	Key Findings
Karjaleinen & Kempainen, 2008	To examine why it may be difficult for SMEs to become suppliers in public procurement	Electronic survey with Finnish SMEs	SME perceived lack of resources especially in legal expertise and administration is associated with low SME involvement
Author(s) and year	Study Purpose	Research Method	Key Findings
Pickernell et al, 2011	To analyse the general characteristics of SMEs most likely to supply the public sector	Questionnaire to UK FSB members	No significant link between procurement and firm growth. A potential policy conflict in the use of procurement demand to promote innovative SMEs between employment and innovation effects
Smallbone et al, 2009	To use a study of the Olympic Development Authority (ODA) to discover if it could increase SME access to public procurement contracts	Face to face interviews with ODA staff and SME bidders	SME effectiveness to engage in tendering is constrained by public sector regulatory compliance behaviour. Cited use of successful prior public contract awards by winning firms concurs with previous studies that indicate this is where the steepest learning curve applies for small firms, and it remains in the 'black box' of the small firm experience for researchers
Woldesenbat et al, 2011	To examine capabilities that allow small firms to operate as suppliers to large organisations	Semi-structured interviews	Differentiates capability into two phases: market entry and market evolution and growth
Flynn et al, 2013	To investigate the impact of size of SMEs on public sector tendering	On-line survey with Irish SMEs	Tendering resources, behaviour and success are affected by firm size
Loader, 2013		Literature review	A typology of 23 barriers SMEs face to access public tenders
McKevitt and Davis, 2013	To explore how micro-enterprises interact with public procurement systems	Online survey with Irish micro-enterprises	A typology of four interaction patterns is developed from the data. Small suppliers should view procurement as a process, not a one-off exercise

Author(s) and year	Study Purpose	Research Method	Key Findings
Reijonen et al, 2014	To assess the effects of proactivity & innovativeness influence on SMEs in information search on tender opportunities and subsequent bidding	Online questionnaire with Finnish SMEs	Proactive marketplace behaviour through different levels of entrepreneurial orientation (EO) in firms has a more substantial influence on SME activity in public procurement.
Kitching et al, 2015	To theoretically position regulation as a dynamic rather than as a static and negative regulatory force.		Presents SME perspective of regulation as fallible
Kitching, 2016	To examine the influence of regulation on entrepreneurial action		Expands understanding of how regulation contributes to entrepreneurial action from indirect effects arising for small firms via their relations with the stakeholders
Flynn and Davis, 2016	To examine the role that relational and procedural capabilities play in explaining SME performance in public contract competitions	Electronic survey - UK SMEs	SMEs capable of interacting with public buyers and proficient in the formal aspects of tendering and contract management enjoy superior outcomes.

2.4 Firm tendering practices

Four studies tell us something about what firms do when they tender (Woldesenbat *et al*, 2011; Reijonen *et al*, 2014; Tammi *et al*, 2014; Flynn and Davis, 2016). The first study investigates small firm use of entrepreneurial processes and dynamic capabilities. Woldesenbat *et al* (2011) draw on the concepts of entrepreneurship and dynamic capability as interconnected dimensions that underpin supply chain capability. It explores what factors small firms require to secure contracts with public and private large organisations. Whilst it does not examine situated firm experiences of competing in a competitive tender, its value lies in how it theoretically proposes a process perspective of capabilities to sell. The study starts with the question, ‘*What capabilities enable small firms to become suppliers to large organizations in the public and private sectors?*’

The study is set in 2008-9 in the UK, with participant firms drawn from two key regions. It investigates the experiences of case study firms who secured contracts. It is a rare example of a study of where capability is conceptualised as a central theme. The study extends empirical research from tendering resources being present or absent to consider adaptive practices by using dynamic capability theory. It explains what helps small firms grow and evolve in supply chain relationships with large organisations. A qualitative approach interviewed 18 owner managers of small firms from the ICT, business service and food manufacturing sectors. A semi-structured interview process identified dimensions of entrepreneurial and dynamic capabilities of small firms that underpin the supply chain relationship they hold with large organisations. Entrepreneurial capability is defined as a dynamic concept that interacts with the environment, where the display of three entrepreneurial characteristics, innovation, pro-activeness and risk taking (Wiklund and Shepherd, 2003) are shaped by market conditions. The definition of dynamic capability that the study uses is the ability to *“reconfigure a firm’s resources and routines in the manner envisioned and deemed appropriate by its principal decision-maker(s)”* (Zahra et al, 2006. p. 918). The researchers’ objectives were to assess the processes, routines and resources that have enabled them to enact a supply chain relationship and to elicit views about their direct experiences of doing so. No separate attention was given to contracts secured through public procurement, yet findings about supply chain relations enhance and enforce general understanding of power asymmetry issues that constrain small firm action.

Interview questions drew upon entrepreneurial and dynamic capability theory to explore issues relating to strategic choice, product market, competition and perceived capabilities, all from the small firm perspective. Four core capability themes arose from the interview analysis. These are: i) entrepreneurial capability to identify and act upon opportunities; ii) networking and bridging capability to influence resource configuration and relationship building through effective communication; iii) resource integrating capability to build minimum stock resource levels and to re-

assess resource acquisition, and development; and iv:) strategic service delivery capabilities, referring to unique processes and routines to deliver and to differentiate firm position in the marketplace. Themes ii-iv form a new dynamic capability to assist market growth and development once the entrepreneurial capability has enabled entry into a new product market. Table 2.2 presents capability attributes *directly extracted* from the study as firm routines and resources.

Table 2.2 Four capability attributes small firms need to sell to large organisations

<p>Entrepreneurial capability</p> <ul style="list-style-type: none"> • Open to new ideas and search • Increasing online presence • Adopting best practice, lean manufacturing, just-in-time • Passion and motivation • Investing • Knowledge of product market • Research and development • Identifying business opportunities • Identifying gaps in market/unmet customer demand 	<p>Networking and bridging capability</p> <ul style="list-style-type: none"> • Penetrate new product markets through established contacts and networks • Transform an identified opportunity into real business transactions. • Show willingness and ability to make links, share experience and knowledge and foster trust and loyalty.
<p>Resource development and integration capability</p> <p>Process, routines and resources</p> <ul style="list-style-type: none"> • Hiring and retaining talent • Intelligible use of information • Accreditation/certification • Knowledge about the market • Knowledge of ICT • Outsourcing • Maintaining diverse workforce • New organisational structure • Teamwork • Developing image and brand • Managing process creatively • Strategic forward buying • Research and development 	<p>Strategic service delivery capability</p> <p>Routines, processes and strategic resources</p> <ul style="list-style-type: none"> • Delivering value and delivering on time • Customer-orientation: right products to the right customers • Exceeding customers' expectations • Providing bespoke and distinctive services • Offering quality services and products • Working with strategic partners • Diversification of clients/business • Regular review of business models

Source: *Adapted from Woldesenbat et al, 2011, pages 501-507)*

Woldesenbat *et al* (2011) note how supply chain relations with large organisations were “*highly skewed and constrained*” (p.504) and this is re-enforced through interview data that show how the majority of firms interviewed struggled to establish a “*collaborative, knowledge sharing, reciprocal relationship*” (p.509). Their study findings refer to on-going exasperation with the complexity of procedures necessary to win contracts.

Several revelatory learning points arose from Woldesenbet *et al*'s study (2011) that resonate with the thesis topic. Firstly, some, but not all,

respondents as encouraging motivation towards being innovative, responsive, risk management-orientated and modernising see the supply chain of a large organisation. However, it is not known how behaviour changes and how firms learn to adopt and adapt practice. Secondly, confirmation that the greater a firm's bridging and networking capability, the better it is positioned to penetrate and position itself with large organisations as it enables wider leverage of resources. Networking uses Putnam's definition of bonding and bridging (2000), with bonding describing horizontal ties between actors and bridging recognising the ability to engage in open networks outside of the firm. Collectively, networking and bridging represent a competence that underpins tender preparation and requires further exploration in this study. Thirdly, forms of professional accreditation and certification by an independent third party are viewed as important resources in small firms. For example, a company called Payco claimed it had an enhanced reputational and brand capital through holding an accreditation awarded by a bank. Fourthly, and most importantly, the research introduces the concept of entrepreneurship to articulate the role that search and sense-making capability plays in market penetration and growth. Its overall conclusion is that small firms have great potential to compete as suppliers of large organisations, provided that they have developed the entrepreneurial and dynamic capabilities required to make a sustained offering. This is a concept that aligns to the field of study in this thesis.

The value drawn from this paper is a novel application of investigating SME experiences, using dynamic capability theory to do so. It introduces the notion of entrepreneurship theory as relevant to the opportunity-seeking aspect. It also differentiates capability into two phases: i) market entry and ii) market evolution and growth. To this extent, it theoretically addresses how the process of creating and applying capabilities varies according to different types of small firm maturity and sector. The argument presented demonstrates the need to avoid seeing small firms homogenously. Creative search, linked to innovation (Wicklund and Shepherd, 2003), is cited as an important managerial or organisational process that requires strategic

action. We learn that small firms pursue changes to market conditions themselves. An ontological observation made later (Kitching *et al*, 2015) is that a critical realist understanding of regulation is useful to interpret capability development. Critical realism focuses on the role of agency that behaves contingently according to external conditions.

Several limitations exist in relation to the usefulness of Woldesenbet *et al*'s study (2011) to address the thesis research questions. The study omits discussion about the contingent value of *a priori* experience, for how long each firm remained unsuccessful beforehand, and what details are known about specific resources or routines they enacted to win. It is unknown what resources were owned or risked by each case company for building market entry in the first place. Public procurement is not examined as a set of processes that small firms interact with at micro-level. We do not know the foundations or resource base of each successful company and the role that *a priori* market knowledge played. Two knowledge-based capabilities are introduced; 'market knowledge' and 'technology' in relation to discovering and exploiting opportunities but these do not fully explain capability development or emergence, where in the company that knowledge base resides, or address tendering as a market mechanism. Operational capabilities are under-investigated to focus on dynamic capabilities. Finally, by not distinguishing more fully between public and private sector large organisations, no clear judgement can be made about capability demand in each tendering environment.

A second study (Reijonen *et al*, 2014) conducted a quantitative inquiry to examine one aspect of a firm's strategic orientation, entrepreneurial orientation, to measure SME participation in public procurement. The journal article does not refer to 'capability', and it relies upon self-reported small firm survey data to identify factors that restrain or facilitate participation in public procurement. Entrepreneurial orientation (EO) is defined in this study in the same way as a firm's ability to innovate, take risks, and proactively pursue market opportunities (Wiklund and Shepherd, 2005; Rauch *et al*, 2009). An online questionnaire was sent to firms in

North Karelia, Finland, in September 2012. One hundred and ninety-one participants responded to questions about how they sought out open tendering opportunities and the activities they engaged in to submit bids. Firms were asked, “*Does your firm look for public sector tender requests?*” and “*How many times have you submitted a bid to public sector tender requests?*” Hypotheses were set for the empirical analysis; two for each dimension and its possible relationship with tendering. Firm size, age and industry were used as control variables. Prior success at tendering was not a criterion for selection. Firms in scope for the survey were identified as those that employed up to 249 people and were for-profit. Fewer than 15.7% of the firms reported that a public-sector organisation was their main customer.

Findings from Reijonen *et al* (2014) add to the study of tendering practice as it demonstrates how successful SME participation in public procurement can be encouraged and increased. In terms of public procurement, innovative behaviour was important to becoming involved in an unfamiliar process. Pro-activeness was tested to see if it enhanced firm ability to obtain relevant market information. Risk taking was a dimension of EO tested for its presence or absence in firm behaviour. EO as a form of strategic orientation may be a critical influence as it represents elements of a firm’s culture that guide its interactions with markets, customers, and competitors (Woldesenbet *et al*, 2011). Reijonen *et al* (2014) believe that strategic orientations can define how active or passive a firm is regarding markets. They identified that readiness to tender is shaped by firm resources available to meet tender requirements and an ability to assess the chances of winning prior to bidding. This requires market insight, customer knowledge, resources, and awareness of market competition. Strategic orientations are described as guiding firm information gathering and utilisation that is required to pursue public procurement opportunities.

Results suggest that two dimensions of EO, pro-activeness and innovativeness, can predict increased likelihood of pursuing tendering opportunities and are important behaviours for new customer acquisition

and finding new market opportunities. In particular, innovativeness was positive in enhancing small firm ability to find novel ways to put their existing resources to work to meet the requirements in tender requests. Firms that are pro-active and innovative are more active at tendering. They have an increased chance of exploiting public market opportunities, as they are more aware. Higher EO levels within firms are more likely to be selected for inclusion in a bidding process, and their proactivity perseveres after rejection. Innovativeness in firms creates novel and effective resource utilisation. No evidence could be found to support risk taking as having a positive effect on firm behaviour, which is the third dimension of EO in the literature. Older and larger firms were found to be more likely to seek open tendering opportunities and participate in tenders than younger and newer firms. This finding does not contribute to a conceptual understanding of what happens inside a firm to respond to tenders. The study showed that higher levels of EO are associated to experience accumulation over time.

Results align with (Flynn *et al*, 2015) in reporting firm size as a positive influence on SME tendering resources, activity, and success rate in tendering. However, in Reijonen *et al* (2014) public procurement is described as a stable regulatory environment. The study did not open up the importance of context as a condition for EO to be more or less effective or contribute to a richer description of what firms actually do beyond applying EO as a behavioural frame for action. It did not study successful tendering behaviours; evidence of participation cannot be construed as evidence of capability. Self-reported data tells us more about what firms think rather than what objectively happens in practice. Data were not triangulated and so are open to fallibility. The study did not include a broad discussion on firm behaviours, and it ignored the effects of external conditions upon participating firms.

A third study by Tammi *et al* (2014) surveyed the effects of market orientation (MO) on SMEs' activity in public sector procurement participation. This study examined how SME participation in public procurement was influenced by its strategic orientation towards gathering

market information using the construct of MO defined as “activities to acquire, share and respond to market information” (Reijonen *et al*, 2014, p.322). It has three dimensions: customer orientation, competitor orientation and firm’s inter-functional coordination to gather and use market information (Narver and Slater, 1990). The construct of market orientation (MO) was examined for its capability effects on Finnish small firm activity orientation to participate in public procurement markets (Tammi *et al*, 2014). In 2012, 191 participants responded to an online questionnaire, which tested a series of hypotheses regarding the relationship between MO and winning public contracts. It was proposed that, with enhanced MO, SMEs are better able to assess whether their strengths, as well as the resource combinations available to them, fit the needs of the public sector buyer in general and the requirements of the tender request at hand, in particular. Findings show a significant relationship exists between MO, and this affects how actively SMEs look for and submit bids for public sector tender opportunities. Information is a prominent part of customer orientation that enables a firm to assess whether it is able to meet the needs of the customer, which, in turn, affects their willingness to submit bids in the public sector tender requests. With regard to competitor orientation, a significant relationship exists between inter-functional coordination, a firm’s coordinated efforts and utilization of resources to create superior value for customers (Narver & Slater, 1990), and how actively SMEs both look for and bid for public sector tender calls.

In addition to measuring SMEs’ activity in public sector procurement and SMEs’ market orientation, data was gathered on several background factors. From these, firm size, age, and main industry were used as control variables in the analysis. Results of the study show that market orientation, has a clear positive connection with SMEs’ activity in finding information about business opportunities in public procurement and, more importantly, submitting bids in requests for tenders. We did not learn whether encouraging the adoption of MO by small firms increased their chances to obtain public sector customers as success in gaining contracts was not used as a dependent variable. The study offers utility in conceptualising a

capability to tender seeking as well as to submission and demonstrating its association with practice. However, as with Reijonen *et al* (2014), a quantitative study does not deal with descriptions of best practice at tendering. This remains a knowledge gap.

The fourth and most recent survey on small firm tendering (Flynn and Davis, 2016) took place in Ireland. It looked for predictors of SME success by examining the role that relational and procedural capabilities play in explaining SME activity and performance in public contract competitions. Relational capabilities are defined as three-dimensional: i) an ability to influence buyer needs prior to tender; ii) communicate a value proposition to inform a tender specification; and, iii) promote goods and services to public buyers prior to tender. Procedural capabilities describe five dimensions of ability, to: i) understand contract qualification criteria; ii) satisfy contract qualification criteria; iii) effectively respond to contract qualification criteria; iv) receive feedback and search contract award notices; and v) successfully manage contracts. The study describes tendering capability as:

“A firm’s ability to marshal its organisational resources in order to identify contract opportunities and subsequently position itself to exploit them. It is the ability to leverage organisational resources – human, technological, financial, administrative, network and reputational.” (Flynn and Davis, 2016, p.4).

The statement above recognises deliberate agential efforts but it ignores the notion of context within which firms operate. It refers to organisational resources that may or may not solely reside within the firm. Tendering capability is usefully conceptualised as resource leverage, yet this definition does not offer clues about resource accrual, investment or combining mechanisms. Flynn and Davis’s (2016) analysis of primary survey data from 3,010 SMEs established what firm leaders believe to be true in multiple and diverse settings after a pilot exercise with a small number of firms. Firm level characteristics (firm size, age and sector) are found to be

more important than tendering-specific capabilities in explaining the number and value of contracts for which SMEs compete. Questions asked of SMEs are too general in nature to invite responses that can infer active agency, for example, to 'understand', to 'receive', to 'satisfy'. They indicate that SMEs that are proficient at interacting with public buyers in the formal aspects of tendering and contract management enjoy superior outcomes. Firms with 'procedural know-how' are hypothesised to be able to increase their participation rates and those capable of influencing buyer needs, communicating a value proposition and promoting their goods and services to public buyers prior to tender may introduce selectivity to firm tendering strategies. The study points to a clear need for firms to invest in two forms of tendering-specific capabilities but does not say how to acquire them, upon which resources and resource combinations that they reside. The notion of learning is also absent.

Supplier interaction with the procurement process is conceptually useful for investigating procurement as a context-interactive process and what small suppliers actually 'do.' An on-line questionnaire-based study with an achieved sample of 2,027 firms that are all active tender competitors (McKevitt and Davis, 2013) explores how micro-enterprises in Ireland interact with public procurement systems. Firstly, the study points to the fact that prior research on small firm barriers is limited by the absence of a process view of public procurement. Evidence is found that engagement prior to tendering is a necessary condition for small suppliers to achieve above-average bid outcomes. A general weakness of 'informal and intuitive' marketing practice in small firms is highlighted in a public procurement context and the researchers point toward a lack of research into 'business to government' marketing. The study shows that small firms weight the three phases of the procurement process (pre-tender, tender and post contract award) differently. The data supports and extends the argument that small firms are not a homogeneous group, and illustrate that small firms use different strategies to compete for public contracts. Researchers encourage small firms to see procurement as a process rather than as an isolated tendering exercise.

So far, discussion of tendering practices across these four studies has attached importance to six attributes that can contribute towards successful tendering practices. They are; i) taking entrepreneurial action; ii) having a market focus; iii) building relationships to influence buyer needs and promote the firm in the public marketplace; iv) knowing how to build and integrate resources; v) strategic service delivery; and, vi) an ability to follow tender procedures. They are all useful ideas to take forward, but the survey-based nature of each study does not show us *how* a firm can orchestrate its assets (in the form of resources and routines) to accomplish any of these attributes and build capability to tender. That is the focus of this thesis. The next section critiques further studies that focus on the nature of firm resources employed to tender, but without linking resources to capabilities.

2.5 Firm resources absorbed by public sector tendering and their application

Descriptions of SME resources to tender for public sector contracts are presented in the literature primarily as issues of *resource deficits* and *challenges*. For example, tendering processes and documents are codified in market-based language (Erridge, 2007), and typically demand high levels of professional indemnity and company turnover are typically demanded (Perry, 2011), creating demand for rare and scarce resources. SMEs lack of knowledge of tendering opportunities, are challenged by the use of frameworks and have capacity issues, and are disadvantaged by the complexity of some procurement processes (Perry, 2011).

The resource position of a company *is* relevant to analyse tendering demands. In the UK, with no preferential rules, or set-asides that exist in other countries, SMEs compete on an equal footing with larger firms (Morand, 2003). Appreciative enquiry into how small firms command and mobilise their resources to enact behaviour is lacking, though what is known is that small suppliers that are already affected by resource poverty are adversely affected by onerous requirements (Michaelis *et al*, 2003) “and

where these demands are greater and more highly varied than those on private sector procurement." (Telgen *et al*, 2007, p.17). Research has found that many companies who had little or no experience of tendering in the public sector felt that they did not have the appropriate capability in terms of knowledge and skills, and/ or they described other issues around inadequate resources or critical mass (Perry, 2011). Loader (2013) presented a typology of twenty-three barriers that small firms face. Twenty relate to the structural conditions of tendering, such as pro-large business attitudes, but three refer to small firm resource deficits in skills and attitudes. These are the poor completion of bids, a lack of required tender completion standards and a reluctance to engage with a process perceived to be unfair. Remedies for these resource deficits are suggested to: develop expertise and competence, learn to identify appropriate opportunities, achieve high technological and quality assurance standards, show interest and build relationships, and, consider entering the market as a subcontractor. The remedies are useful empirical observations, but the study stops short of demonstrating how a small firm could reconfigure its resources, or invest in new ones, to implement each remedy.

Starting with Karjaleinen & Kempainen (2008) four survey-based studies (Freshminds, 2008; Baden *et al*; 2011; Pickernell *et al*, 2011; McKeivitt and Davis, 2013) contributes towards a general knowledge of resource requirements. The first electronic survey conducted on tendering focused on Finnish SMEs (Karjaleinen & Kempainen, 2008), and investigated obstacles SMEs encounter when tendering. Five forms of tendering resource were examined as obstacles to small firm tendering: i) legal; ii) IT capabilities; iii) administrative; iv) supply capabilities for central government; and, v) receipt of adequate tender information. SMEs were also asked if firm employee size altered perceptions of involvement (firms were differentiated as having nine or less or more than nine employees). The survey instrument used questions with a continuous rating scale, multiple choice and open-ended questions to test five specific resource perceptions. The types of resources tested were drawn from a literature review that identified three major obstacles for small firms: the bidding

process, large contract size and inadequate information to tender. A four per-cent sample of 203 firms was drawn from a cross-sector random sample of 5091 SMEs. Tendering experience was not used as a criterion for selection, limiting the utility of this study to understand capability. The selection of five factors to investigate also lacks a conceptualisation of how firms believe the resources or knowledge should be put to work in a tendering episode.

Results found that lack of legal and administrative expertise are the biggest obstacles to involvement, meaning that SMEs who consider their legal or administrative resources as a significant obstacle are less likely to be involved in public procurement. However, this is perceptual data, and can only be judged as partial evidence of reality. The factors were tested separately and without a process perspective, so resource combining is overlooked. The study was the first to report perceptions that firms with more than nine employees are more likely to participate in tenders. Later, Flynn *et al* (2013) also investigated the influence of firm size upon tendering resources, behaviour and success in Ireland. Firms were split into micro, small and medium categories, with micro being less than nine employees, small (10-49) and medium (50-249) employees. Following a pilot of the electronic questionnaire with 20 Irish small firms, a sample size of 4567 usable responses was drawn from 57 per-cent micro firms, 28 percent of small firms and 15 percent of medium-sized firms. In each case, a positive relationship was found between firm size and tendering resources (the number of years' tendering experience and the number of employees involved in tendering), tendering behaviour (defined as number of contracts tendered for in 2012), typical contract value, participation in tender training, percentage of tenders on which feedback was obtained, percentage of contracts sourced online) and tendering success (revenue attributable to public contracts and a firm's own perception of success). A key learning point is recognition of heterogeneous firm endowment with resources, evidenced through different levels of tendering experience, people involved in tendering inside the firm and willingness to invest in tendering training,

suggesting the need for “*more fine grained analyses*” at the SME-tendering interface (Flynn *et al*, 2013, p. 457).

The results from Flynn *et al* (2013) challenge implied assumptions that small firms are similarly disadvantaged (Freshminds, 2008; Loader, 2013). However, tendering activity is poorly conceptualised from a process perspective. Results imply increased firm size delivers a proportionate positive effect on tendering resources, behaviour and outcomes. It does not tell us what happens inside a more successful firm (in the 50-249 bracket) that differentiates them from smaller businesses. Micro-firms with nine or fewer staff display different perceptions than small firms. Micro firms have an increased belief in their lack of administrative and legal resources and possess less capability for supplying central government. Enterprise size also affects how small firms perceive difficulty in accessing tender information. The results show that perceptions of the lack of legal expertise, administrative resources, and access to information sources on tenders significantly limit SME involvement in public procurement. What cannot be learnt from the study was information on the minimum stock of resource levels required that SMEs say they lack, or any data on how capability is actually built through the resources examined.

A practitioner survey (Freshminds, 2008) investigated a small firm perspective about tendering resource challenges. It inquired about barriers to SME awareness of public procurement opportunities, awareness of public procurement opportunities, SME activity in the public sector (frequency of bidding for government work, percentage of turnover from public sector) and SME perceptions of the drivers behind success and failure in bidding for UK government contracts. The purpose of the online survey was to gain a broad understanding of SME experiences of bidding for public sector contracts and also perceived current drivers and barriers to winning contracts. Headline findings showed that small firms do not know where to look for opportunities, lack the time to research, are reluctant to bid for public contracts because of the resources required (articulated only as time, effort and cost) and often do not know why bids fail. Small firm

respondents did perceive that “*developing teams and processes to produce bids creates positive outcomes*” (p.28), so staff and processes produce bids and research opportunities. Follow up semi-structured interviews failed to distil further what skills and knowledge staff need to have. There is no discussion in the types of processes that support tender search and completion.

A separate study focused on one specialist form of knowledge - corporate social responsibility (CSR) - that is posited as a mandatory resource firms need to qualify for tendering. Baden *et al* (2011) used 25 SME interviews followed by an electronic survey with 68 respondents to question the effects of environmental and social criteria upon small firms when responding to tenders. CSR capability is positioned as a *pre-condition* of entering into a competitive tender. Findings reveal two interesting issues. Firstly, 82 percent of respondents agreed that including social and environmental requirements as preconditions to supply would increase their motivation to engage in CSR. Motivation and a commitment its practice is in place, but firms deride a tokenistic display by having a policy. Secondly, SMEs interpret CSR differently to public purchasers. SME owner-managers viewed their social responsibilities as primarily related to their staff (and employment law). Less emphasis was placed on firm contribution to wider society. In a tender situation, this may cause a firm to be disqualified or lose points in a scored tender. Thirdly, firms were found to lack resources, although it is not stated which resources, to meet expected pre-conditions of CSR activity. In turn, CSR demands in tenders and excessive legislation demands in general, caused increased costs in SMEs to meet expected standards. However, ‘expected standards’ was found to implicitly refer to formal processes such as policy statements and strategies oriented towards positive recruitment practices of minority groups, rather than recognition of an informal set of CSR values embedded within firm culture. The study tells a story of CSR aspects of tendering linked to a lack of understanding by public purchasers about how small firms operate. It offers insight into the depth and breadth of CSR tendering demands: “*sustainable initiatives in construction, waste policy, training, pollution prevention, use of*

recycled materials. Visibility of management of key construction issues (pollution prevention, environmental protection, waste recycling/disposal, emergency preparedness, company targets and initiatives” (Baden *et al*, 2011, p.262). The study could have gone further and been specific about which resources were scant and mechanisms to acquire them. Again, firms studied were not selected for, or asked about, their individual tendering performance outcomes. It is unclear whether surveyed firms struggled with CSR dimensions of a tender specification more than other aspects, such as answering technical or financial questions. A take-away point of this study is that CSR is a specialist form of human capital associated with tender completion.

2.6 Empirical observations of structural conditions and market access

This section critiques studies that shed light on the *effects* that arise from the tendering environment within which small firms compete. Findings point to structural conditions small firms face that shape agential efforts to gain market access. Conditions are characterised by competing regulatory, commercial and socio-economic goals seen within UK public procurement policy (Erridge, 2007). Public procurement is used as an innovation policy to resurrect the demand side (Edler and Georghiou, 2007) and to foster SME growth and innovation (Perry, 2011). An analysis of factors that influence SME action to win public sector contracts included access restrictions, although the practice of segmenting tenders into smaller ‘lots’ increases the probability of SMEs winning the contracts (Perry, 2011). SMEs feel excluded from accessing public procurement contracts because they do not have capacity to tender for the entire contract (European Commission, 2008). Large contract size is seen as probably the most significant barrier for SMEs accessing public procurement (GHK, 2010). It is unclear if access restrictions are actually a smokescreen for capability. Trust in relationships is a common cultural theme that is expressed as a social factor in small firms’ own purchasing practices (Morrissey and

Pittaway, 2006), and as a supplier trust can offer a small firm an alternative to power for managing inter-firm relationships (Mishra, 2011).

The buyer supplier relationship literature charts a movement from an adversarial approach towards a collaboration one (Hines, 1994; Holmlund and Kock, 1996) where procurement practice has shifted towards encouraging suppliers to join together to offer a joint supply solution. Collaboration between suppliers is invited in response to a particular set of contract needs or it can be routinely exploited as an opportunity where geographical, resource or expertise limits restrict a solo bidder. Small firm experience of engaging in consortia approaches (defined as two or more persons, at least one of whom is an economic operator, acting jointly for the purpose of being awarded a public contract) reveals that they are limited by their perception that public sector procurement prefers to deal with a single major supplier over a consortia (Scottish Government and Research, 2009). By contrast, public bodies expect small firms to be alert to collaboration opportunities and consider collaboration in order to grow (Roots Review, 2009).

More competitive and transparent procurement practices were intended to have a positive impact on the European economy by unlocking the growth and innovation potential of SMEs (Perry, 2011) but SME perceptions do not acknowledge this intended impact. Measures to support SME access to procurement are summarised by Perry (2011): simplifying procurement processes, dividing larger contracts into lots, setting requirements that are proportionate in relation to the size of the contract and building capacity among SMEs.

Bannock and Peacock (1989) used multiple sources of contemporary small business survey data to examine the '*form of burden*' placed upon small firms through taxation and regulation. Compliance with paperwork associated with tender compliance is a generalised barrier, and not just as an SME issue. Five regulatory conditions towards improving SME supplier access were to: i) provide a stable environment; ii) simplify administrative

requirements, for example, standardised templates; iii) reduce tendering requirements, for example, reduction in financial information requirements; iv) offer SMEs specific treatment, and; v) change attitudes towards SMEs by careful drafting of specifications, encouraging appreciation of benefits of SMEs and avoiding bias in favour of large firms. Findings contribute examples of external environmental factors that can affect SME capability where the authors are effectively arguing for an environment that supports fair and equal treatment for SMEs to operate within.

Marketplace exclusion is a dominant theme in the literature that describes the effects of public sector tender processes on small firms that perceive public procurement processes as complex, costly and time-consuming (Intertrade Ireland, 2009). Government buying power aggregates contracts; cutting transaction costs by rationalising the supplier base and managing potential suppliers. Risk is minimised by requiring experience and reputational resource from suppliers, a key structural condition for SMEs looking to win their first public contract. Such practices clearly disadvantage small businesses whose limited resource base means they can only supply small contracts, compete as part of a diverse supplier base and demonstrate limited experience and reputational capital (Loader, 2005, 2007). They feel ill equipped to follow arduous tender procedures, scrutinise and comply with legal clauses, meet requirements for formalised management processes such as quality procedures and metrics and to demonstrate reputation (Freshminds, 2008; Karjaleinen and Kemppainen, 2008). Instead, they would prefer more informal supply chain relationships (Morrissey and Pittaway, 2006). Thus, macro-level trading conditions, complex and formal commissioning procedures strategies and bias in the assessment of risk creates 'generative mechanisms' that structurally exclude the small supplier (Loader, 2007).

Loader (2005) shows how the public sector deals with and perceives SMEs in the supply chain. Evidence of procurement practice is presented using a case study approach with seven public sector organisations in North East England (a police authority, a fire authority, three local authorities, a health

trust, and a regionally based government department). Loader interviewed an unspecified number of senior procurement officers, and reviewed documentary and web-based evidence to uncover examples of procurement practice to evaluate perceptions held of SMEs as competitive bidders. Respondents were asked to comment on their existing practices and emerging trends. All respondents identified achieving value for money as a most significant driver and two of the seven organisations raised equality of opportunity for SMEs as important. Collaboration was introduced as a way to obtain cost savings by the emergency services, where regional contracting for uniforms had reduced spending in 2005 to below that of locally sourced uniforms in 2000.

Loader discussed the impact of collaboration to mean fewer contracts and therefore fewer suppliers, which adversely affected small firms in two ways: i) the cost of tendering becomes prohibitive, and; ii) the scale of a contract becomes beyond their 'capability'. Therefore, capability is referred to, but is not defined or explored. A second question that asked about previously identified small firm benefits (OGC and SBS, 2001a) saw responsiveness and flexibility as attributes. The ability for SMEs to deliver on cost and quality was agreed upon by just two organisations. Findings resonate with Penrose (1959) who expressed that the competitive advantage of larger firms resulting from both size and experience is a prevalent belief that disadvantages small firms. The existence of conflict was evident in competing policy priorities: obtaining the best price and encouraging the use of SME suppliers. Respondents expressed a view that SMEs are less able to compete on price. Research evidenced how procurement was being used as a vehicle to address multiple policy agendas and how SMEs were both a victim and a socio-economic target of policies that seemed to exclude them.

Pickernell *et al* (2011) link tendering to firm growth. They utilised data from the Federation of Small Businesses 2008 biannual survey to investigate if a significant link existed between procurement and firm growth to explore whether public procurement should be used as a policy instrument to

support SMEs. Results were based upon 5,425 responses, although less than seven percent of respondent firms had more than twenty employees. Five propositions considered if different forms of public purchaser, such as central government departments, universities or local authorities impacted differently upon small firms through their location and size of budgets. It asked whether SMEs supplying government and their geographical clustering differed from non-suppliers in terms of basic firm characteristics including sector, but also size, age, and use of the internet, and owner-specific characteristics including age and gender. For the public procurement types respondents were asked whether (in the previous two years) they had supplied (directly or indirectly) to eleven government or quasi-government public sector organisations (coded 'yes' or 'no'). Results showed that a significant link between procurement and firm growth did not exist, but that supplying the public sector seems to be an important for SMEs.

Findings inform macro-level judgement about austerity effects and the use of public procurement to support SMEs in local and regional economies. The study details a broad range of basic characteristics that underpin drivers 'for' and barriers 'to' SME participation. Pickernell *et al* (2011) suggest a general degree of inertia within the public sector procurement regimes about contemplating new sources of supply. However, differences in the basic characteristics found in the study, including owner-manager characteristics, do not offer clues about capabilities or resources associated with tendering practice but develop the argument against adopting an homogenous approach towards how SMEs are treated through structural conditions. Tendering is conceptualised in terms of its economic importance, but *not* in terms of how the environment creates demand for firm capability.

A further qualitative inquiry about procurement-driven entrepreneurship studied the 2008 Olympic Games and The Olympic Development Authority (ODA) about its supplier diversity (Smallbone *et al*, 2009). Its purpose was to discover if the ODA could increase SME access to public procurement

contracts. The UK government saw the 2008 Olympic Games as a lever for economic development by supporting small firms to win more public sector business, and so it made an interesting project. Research used the SME perspective and analysed the expectations and experiences of SMEs in London when accessing a budget of more than £7 billion for ODA funded work. The researchers used an initial desk-based review of the ODA's procurement policies, a series of face-to-face interviews with selected ODA staff, interviews with business support and membership organisation representatives, focus groups and 31 face-to-face interviews (with six contract winners, four unsuccessful small firms and a further 21 aspirant small business owners). Findings again largely conceptualise tendering from a resource poverty perspective (Loader, 2005, 2013), cite internal barriers as lack of firm preparation or record of accomplishment, and external barriers including the need to *"to comply with a raft of statutory requirements such as having particular policies and documents in place"* (Smallbone *et al*, 2009, p.2). All six contract winners had previously won public sector contracts, highlighting the importance to purchasers of prior experience in working for public sector organisations. Contract winners drew upon existing links with business or trade associations to find out about contract opportunities, and several attend procurement events. They had an existing awareness of the statutory requirements and policies in place to serve financial, social and regulatory requirements placed on suppliers.

At least three contract winners reported having a lack of information from the client, both during the process of responding to and securing a contract, and in the early stages of contract work, which they noted as a cause for concern. The study did not establish what it is about the successful firms that make them winners. Cited use of successful prior public contract awards by winning firms is where the steepest learning curve applies, and how tendering capability is built remains in the black box of the small firm experience. Perhaps the methodology used has imposed limitations upon data findings: all contract winners had prior contract winning experience

and yet results do not offer a full explanation about how resources are deployed to create a successful outcome.

Findings show that the structural conditions shaping SME market access to public contracts are political, regulatory, economic and social. SME capability development has to be able to respond to these forces through agential efforts, yet it is unclear how in practice in contexts this can occur. The next section focuses on one of these conditions, regulation, in more depth.

2.7 Regulation and empirical observation of its causal powers

Regulation is an external, environmental criterion, and tendering is a specialist form of regulation to manage public purchasing. Kitching *et al* (2015) argue for a *critical realist* understanding of regulation. This approach positions regulation as a *social-structural entity* with causal powers on business performance, and presents a view of social reality as stratified. Their study opens up a contemporary debate to position regulation as a dynamic force, where effects from intentional and inadvertent human behaviour create different firm performances. Kitching *et al*'s study of 124 SMEs using semi-structured interviews focused on the micro-level impact on small firms. Firm respondents were approached to investigate "*the influences on, and barriers to, performance – not to assess the specific impact of regulation*" (Kitching *et al*, 2015, p. 138). Findings show indirect and direct forms of influence. An example of *indirect* regulatory performance effects on firms is when public bodies are mandated to purchase a service or product through new legislation such as new protective clothing, and the public market has to increase its budgets to spend with suppliers. A *direct* effect is how firms choose to exploit opportunities that arise from market conditions. An empirical example in this study is a firm expanding its outsourced document storage business to new locations, offering legal and health professionals a solution to meet *their* professional standards:

“Direct and indirect regulatory influences combine to shape small firm performance, with or without agent awareness of effect. All regulatory effects on performance are contingent upon small business agents and stakeholders acting in particular ways in particular circumstances.” (Kitching et al, 2015, p.140).

A key point is that SME understanding of regulation only offers a partial reality. Regulation stimulates forms of adaptation by firms, stemming the effects of knowledge expiry as firms adapt in different ways. This renders firm performance variable. A critical realist perception of regulation portrays the effects of regulation as contingent on agency as it relates to context. This study marks a turn in the literature to engage scholars in looking at what individual firms do. Kitching (2016) separately explores the indirect effects of regulation upon firm action by studying the ‘ubiquitous effects’ of regulation. He describes regulation as:

“A ubiquitous influence on entrepreneurial action that is substantive, pervasive and enduring” (Kitching, 2016, p.215).

Its utility lies in an empirical demonstration of how regulation generates indirect impacts on small companies that arise through their relationships with stakeholders whose actions affect them. Kitching describes regulated environments as having active institutional forces that shape how small firms and stakeholders act. A mixed method study using 255 validated survey responses and twelve interviews show three types of indirect effects, all of which influence firm capability: i) firm processes are shaped by stakeholder actions, ii) stakeholders generate response to firm compliance and, iii) stakeholders as regulated entities themselves have to adapt to their own stakeholders.

Tendering is largely under-theorised in relation to the notion of context and causal powers arising from regulation. Small firms do not fully appreciate all the effects regulation has, and as such, an exploratory methodology into tendering capability should embrace causality as well as effects. To observe and understand regulatory effects, empirical work should investigate both indirect and potentially unobservable powers that are in

force and shape SME tendering behaviour. The explanation by Kitching *et al* (2015) of social stratification fits with a study of SME tendering capability at micro-foundational level. The next section opens us discussion into empirical findings.

2.8 Discussion of empirical findings

Quantitative surveys provide value to offer an initial explanation of relational factors, yet findings generate limited implications for studying a capability-based perspective of tendering; explanation and prediction are *not* the same. The studies suggest clues, but do not answer questions about deeper causal structures that exist in society. They presuppose a closed view of social reality, whereas firm tendering behaviour exists in an open system where actions can become shaped by interaction with internal (past experience) and external influences (the competitive nature of a local supply base or the volume of tenders).

An assumption is made that firms respond to a normative set of processes, overlooking heterogeneity in resource demands for different tenders in different circumstances. This is unproven. Predictions cannot explain the underlying causes and uncover generative mechanisms behind an event. Limited qualitative inquiries have attempted to investigate aspects of firm level tendering practices and to explore the foundations for how tendering capability is conceptualised. Discussion of empirical findings in relation to the literature review questions are organised into three sections. They are i) firm-level resources and processes associated with competitive tendering ii) SME owner/manager strategic orientation towards winning public contracts and the exercise of agency; iii) the nature of tendering as a dynamic environment.

2.8.1 Firm-level resources associated with competitive tendering

Previous academic studies have largely focused on interactivity of small firms with public procurement being problematic in general and that it is

resource constraints per se that restrict small firm engagement in the resource-demanding processes. However, empirical results do not offer a full explanation about firm resource types used to command and mobilise tendering behaviour or how these resources are actually built or deployed to create a successful outcome. Whilst appreciative enquiry of successful small firms is lacking, it is possible from the literature to view the stock of resources that allow firms to operate from a resource-based view as forms and levels of capital. Indeed, the presence of specific forms of knowledge, skills or other resources helps to understand market positioning or market exclusion.

Human capital is examined in the literature in the form of previous tendering experience and owner manager characteristics. Successful case firms had found resources to develop policies to serve financial, social and regulatory requirements placed on suppliers. Tendering processes and documents, codified in market-based language (Erridge, 2007) with strict scoring criteria that accompanies each part of a tender response, require technical language skills for interpretation. Company action in the codified organizational setting of competitive public sector tendering is couched in terms of compliance and institutional rules, whatever the company size. Language can be ambiguous to the interpreter and it can distract suppliers from being able to articulate their key messages about service or product fit. Literature suggests that confusion or at least a lack of clarity exists within SME owner-managers and their interpretation of tendering requirements. For example, interpreting social responsibilities as primarily relating to their staff (and employment law), rather than local communities or the wider society (Baden *et al*, 2011). Therefore, understanding and interpreting criteria to decide how to select specific tenders may demand tacit knowledge, as does an ability to comply with rigid procurement rules encased within the offer. Mandatory questions that serve parallel policy agendas demand specialist knowledge of the meaning and form of answers required places resource demands on SMEs.

Social capital is introduced through participation in collaborative consortia and access to knowledge through business and trade connections about up-coming opportunities. Financial capital is also relevant to mention. Purchasing consultancy as a mechanism to buy in market knowledge is introduced as an external resource, but nothing is said about the effectiveness of deploying this approach. The cost of time to seek out and complete tenders is a key feature in empirical work. As tenders often operate as a multi-stage process over a protracted time, intermittent mobilisation of resources inside and outside the business alongside “business as usual” is a feature of supplier resource demands. This tells me that procurement activity demands utilisation of slack resources, or a ‘reserve’ of resources that are in excess of what is needed for day to day firm operations.

Key issues emerge from the literature show where small firms believe that resource deployment is critical; scrutinising and complying with legal clauses, meeting requirements for formalised management processes such as quality procedures and metrics, demonstrating reputation (Freshminds, 2008; Karjaleinen and Kempainen, 2008) having accreditations and certifications (Woldenbesat *et al*, 2011.) SME perceptions about specific resources required for competitive tendering are also described as obstacles i) legal, ii) IT capabilities, iii) administrative, iv) ‘supply capabilities’ for central government and v) adequate information about tender specifications.

Insights into the perceptions of resources small business owners have to improve their chances of winning public sector contracts are interesting. SMEs can lack capacity but also vision to analyse opportunities that are within their reach. More research would help to determine how widespread these findings are in terms of generalisability. Case studies performed to date do not hint at scale or diversification of access and capability issues.

Literature generally agrees that tendering is both resource intensive and demands specific forms of knowledge and skills, making it highly specialist

in nature for market entry and competition. Firm resources underpin how competitive strategies can be built. Literature identifies some specific firm resources (skills and knowledge and operational and financial resources required to tender). Six aspects of knowledge have been identified. They are knowing about: i) the rules of competitive participation for information exchange (Reijonen *et al*, 2014; Flynn and Davis, 2016); ii) where tenders are advertised and what each procedure type means (Woldesenbat, 2011; Flynn and Davis, 2016); iii) how a tender specification is constructed and scored (Woldesenbat, 2011; Flynn and Davis, 2016); iv) what social and environmental legislation is embedded within tender response demands (Baden *et al*, 2011); v) how to write a company policy document (Flynn and Davis, 2016); and, vi) specialist technical, legal and public policy language (Karjalainen and Kemppainen, 2008). From a skills perspective, firms are known to require i) information search skills (Woldesenbat, 2011; Flynn and Davis, 2016); ii) being able to articulate their strengths as a supplier in a written format (Flynn and Davis, 2016); teamwork (Woldesenbat *et al*, 2011); interpretation skills – what procurers mean by e.g. ‘innovation’ (Tammi *et al*, 2015); business to government marketing skills (McKevitt *et al*, 2013) and; experiential learning skills (Smallbone *et al*, 2009).

Resources are often implicit in their absence in studies, with SMEs characterised by resource scarcity and a lack of specialised structures and competences, suggesting a reason for firm tendering failure. By default, they are deemed necessary then for success to occur. Resources are also implicitly assumed to reside within a business, yet wider literature makes clear that resources can lie outside of a firm and be harnessed for use (Teece *et al*, 1997). It remains unclear whether all firms need to invest equally in resources for tendering on a level playing field or if some sectors demand more than others do. Overall, there is currently limited discussion of how resources become mobilised into routines or very informal behaviours to enact capability. The presence or absence of resources is not in itself a predictor of capability if it is unclear how resources are employed and combined, and what conditions trigger their competitive use.

Firm practices do not appear by magic; they are deliberately constructed from combinations of resources with an intention to create an effect.

2.8.2 Strategic orientation towards winning public contracts: the exercise of agency

Literature has a single study that proposes how tendering is amenable to routinisation (Woldesenbet *et al*, 2011) but no studies that discuss routine formation as a dynamic process. An interesting debate lies in understanding how firm agency responds to external influences and what scope exists for creating different outcomes. The institution of public sector tendering is not neutral in its impact on SMEs. It carries embedded conditions that can enable and constrain firm action, and need to be recognised as doing so. To concur with Kitching (2016), business owners' experiences of regulatory effects are also fallible, and the implication of this is that structural conditions can be overlooked in analysing tendering capability. There are clues in the literature about environmental factors that might shape small firm success in competitive tendering. The government has a focus and a target on SME engagement (UK government industrial strategy green paper, (2017) and it is known that behaving entrepreneurially is possible within public sector markets (Reijonen *et al*, 2014; Tammi *et al* 2014). SMEs display a greater understanding of local cultural and political contexts, more links with local civil society, and a greater commitment to operating in a specific area (Baden *et al*, 2011). Holding other public contracts increases SME reputational appeal, including contract experience as market currency (Smallbone *et al*, 2009). Procurers universally accept an SME advantage of being responsive and flexible to contract needs (Loader, 2005) and that existing external trade links aid opportunity awareness (Flynn and Davis, 2016). Capability antecedents for small firms *can* and *do* arise from market conditions. The effect of already holding a public contract is seen as a reputational resource, yet it is unclear if failing to win a tender has an opposite effect upon capability intentions. There is consensus that the external environment is one where it is possible for small firms to build relationships

that are productive for tendering (Smallbone *et al*, 2009; Flynn and Davis, 2016) and where they can behave entrepreneurially towards and within the public sector market (Woldesenbat, 2011; Reijonen *et al*, 2014; Tammi *et al*, 2014). Loader (2013), in a typology of approaches to improving small and medium-sized enterprise supplier success, states a business responsibility for SMEs to develop their knowledge and skills, but stops short of defining resource configuration and mobilisation.

Literature is less forthcoming on specific examples of the causal effects of these influences at firm level, and it does not account for small firm homogeneity, dictated by factors such as sector, size, maturity, past experience, market strategy or competition base. Studies tend to examine specific aspects of tendering capability components in isolation, ignoring the notion of interplay between different aspects of capability and interdependency that may exist. For example, how market orientation links to procedural capability or how pro-activeness links to relational capabilities. Quantitative studies that rely on statistical abstraction lack rich description of how a firm mobilises a tender response from start to finish inside the firm. It is generally unclear which relational conditions promote orientation towards tendering capability and which do not, and how a capability is influenced by firm processes. From a methodological perspective, quantitative studies (Reijonen *et al*, 2014; Flynn *et al*, 2015) emphasise prediction and limit description of firm agency. Quantitative research designs such as questionnaire surveys impede visibility of causal relations, especially as they examine populations of firms without detailed exploration into contextualised and other differences between firms. It is not known whether firm actions are deliberate or unintentional consequences nor does it reveal much about how or if firms build routines. There is fruitful discussion on characteristics that serve to constrain, but sometimes also to enable, small firms to develop capability. Findings would be enriched if they were more explicit at micro-foundational level, paying more attention to how firm actions become environmentally activated, and in doing so, and draw on context. Indeed, it is a key aim of this thesis to address these points. What is known about capability building and adaptation lacks causal

understanding. The next section seeks to understand more from the literature about what environmental factors cause small business owners to adapt firm practices for competitive tendering.

2.8.3 The nature of the tendering environment

Public procurers expect suppliers to be uniformly able to meet a wide range of socio-economic criteria expressed in tender documents as well as to supply the product or service to the agreed specification. Such criteria typically require demonstration of a positive impact upon workforce diversity, local employment and skills, low carbon productivity and alignment to specific policy agendas. This reflects the dichotomous role of the public sector to operate with a wider scope than profit (Zheng *et al*, 2007; Murray, 2009) by simultaneously servicing the regulatory, commercial and socio-economic goals underlying UK public procurement policy (Caldwell *et al*, 2005). Small firm owners consulted have interpreted social responsibilities as primarily about how they treat their staff rather than the local community in general (Baden *et al*, 2011) and so confusion exists in the terms used within tender specifications. Undefined specifications during the application process, such as the balance between budget and service levels, are perceived to occur and could inadvertently lead to frustration.

Literature is clear and consistent about multiple external barriers that can affect SME tendering capability. Market conditions such as austerity or efficiency shape purchasing practices; for example, aggregating contracts above SME delivery capability or reducing contract budgets (Freshminds, 2008; Loader, 2013), procurers lack purchasing professionalism and demonstrate policy ambiguity (Fee *et al*, 2002; Loader, 2005; Georghiou *et al*, 2014; Flynn and Davis 2016). Public sector tendering is bureaucratic, formalised and legalistic in nature and qualification standards disproportionate to contract size and nature (Fee *et al*, 2002; Baden *et al*, 2011; Cabras, 2011; Loader, 2015) and opportunities have high transaction costs; bureaucracy creates high compliance costs (Fee *et al*, 2002; Erridge,

2007; Flynn *et al*, 2013). Capability is by nature temporal in a dynamic environment (Woldesenbat *et al*, 2011) and procurers seek a public sector contract track record from bidding firms Loader (2005); Preuss and Walker, 2011; Pickernell *et al* (2011). Procurer attitudes are risk averse to SMEs (Loader, 2007; Freshminds, 2008) and supplier requirements exclude SMEs and SMEs lack capacity to take advantage of opportunities (Freshminds, 2008). SMEs are poor at 'business to government' marketing (McKevitt and Davis, 2013). Tendering failures limit SME orientation towards learning (Smallbone, 2009). Public sector purchasers do not understand SMEs (Pickernell *et al*, 2011) and an assumption by large firms that formal standards and accreditations are a relevant measure of SMEs (Spence, 2007). Studies are still limited in how they can explain variation of small business tendering performances. Public procurement resides within a multi-stakeholder environment (Erridge, 2007; Erridge, 2009) and there is a gap in consideration and understanding of the impact of procurement models and their associated practices on SMEs (Loader, 2007).

Interest remains in the resource position of SMEs (Loader, 2011) to investigate whether public sector procurement models hinder SME suppliers through their purchasing approaches in an "*environment of austerity*" (p.287). Loader's study with English local authorities builds upon Erridge (2007) to assess the use of public procurement to support government policy in its broadest sense, and to build evidence about the impact of procurement approaches upon SMEs from local authorities in England. Two studies adopt a capability perspective (Flynn and Davis, 2016; Reijonen *et al*, 2014) where tendering capability is presented as a process rather than as a static concept. One study uses a dynamic capability perspective to explicate capability as a process or as an integrated task from an entrepreneurship perspective at micro-foundation level (Woldesenbat *et al*, 2011). However, the review exercise has identified knowledge deficiencies in relation to the focus of this thesis, and the research gap is explained in the next section

2.9 Location of a research gap and research questions

This chapter has critiqued literature on firm tendering capabilities, the tendering environment and firm resources required to act within it. Research on the small firm and public procurement relationship problem has, to date, made a clear observation that small firms struggle to resource the tendering process. It has not, however, identified exactly what resources are needed to be competitive. Neither does it explain how these resources are acquired by SMEs that are competitive, how the resources are organised to competitive effect or how small firms learn to draw in and organise resources competitively. It is also unknown if procurement is actually a framework of capabilities. In short, the mechanisms of successful tendering remain in a 'black box', as do the processes that might help us develop competitiveness in more small and medium-sized businesses. Tendering capability is inadequately conceptualised to account for variable capability performance from firms. Descriptive data does not build understanding of causal structures and the exercise of agency by small firms is largely overlooked. Studies to date lack a processual approach to observe micro-foundational actions, so do not recognise capability as an evolutionary continuum, and the role that learning plays within incremental capability growth.

Knowing about how capability is physically developed through the experience of doing it and the processes built to support capability in small firms is another distinct research gap. It relates to the need to increase our knowledge of capability development from the SME perspective; the number of prior studies that represent the small firm perspective are few (Woldesenbat *et al*, 2011; Reijonen *et al*, 2014; Tammi *et al*, 2014; Flynn and Davis, 2016). Research on the small firm and public procurement relationship problem has, to date, made a clear observation that small firms struggle to resource the tendering process (Karjaleinen & Kemppainen, 2008; Baden *et al*, 2011; Pickernell *et al*, 2011; McKevitt and Davis, 2013; Loader, 2013). It has not however identified exactly what resources are needed to be competitive. *Neither does it tell me how these resources are*

acquired by small firms that are competitive, how the resources are organised to competitive effect or how small firms learn to draw in and organise resources competitively. Procurement capability is poorly conceptualised, and this is a key point. In short, the mechanisms of successful tendering remain in a 'black box', as do the processes that might help us develop competitiveness in more small and medium-sized businesses. This creates the first research question:

RQ1: *What are the practices, expressed as routines, that generate capability to successfully tender in the case firm?*

We are provided with a static and limited insight into the nature of the problem of resourcing public sector tenders. *It is not yet understood why some small firms successfully compete to fulfil competitive tenders while others do not.* There is limited understanding of the potential for overcoming barriers to public sector tendering as learning emerges through routines that command resources effectively, not just resource ownership. Furthermore, discussion of routines in small firms that apply to small firm tendering practice is absent. A much more theoretically informed and causal analysis is required to know what preconditions need to exist for firm capability to emerge.

Literature is also unclear on the relationship between firm actions (agency) in its capacity to unlock resources to tender. Firm agency is partly elucidated through exploration of entrepreneurial orientation through pro-activity and innovation (Reijonen *et al*, 2014) but it is not known what triggers firm behaviour beyond rent-seeking self-interest. For example, what conditions, internal and external conditions to the firm, need to exist for a firm to behave more proactively, or invest in opportunity seeking or market intelligence gathering? Current literature has not sufficiently addressed these questions from a micro-foundational or a causal perspective. Equally, small firm agency effects on the market are not adequately researched. It is unclear how SMEs can exert market power themselves on opportunity construction.

Existing empirical work displays limits to what is known about how small firms tender. It is unclear where this information resides within the business in routines, in owner tacit knowledge or not at all. We are not informed how small firms succeed the first time, only that it is the steepest learning curve. Empirical work offers scarce examination of physical tender documents or the completion process by SMEs to draw conclusions about routines or habits that are effective.

No empirical evidence has been found to suggest whether competitive SMEs actively seek tendering experience in new recruits, to buy in, rather than to grow knowledge and skills, or how many SMEs give up after the first time. This thesis cannot answer all of these questions. With on-going recalibration of resource demands, it is unknown whether there have been any particular triggers to procurement processes or demands that have triggered a particular reaction. Nor is it clear whether SMEs who orient their business practices to fit public sector supply end up specialising in the public sector marketplace, and distract from private sector contracts.

Firm tendering practice is characterised by having to cope with increasing external institutional pressures, but explanation offers only a one-dimensional interpretation of effects associated with resource intensive processes. There is minimal exploration of firm strategies to exert upward influence on the system. Existing knowledge shares perspectives about public policy and procurement processes. This tends to make assertions about small firms rather than examine what they actually do and why, so looking at public procurement engagement from the small firm perspective offers originality. This leads to formulation of a second research question (RQ):

RQ2: *What causal powers exist within the tendering environment to constrain and enable small firm tendering performance?*

Existing literature is not able to explain the macro operating conditions that firms find themselves in when they place themselves in tendering environments, or to tell us if procurers are sensitive to effects on small firms when they exercise power. Tendering performance contexts are generally treated as a static rather than a dynamic concept and do not position firm performance in a wider institutional framework of engagement within a national tendering regulatory framework. There is a gap in exploring the discrete contextual factors of each case that sit alongside omnibus or marketplace contextual factors of how tendering works as a form of competition, its regulatory framework and the form of language used in knowledge exchange attempts.

Further, discussion of the dynamic nature of tendering as a social institution would indicate a risk of skills and knowledge atrophy if continuous learning does not occur, yet there are scarce references to how firms learn from tendering experience and apply it to adapting situations and new resource demands. This creates a third research question,

RQ3: To what extent, and how, do firms learn to improve their tendering capability through repeated experience?

Further enquiries into how small firms acquire, assimilate and apply knowledge to tendering performances would aid understanding of capability emergence and adaptation to its dynamic operating environment. Routines for seeking knowledge and improving practices can be explored through case findings, observable at micro-foundational level.

2.10 Chapter summary

This chapter has reviewed extant literature to focus on what is known about small firm tendering capability. A structured approach has critiqued studies, asking questions about what is already known about firm ability to tender, how efficacy to tender is shaped by firm interaction with the market environment to emerge from context, and upon what resources practice

depend. Literature has shown existing studies to be multidisciplinary in nature, from economists to CSR interests, and substantially a-theoretical. Existing empirical studies of capability development are informative but limited. This thesis fulfils a theoretical and methodological gap in the current literature. It is a critical realist study on small firm tendering that is able to capture the complexity of relationships between small firms and public purchasers.

Three research questions have been constructed from the knowledge gap. A much deeper conceptualisation is required to account for the dynamic and idiosyncratic nature of the tendering environment, the importance of agency in constructing firm tendering behaviour and to develop a process perspective of capability enactment. Theoretical considerations to conceptualise tendering capability that can address each research question are explored in the next chapter.

Chapter Three: Theoretical framework to conceptualise tendering capability

3.1 Introduction

This chapter explains the theoretical framework, constructed by the researcher, through which tendering capability is conceptualised. The framework is required because an existing definition that can explain capability in the context of firm agency and structural (operating) conditions does not exist, either to understand empirical claims or to offer a process perspective. A critical realist study lends itself to investigating small firm tendering capability as contingent on its environment and context. This renders capability theory on its own valid, but insufficient.

Capability theory can define the nature of firm resources, explored in this chapter as forms of capital with a focus on human, social, entrepreneurial and financial capital. Human capital is defined as stocks of knowledge, skills and experience that reside in people (Becker, 1964). Social capital refers to the ability to facilitate external knowledge acquisition and support knowledge exploitation (Yli-Renko *et al*, 2001). Entrepreneurial capital is the skill or ability to organise the function of entrepreneurial competence and commitment (Erikson, 2002) and financial capital is the money, credit and other forms of funding that companies require to invest in their business. Critical realism facilitates exploration of routines as building blocks of capabilities (Dosi *et al*, 2000) and account for their operational and dynamic nature (Zollo and Winter, 2002).

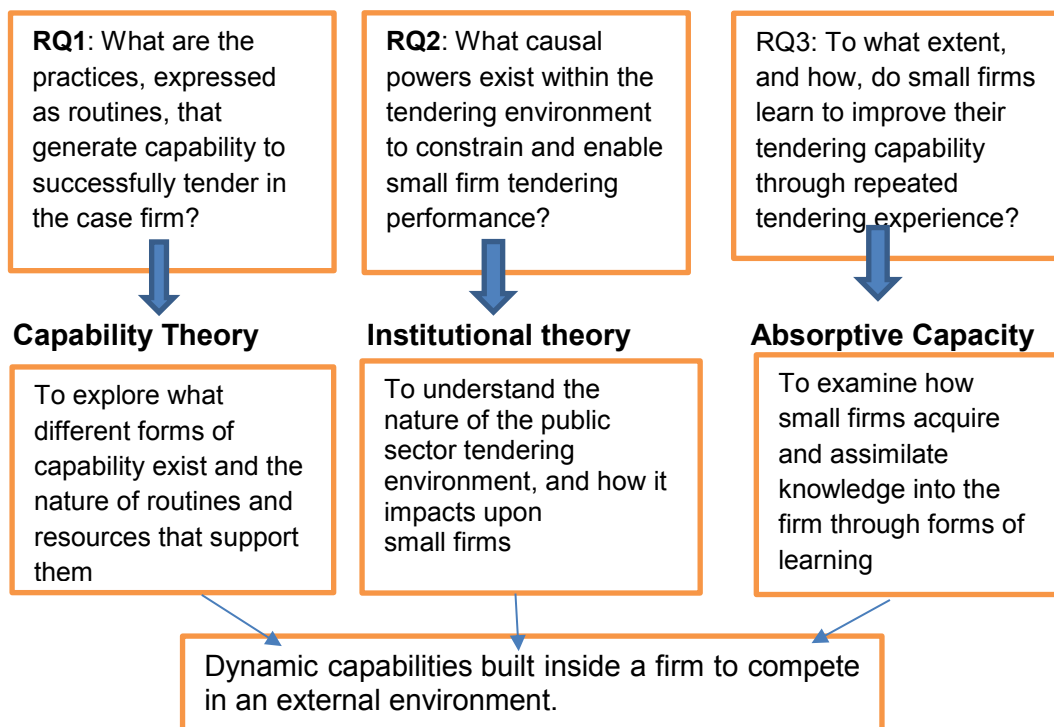
Capability theory has several interpretations to offer; a resource-based view (Penrose, 1959; Barney, 1991), a knowledge-based view (Grant, 1991) a core rigidities view (Leonard-Barton, 1992) and a dynamic capability perspective (Teece *et al*, 1997; Eisenhardt and Martin, 2000; Teece, 2007). What it is unable to do is to describe the nature of the public sector tendering environment and its impact on small firms as institutional inhabitants.

Ultimately, firm capability must respond to market demand, and that is why institutional theory is utilised to frame the second research question in Figure 3.1. Institutional theory can examine the structural context and conditions of tendering practice. Finally, as tendering knowledge can be accessed from the external environment as well as through experience accumulation inside the firm, a theoretical explanation of putting knowledge assimilation and application to productive and sustainable use can be met through absorptive capacity theory. This theory explains capability renewal. Collectively, the theoretical framework shown in Figure 3.1 address the three research questions posed at the end of chapter two.

3.1.1 Establishing the research framework

The theoretical framework displayed in Figure 3.1 is the result of continuous reflection on case findings, and a desire to articulate a better explanation of tendering capability emergence, *and* its sustainability, inside a firm. Each theoretical perspective corresponds to a specific research question.

Figure 3.1: Theoretical framework to study small firm tendering capability



Capability theory is discussed first in the next section as the study is about capability and it is a logical place to start. It posits competitive ways that firms accrue, combine and reconfigure their resources into routines that get crucial work done, in this case, public sector tendering. Secondly, institutional theory is utilised to pursue the first research question to examine the structural context and conditions of tendering practice. Finally, absorptive capacity theory is employed to address the final research question. It aids understanding of how firms 'know what they know'. Existing literature alludes to the benefits of tendering experience accumulation (Smallbone *et al*, 2009), yet it is interesting to see how experience accumulation relates to upgrading firm knowledge. In other words, the dynamic capability aspects of learning from experience.

The chapter is structured into five sections. Following the introduction, section two raises questions about how capability theory, including dynamic capability theory, can be used to examine tendering practices. This is the largest section, as it discusses capability, routines and resources as a hierarchy of firm assets. Section three introduces an institutionalist approach to inquiry to explore aspects of institutional power within institutional theory. Section four focuses on the utility of absorptive capacity to understand firm-level market learning and contextual adaptation to market practices. Section five concludes with a summary of ideas taken forward into an integrated framework that enable tendering capability to be conceptualised.

3.2 Capability theory and tendering practices

3.2.1 Defining what capability means

An accepted definition of capability is:

“a set of differentiated skills, complementary assets, and routines that provide the basis for a firm's competitive capacities and sustainable advantage in a particular business” (Teece *et al*, 1990, p.28).

The term 'capabilities' is traced to 1972, where it was expressed that organisations will tend to specialise in activities for which their capabilities offer a comparative advantage (Richardson, 1972). Capability theorists view capabilities as a key dimension of firm heterogeneity and as part of the evolutionary development of organisations as social artefacts (Nelson and Winter, 1982). The capacity to perform reliably an activity of some type implies only that a capability meets a minimum standard of acceptable functionality (Helfat, 2007). As Winter (2000) notes, how well a capability performs its intended function is a matter of degree.

The purpose of capabilities is to get things done, but they also deal with adaptation, change and learning (Bingham *et al.*, 2007) and enhance the productive value of resources (Makadok, 2001). Similarly, Teece (2007) calibrates capabilities into a display of technical fitness (to perform a function and get the job done) or a display of evolutionary fitness - a dynamic capability to help shape the environment. These effects are important to enabling market access and sustainability. Capabilities develop in part through practice. As a firm gains experience performing an activity, the capacity to perform it again in the future tends to improve, particularly early in the development of a capability (Zollo and Winter, 2002). Capabilities are introduced in literature as interlinked with knowledge and resources (Barney, 1991).

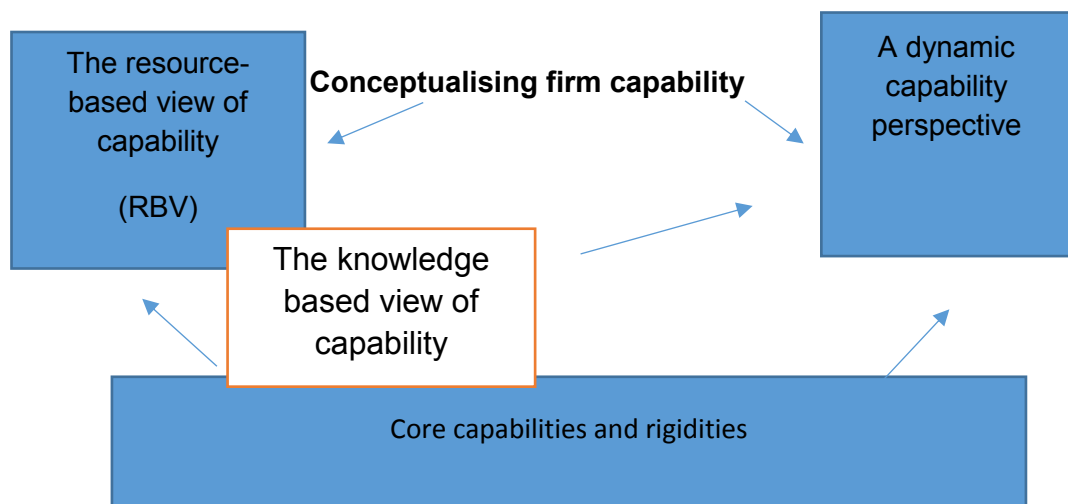
Capabilities have an intended and specific purpose (Amit and Schoemaker, 1993; Dosi *et al.*, 2000; Helfat *et al.*, 2007; Winter, 2003) and they can be operational or dynamic. They evolve through three stages of development: founding, developing and maturing, known as the capability lifecycle (Helfat and Peteraf, 2003). At maturity stage, capabilities are routines that are embedded in the firm through repetition. They offer the firm an ability to coordinate and deploy resources in order to achieve the firm's goals (Amit and Paul, 1993). Capabilities rely extensively on organisational processes (Amit and Schoemaker, 1993; Eisenhardt and Martin, 2000; Helfat *et al.*, 2007), otherwise described as routines that

persist beyond typical tenure of individuals in organisational roles (Winter, 2012).

3.2.2 Models of capability theory

Theoretical interpretations of capability begin to address the second research question, '*What are the practices, expressed as routines that generate capability to successfully tender in the case firm?*' The evolution of organisational capability can be traced back to Penrose (1959), who laid the foundations for the resource-based view (RBV) in strategic management literature. Subsequent definitions later emerged (Barney, 1991), with the addition of a core capability perspective (Leonard-Barton, 1992), a 'knowledge-based theory of the firm' (Grant 1996) and a dynamic capability firm perspective (Helfat, 1997; Teece, 2007; Teece and Pisano, 1994; Teece *et al*, 1997; Eisenhardt and Martin, 2000). Capability literature spans a wide field, but there are two broad interpretations in strategic management literature about capability building mechanisms as shown in Figure 3.2 below: the resource-based view (RBV) that also incorporates the knowledge-based view (KBV) and core capabilities and rigidities; and a dynamic capability perspective.

Figure 3.2 Broad interpretations of capability



The resource-based view (RBV) is a dominant and influential theory in the strategic management literature to conceptualise firm competitive advantage and management decision-taking (Barney, 2001). It explains

sustainable, competitive advantage through rent-earning capabilities of internal firm resources that are protected from imitation. Penrose (1959) highlighted the importance of resources to a firm's competitive position and the fact that firm growth is aligned to how its resources are deployed. RBV continues to be recognised as an accepted model of business growth (Macpherson & Holt, 2007). Penrose conceptualised a firm as “*a collection of productive resources*” (Penrose, 1959, p.24) where their competitive capacity relied upon effective internal exploitation of resources. The focus of attention of the RBV is the internal environment of the firm (Wernerfelt, 1984) and resources are expressed as forms of capital. The RBV is also a vehicle to formulate an explanation of the foundations of capability as it is about the ownership and mobilisation of resources around opportunity. It can explain how firms acquire and keep competitive advantage over time (Eisenhardt & Martin, 2000), when strategic capabilities are the enactment of internal resources.

Sustained competitive advantage comes from the resources a firm controls (Barney, 1991,2001). RBV literature focuses on four firm attributes to hold sustained competitive advantage, being valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991). Exploration of firm processes will identify how resources to successfully tender fit within the VRIN framework. The RBV suggests that the profit-generating potential of resource heterogeneity and immobility is greater when these attributes are generated inside the firm through in-house resource investments. This model does not take account of the structural conditions and social complexity of the wider tendering environment, which can render firm access to information as incomplete and heterogeneously distributed. Indeed, the static nature of the RBV, 'the processes through which particular resources provide competitive advantage remain in a black box' (Barney, 2001, p.33), has been criticised for lacking a more dynamic approach (Priem and Butler, 2001). The RBV has not taken into account how resources accrue through social structures acting on entrepreneurs and firms. Finally, the RBV fails to address the dynamics of competition.

Grant's knowledge based view of the firm (1991), or KBV, is situated within the RBV to present the notion of firm's resources and capabilities as the building blocks for strategy formulation. Grant refers to six types of resources (financial, physical, human, technological, reputational, and organisational) and he places knowledge (human resources or people-based skills) as the primary strategic resources of a firm. Grant (1991) analysed capability in terms of the role of knowledge within a firm, which concurs with an organisational competency perspective (Prahalad and Hemel, 1994). Knowledge is positioned as the primary productive resource in a firm, and assumptions are made about knowledge characteristics. The assumptions are that knowledge as a primary resource has strategic significance, that it can exist in explicit and tacit forms, that knowledge transferability is key, and that, where information resides in a tacit format, individuals are the primary repositories.

A five- step analytical framework for a resource-based approach to strategy formulation is proposed (Grant, 1991) to: i) analyse its resources; ii) appraise its capabilities; iii) analyse its competitive advantage; iv) select a strategy; and, v) identify resource gaps, using resources and capabilities to upgrade them. The KBV offers a useful insight into the microstructure of capabilities for team-based integration accessing and integrating knowledge and focusing on the role of knowledge in routine creation. In a dynamic external market environment, Grant positions a firm's resources and capabilities as reliable and enduring for competitive strategy deployment. Based upon the literature review it is likely that knowledge will emerge as a primary productive resource. Thesis fieldwork will look for its existence in tacit and codified processes.

Staying within a knowledge-based view, Leonard Barton (1992) claims that it is a firm's knowledge set that provides and distinguishes its competitive advantage. She classifies capabilities according to their function, and her work is cited in dynamic capability literature by Teece *et al* (1997) and in RBV literature (Wernerfelt, 1984). Capabilities are categorised as *core, supplementary or enabling*. A core capability refers to a firm's resources,

processes, or abilities that make it distinctive from its competitors, and it possesses four dimensions: i) skills and knowledge; ii) physical systems; iii) managerial systems; and iv) values and norms. As such, it will provide sustainable competitive advantage (Leonard-Barton, 1995) and it contributes to the perspective of absorptive capacity (Cohen *et al*, 1990). Supplementary capabilities exist to add value to core capabilities and are open to imitation. In contrast, enabling capabilities not only add value, but also are also necessary to distinguish a company competitively. The question arising is whether tendering is itself a core capability, with firm-specific skills that are less open to competitor imitation. If it is, then Barton's claim that a core capability can also act as a liability must be considered. In dynamic environments, a core capability can act as a rigidity (Leonard-Barton, 1992), precluding a firm from flexing and shaping its way of acting.

A second broad interpretation of capability theory in strategic management is dynamic capability theory, defined as the *"firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments"* (Teece *et al*, 1997, p. 516). Whereas the resource based view focuses on resource possession, dynamic capability theory is concerned with resource utility. It may assist with exploration of the often hidden processes that enable a firm to respond to change and tackle new opportunities. A dynamic capability (DC) perspective (Amit and Paul, 1993) also sees a firm's capability in deploying resources through firm processes. DCs are further described as *"tangible or intangible processes that are firm specific and developed over time through complex interactions of a firm's resources."* (Amit,1993, p.35). Whereas the RBV focuses on a firm's internal strategy in stable environments (Priem and Butler, 2001), a dynamic capability viewpoint can offer an explanation about how firms sustain resource-based advantages in dynamic environments (Ambrosini *et al*, 2009). A dynamic capability perspective pays attention to the *external* focus of a firm's resources to respond to environmental evolution (Teece and Pisano, 1994; Helfat, 1997; Teece *et al*, 1997; Eisenhardt and Martin, 2000; Teece, 2007). In a changing environment for procurement routines, suppliers are being required to modify their resource base. Dynamic

capabilities are considered to be built rather than bought (Makadok, 2001) because they are difficult to imitate, and as organisational processes (Helfat, 2007) or routines that evolve. A typology of dynamic capability routines already exists, including ideas generation, new product development, and new process development capabilities (Ambrosini *et al*, 2009). However, it is known that in small firms the founder and firm resource capital continually changes over time, and that this affects the development of dynamic capabilities (McKelvie *et al*, 2009).

Several ideas are taken forward from DC theory to examine empirical findings; are there any dynamic routines that support tendering?, what role does DC play in resource renewal, and, how can DCs be observed in fieldwork? The next section pays attention to literature about routines.

3.2.3 Capability examination and firm routines

“Any form of capability consists of routines or processes that are formed through experience” (Woldenbesat et al, 2011).

All capabilities consist of routines to perform tasks and to co-ordinate them, so theoretical insight into routines is necessary. Routines are the skills of an organisation (Nelson and Winter, 1982): units or ‘chunks’ of organised activity with a repetitive character. Organisational routines may be formally codified into tools such as manuals, check-lists and training books or depend on tacit knowledge and be only quasi-repetitious, offering managers a set of rules of thumb (or heuristics) that enable efficient processing and flexibility (Bingham *et al*, 2007; Winter, 2003). Heuristics literature extends knowledge of how to observe and understand habits and routines. The term ‘heuristic’ refers to experience-based techniques for problem solving, learning, and discovery, and is often described as ‘rule of thumb’, an educated guess or an intuitive judgement. Firms may learn high performing processes by simply accumulating particular types of experience, or translate their experience into articulated heuristics. Heuristics might be at the heart of firm capabilities to engage in competitive

tendering in small firms. If so, staff members must actively translate their process experience into shared heuristics for opportunity capture in order to develop a high performing process, and hence a firm capability. Static routines cause inertia in process development (Zollo and Winter, 2002) and create core rigidities (Leonard-Barton, 1992). On the other hand, constantly tinkering with capabilities is costly (Zahra *et al*, 2006). Like capabilities, routines are conceptualised as both operational and dynamic (Zollo and Winter, 2002). Operational routines enable a firm to perform an activity on an on-going basis using more or less the same techniques on the same scale, and described as 'ordinary'. Dynamic routines change existing ones to play a more transformational role in firm practices (Winter, 2003; Helfat and Winter, 2007).

Firm leaders engage episodically in tendering practices using routines as building blocks for capability. Each tendering episode mobilises resource stocks into activities that propel the creation of firm-level routines to produce and display general and specialist forms of knowledge to interpret the demands of a tender in a dynamic procurement environment. Literature on routines and resources introduces a micro-foundational aspect to the conceptual research framework. There are two streams of literature on routines; the empiricist approach that emphasises experience accumulation through repetition and the importance of external stimuli to drive change (Helfat and Winter, 1982), and the rationalist approach that sees routines as disposition (Hodgson, 2004) where capability can be understood by the triggering role of the experiential environment. The latter approach is useful to study the underlying 'micro foundations' of a small firm and the corporate agency or collective action that is taken by individuals in a firm (King *et al*, 2010).

The nature and characteristics of routines have been defined and interpreted in literature as primarily enacting organisational stability (Weber, 1984; Baum and Singh, 1994; Schultz, 2008) but also amenable to adaptation (Cyert and March, 1963), mutation (Nelson and Winter, 1982). Latour (1986) identifies and distinguishes routines as ostensive or

performative in nature; ostensive referring to the ideal view of what the routine should accomplish, and performative pertaining to what actually happens. Three dimensions of routines - cognitive, motivational, and normative (Nelson and Winter, 1982) are said to interact with each other.

Whilst the concept of routines goes back to 1940 (Stene), interest in studying routines has evolved from its original conception of individual habits into group action. The former interpretation of stability enactment views resources independently from people, whilst the latter is concerned with how the role of agency shapes routine enactment and vulnerability to change. Feldman and Pentland (2003) develop the ontology of routines by describing their nature as having two parts:

[one part is] “the abstract idea of the routine (structure), while the other part consists of the actual performances of the routine by specific people, at specific times, in specific places (agency). Each part is necessary, but neither part alone is sufficient to explain (or even describe) the properties of the phenomenon we refer to as “organizational routines.” (Feldman and Pentland 2003, p. 95).

The claim then is that, to understand the interactions between the abstract idea and the actual execution, firm routines should be characterised as a source of change. This is reinforced by the improvisatory nature of performing a firm level routine (Weick and Roberts, 1993).

3.2.4 Capability examination through a firm's resource base

A firm's resources are founded on their current internal resource base (RBV) and by their ability to optimise the availability of resources (DC). From a strategic management RBV perspective, Grant (1991) identifies resources as technical, financial and reputational. Resources are treated as internal sources of competitive advantage in RBV, and the firm is seen as a bundle of resources (Penrose, 1959), whilst they are treated as embedded performance assets in DC theory (Teece *et al*, 1997). Irrespective of each position, owning a business per se is reliant upon

access to both financial and non-financial resources (Firkin, 2003) and scrutiny of the form and level of resources absorbed by public sector tendering is important to determine of what capability comprises. The existence and levels of forms of capital are relevant to examine, as empirical literature confirms that resource scarcity severely limits the development of small firm tendering capability (Loader, 2007; FSB, 2012). Resources, however, play a varying role in capability development (McKelvie and Davidsson, 2009) so it is important to go beyond establishing their existence to examine in fieldwork how they are built and put to use in a procurement environment.

Contemporary organisational theory argues that the competitive organisation should invest in a more conscious, patterned and long-term process of change that integrates explorative and exploitative learning and capabilities. Explorative learning involves organizational members' pursuit of new experimental alternatives to improve business operations (Jones, 2010) and exploitative learning refers to learning gained experientially, including the selection and reuse of existing routines" (Su, Li, Yang, & Li, 2011). This process must be embedded in routine or quasi-routine knowledge search and articulation conducted during both opportunity and advantage seeking (Siren *et al*, 2012). Knowledge must then be integrated to envision new resource combinations and result in the addition, adaption or removal of capabilities. This process means changing the firm's resource base through leveraging (putting existing fungible resources to new uses), accessing (drawing in external resources) and releasing (dispensing of low productivity resources to release capability or to avoid bad costs), (Danneels, 2008).

Four types of resources are introduced as forms of capital that access, release, codify and innovate firm-level knowledge. They are: i) human capital, ii) social capital, iii) entrepreneurial capital, and, iv) financial capital. Collectively, resource stocks can be deployed into different combinations within a firm to codify knowledge into routines.

Human capital

Human capital is characterised as affecting “*the identity, role and influence of the entrepreneur and manager in the exploration for, and exploitation of, knowledge resources*” (Thorpe *et al*, 2005, p.262), and “*the knowledge and skills of a firm’s entire workforce*” (Hitt *et al*, 2001, p. 501). Human capital is known to create functional capabilities that include decision making and the ability to solve organisational problems (Penrose, 1959), but knowledge resources need to be combined with tangible resources, such as financial means and technical equipment, in order to have full effect (McKelvie and Davidson, 2009). Measures of human capital already identified as critical, non-tangible resources include experience and functional expertise (Becker, 1964; Davidsson & Honig, 2003; Camacho & Rodriguez, 2005; Manigart *et al*, 2007; Shrader & Siegel, 2007). Other types of experiences, such as family background or the presence of partners (Coleman, 2007) is also considered. In general terms, companies understand how to use human capital as a driver of competitive business advantage (Young, 2005) and of profitability and growth (Coleman, 2007). These findings have a direct relevance to how firms tacitly and explicitly promote and enact their levels and types of human resource in a procurement routine. Notably, limited literature exists about the human capital needed to enter the procurement process.

Social capital

Social capital is conceptualised within literature as an intangible resource arising from relationship structures (Putnam, 1995) and as the result of actions of a group that affect its economic goals (Portes and Sensenbrenner, 1993). In practical terms, social capital describes the firm’s ability to draw resources, such as knowledge, out of networks (Edwards *et al*, 2006). A public sector procurement journey requires a firm to demonstrate a “multi-criteria” approach to demonstrating its capability to fulfil the contract. Social capital can describe the ability of the small firm to compensate for resource constraints internally by acquiring resources

through its partnerships and associations. It is the existence and enactment of social capital that facilitates firm-level information search and gathering (Thorpe *et al*, 2005). Smaller firms' use of social capital to respond to the tendering challenge is portrayed in empirical literature as networking and bridging skills (Woldesenbat *et al*, 2013) and relational capabilities (Flynn and Davis, 2016b). The concept has evolved over time to refer to specific benefits derived from relational or structural alliances such as "*privileged access to knowledge and information, preferential opportunities for new business, reputation, influence and enhanced understanding of network norms*" (Inkpen & Tsang, 2005, p.150).

Social capital has been associated with many aspects of organisational structure, such as brand identity (Runyan *et al*, 2008) and entrepreneurship (Anderson and Park, 2007). Its multiple applications and constructs have led the term to be described as a "*definitional jungle*" (Neergaard, 2004, p.107), and "*a revolving mutual fund of traded and un-traded interdependencies*" (Andersen *et al*, 2007, p.246). It is referred to as social connections used to obtain resources (Kim and Aldrich (2005), as networking capital (Anderson and Jack, 2002) and as difficult to see and measure (Ostrom, 2000). Other perceived benefits of social capital include influence, control and power (Adler and Kwon, 2002). Nevertheless, social capital provides a useful notion for exploring how small service firms approach networking to build relationships and foster their reputation (Almeida *et al*, 1998; Shaw *et al*, 2008) and to investigate how relationships and reputation are enacted within tender responses. The networking behaviour of firms has been linked with their innovative capacity (Pittaway *et al*, 2004) and this is relevant to how SMEs access knowledge about tender opportunities and requirements. Networking theory argues that "*academic literature presents alliances and networks as viable development options to compensate for internal knowledge deficiencies*" (Valkokari and Helender, 2007, p.602). Networks, then, may create access to resources through trust and knowledge acquisition. Empirical research that investigates the meaning of relationships to owner-managers of small firms has value within this field because themes such as trust are

interpreted differently according to the nature of their relationship with existing and prospective customers:

“Relationships are conceptualized as the mechanism that links the firm to its environment and causal to the impact that change in the environment has on the firm” (Fuller & Lewis, 2002, p.371).

If an association between performance and social capital, used at firm level, is a resource to be exploited for organisational performance enhancement (Cooke *et al*, 2005) then trust as a dimension of social capital used within networks may have an influence in raising SME capability. Knowledge acquisition is also identified as a direct benefit of social capital (Adler & Kwon, 2002) and as *“the ability of entrepreneurs and managers to acquire and exploit knowledge arising from external relationships”* (Thorpe, *et al*, 2005, p.268). There is a well-established body of literature that cites the importance of the relationship between knowledge and networking with a strategic alliance, described as a group of firms voluntarily exchanging, sharing, or co-developing products, technologies, or services (Gulati, 1998). This postulates that strategic cooperation and networks allow SMEs to compete and innovate. All firms practice some degree of social capital exploitation, with innovative and knowledge-intensive firms known to be high users of social capital (Cooke, 2005; Cooke *et al*, 2007). Social capital has been partly conceptualised in literature in relation to procurement behaviour and it is an enabling influence upon public sector market access. The definition being taken forward is that firm level social capital may unlock resources through building relationships with external organisations and unearth knowledge about rare markets.

Entrepreneurial capital

Entrepreneurial capital is the skill or ability to organise socially embedded resources used in the creation and exchange of goods and services intended for profitable market exchange. The entrepreneurial process itself is described as *“the pursuit of opportunity and the mobilization of resources to create, deliver and capture value through business activity”* (Garnsey,

Stam and Heffernan 2006, p.5). Furthermore, entrepreneurs' networks are known to be important to opportunity recognition (Hills *et al*, 1997). As firms' success relies upon on their capability to develop relationships and build their reputation within a target customer base and key stakeholders, entrepreneurial capital is an important and relevant concept for exploring how small firms secure public contracts by orienting resource combinations to a perceived market need.

Entrepreneurial capital at macro-level is society's capacity to generate entrepreneurial activity (Audretsch and Keilbach, 2005). However, it is typically expressed as forms of innovative behaviour that business owners or leaders possess, both within existing organisations as well as with business start-up. Higher levels of entrepreneurial capital can result in improved capacity to adapt to a changing business environment, and business leaders who exercise entrepreneurial capital in how they conduct their firms can impact upon how they choose to combine and reconfigure resource stocks. It is debatable whether entrepreneurial capital is a form of capital in its own right or a way of describing a combination of how social and human capital can be enacted. It has been applied to define entrepreneurial competence as a specialist form of human capital (Erikson, 2002) and to describe both human and social capital (Zorn, 2004). For the purposes of this study, it refers to a form of action that mobilises resources to generate innovation and risk-taking behaviour and relies on entrepreneurial self-efficacy (Chen *et al*, 1998). The impact of entrepreneurial capital is central to tendering capability (Flynn and Davis, 2016); Woldesenbat, 2011). It is also discussed in literature in relation to small firm reputation and performance (Shaw *et al*, 2008) with the entrepreneur identified as a special resource in SMEs (Rangone, 1999). Entrepreneurial capital is seen as a dynamic rather than a static concept (Firkin, 2001), and this highlights the role of entrepreneurial capital as a resource in its own right to be alert to, and to co-ordinate resources around, new opportunities.

Financial capital

Financial capital is relevant to small firm tendering capability because aspects of a firm's levels of financial capital are assessed through tenders, often demanding a minimum existing turnover or implicitly seeing risk in awarding a tender to a firm with a turnover deemed too low to represent a sustainable business. Time to tender is an upfront investment activity that costs a business through employee salaries. Purchase of financial indemnity is required to be awarded a public contract and other costs associated with market legitimacy such as membership recognition through awards such as Investors in People. Complex tenders typically involving staff staying on a contract but changing employer to the awarded firm or a 'transfer of protected employment' (TUPE) agreement. Managing this can require firms to purchase very specialist forms of legal advice and to have latent management capacity to deal with it if the contract is won. There is an interesting question to ask about how the scale of a firm's financial resources relate to the size and proportion for which smaller firms can go.

3.2.5 Synthesis of discussion on capabilities, routines and resources

Tendering is a relatively technical and highly formalised market institution. Unlike most market capabilities (Danneels, 2008). Tendering may be relatively difficult to learn over short periods. It is therefore a rare resource, amenable to protection by secrecy. Thus, developing organisational capability to tender competitively is likely to represent a considerable combination of resources and routines. Having reviewed capability literature, two conclusions can be drawn: first, that the notion of capability is not uniformly understood in the literature; second, that the primary opposing notions represent either an 'inside out', resource ownership perspective, or a capabilities-building Schumpeterian perspective (Wojcik, 2015) that analyses key aspects of innovation-led growth.

Resources are necessary to deliver capability, but action cannot be fully explained through RBV, as it does not allow for the flow of resources. RBV

fails to address the dynamics of market competition and how this affects capability demand (Montgomery and David, 1995). It does not recognise how firms exercise agency in creating and disturbing the distribution of resources and their rents. Regardless of their dynamic capability, small firms lack assets. It has been suggested that organisational processes are not just crucial to strategy, but rather are the strategy of firms, especially in entrepreneurial firms and dynamic markets (Bingham *et al*, 2007). Resources seldom lead to performance differences on their own; it is the application of resources (i.e. capabilities) which results in performance differences (Grant, 1991). This capabilities approach thus overcomes the critique of whether possession or usage of resources is the primary concern (Wiklund and Shepherd, 2003; Wiklund *et al*, 2005).

Finally, capabilities can be distinguished from routines; they do build capability but they are not their only component. Firm resources are also vulnerable to depreciation or atrophy, and they may or may not reside inside a firm. They are a necessary bedrock of firm performance, but their existence does not in itself create all the conditions necessary for competitive advantage. Some resources may be amenable to market exchange, such as staff knowledge, but others, such as firm reputation, may not. A key consideration for this study is how capabilities, routines and resources link together into a hierarchy of assets. Capabilities then refer to an assembly of routines, routines to a combination of resources or 'forms of capital' and resources to stocks of knowledge, skills, firm networks, reputation, finance and operating collateral.

3.3 Institutional theory: legitimacy, isomorphism, and structural rules

Institutional theory fulfils a missing gap in capability conceptualisation about how firm behaviour is shaped by, and reacts to, its external environment. It enables consideration of processes by which structures, rules, norms, and routines become established as authoritative expectations for social behaviour. It can offer a critical view on important aspects of conditions to:

study environmental constraints on action, to explain why small firms may adopt similar practices, to examine at micro-foundational level firm capability characteristics and understand authority that is exerted from the institution and the types of pressure that a social structure can exert upon its inhabitants (Kitching, 2016). Its application fits with a critical realist perspective to assist with the abduction (observation of empirical data through a theoretical lens, and the postulation of underlying mechanisms (retroduction) of findings data.

Institutional theory pays attention to three specific aspects that exert institutional power: i) tendering as a legitimate purchasing mechanism; ii) forms of isomorphism (pressure) that legitimacy exerts; and iii) its structural rules. The first research question, '*What causal powers exist within the tendering environment to constrain and enable small firm tendering performance?*', is concerned with institutional stability, power and its environmental effects, hereafter referred to as causal power. Institutional theory (Meyer and Rowan, 1977; Di Maggio and Powell, 1983) is relevant as it focuses on forms of social structure in society, recognising at its core that firms are embedded in wider political and social environments that influence practices and structures. Its application to explain small firm behaviour in relation to a complex and idiosyncratic institution of public procurement is novel, and yet it is useful to consider the national environment for the institution of tendering in terms of its regulatory authority. An institution in theoretical terms is a sense-making social structure. An institutionalist approach to enquiry perceives actors as embedded in institutional environments (Ebbinghaus, 2006) and that forces consideration of case firms within a wider operational context. An institution need not be a physical entity. It is defined as:

“Formal or informal procedures, routines, norms and conventions embedded in the organizational structure of the polity or political economy” (Hall and Taylor, 1996, p. 938).

Tendering is a social system with multiple actors. As such, it is classed as an institution where the focus of study is wider than just case firms; it takes account of institutional actors in the entire system, their interaction and the

impact this can have upon case firms. It is useful to explain how a firm *'adapts to a symbolic environment of cognitions and expectations and a regulatory environment of rules and sanctions'* (Argote and Greve, 2007, p.340) and can tease out the distribution of power amongst social groups. The following sub-sections of section three define organisational legitimacy as a societal construct, examine forms of isomorphic pressure that exist within public sector tendering and the nature of structural rules that are open to investigation in this thesis.

3.3.1 Organisational legitimacy

Suchman (1995, p. 574) defines organisational legitimacy as *"a general perception or assumption that the actions of an entity are appropriate within some socially constructed system of norms, values, beliefs and definitions."* Public sector tendering operates under government mandate (De Maggio and Powell, 1983) and with pressure for firm compatibility to meet prevailing norms. In this sense, if the institution of tendering encourages and rewards legitimacy seeking behaviours in its supply chain, then legitimacy is a part of a firm's tendering capability. Institutionally, both compliance and social forms of legitimacy requirements arise that, in turn, can encourage legitimacy-seeking behaviours that pressurise practices and priorities that may not actually improve efficiency (De Maggio and Powell, 1983; Sonpar *et al*, 2010).

Legitimacy is owned objectively but created subjectively (Suchman, 1995). It can be critiqued from the perspective of tendering as a societal construct and also from the firm's viewpoint. The public sector has legitimised tendering as a purchasing mechanism to uphold core values of transparency, openness and fairness. Therefore, it is able to justify its heavy resource demands upon bidding firms as a quality assurance mechanism, and this is referred to as structural or moral legitimacy (Suchman, 1995). Firms that purposefully fulfil actions using external environmental knowledge can calculate what conforming and manipulating legitimacy seeking attempts will pay off to build their capability

demonstration. This is classed as strategic legitimacy and it includes the role of active agency, unlike a purely institutional approach. Understanding firm strategies to gain and then maintain legitimacy in the public marketplace is part of this investigation. Empirical literature on firm practices alludes to institutional gravitation towards legitimacy through its demands for socio-economic goal fulfilment, driven by tender specification requirements and scoring criteria (Baden *et al*, 2011). It does not however recognise the role of agency, which is where strategic legitimacy becomes useful to understand market competitiveness.

3.3.2 Institutional Isomorphism

Institutional isomorphism (DiMaggio and Powell, 1983) is a generic term applied to three types of pressure that can arise from within an institution and cause actions that are aimed at social legitimacy or acceptance. Coercive isomorphism is a term to describe regulatory compliance pressures that emanate from public sector tendering environments felt by small firms. Mimetic isomorphism deals with influence exerted on small firms in uncertain conditions. In particular, where legitimacy of practices is sought through imitation of other firms and normative pressure effects are generated through processes of professional behaviour development. An example of mimetic isomorphism could be a firm's decision to hire a tendering 'expert' because SME leaders are confused by language used in a tender and require their knowledge upgrading. Normative isomorphism implies suggested behaviour that is tacitly embraced, such as acquiring forms of accreditation. Collectively, the notion of isomorphic pressures can be applied to investigate and perhaps explain why firms behave the way they do in terms of performance contexts and variations. Isomorphic pressure is a structural condition that links to legitimacy building processes as agential action. It is an idea that is taken forward into the design of a tendering capability framework.

3.3.3 Structural rules

Tendering is a persistent form of competitive public sector purchasing that influences the market conditions under which small firms operate. Within a critical realist study, institutional theory can be applied at macro-level to look at the stratified levels or entities in public procurement and at micro-level inside case firms. Adopting a laminated view of how public sector tendering is structured is introduced briefly here, but warrants significant deeper exploration. Chapter four is dedicated to explicating the theoretical relationship that exists between levels of entities (structure and conditions) at macro-level using institutional theory. Chapters six and seven then examine the effects of such conditions inside case firms within its findings.

3.4 Absorptive capacity and firm level learning about tendering capability

Research question three, *‘To what extent, and how, do firms learn to improve through repeated tendering experiences?’* is concerned with firm-level market learning and contextual adaptation to competitive practices. Competitive tendering is a process of knowledge exchange between a firm and a public institution. Absorptive capacity (AC) is a theoretical construct introduced by Cohen and Levinthal (1990) as a function of prior knowledge that confers acknowledgement of its value. It is defined as a firm’s ability to:

“recognize the value of new, external information, assimilate it, and apply it to commercial ends” (Cohen and Levinthal, 1990, p.128).

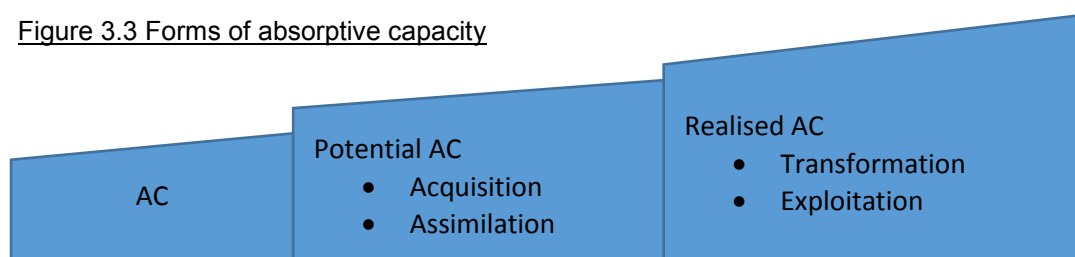
Mowery and Oxley (1995) call it a broad set of skills to deal with the tacit component of transferred knowledge and to modify imported knowledge and Kim (1998) refers to AC as a capacity to learn and solve problems. Two key components of AC are external knowledge acquisition and integrating that knowledge inside the firm. Starting with the notion of individual AC building, knowledge exposure is described as insufficient; intense effort is required to access *and* use knowledge. Firm level AC is dependent upon individual AC building, but it is distinctive in focusing on the accumulative

transfer of knowledge between people into organisational memory, primarily through routines (Cohen and Levinthal, 1990).

The structure of communication between a firm and its external environment comprises inward and outward looking AC components. An inward looking component enables a firm to assimilate and exploit knowledge, and is strengthened by a critical perception of 'who knows what' as well as technical or sector knowledge. An outward looking component enables knowledge acquisition. An underpinning generalisation of AC is that it is the existence of previous knowledge that enables the assimilation and exploitation phases. Absorptive capacity levels are influenced by firm mechanisms, such as knowledge transfer between individuals and teams, or between the firm and its external operating environment (Cohen and Levinthal, 1990), as well as through accumulation of experience. Indeed, *a priori* knowledge of tendering environments is evidenced as a key contributor to firm-level absorptive capacity (Van den Bosch *et al.*, 1999).

As a concept, AC focuses attention onto inter-organisational relations whilst simultaneously paying attention to internal firm processes of learning from past experience and current actions (Easterby-Smith *et al*, 2008). It is a useful concept to investigate how it is acquired at firm level rather than just residing in individual human capital, how it develops cumulatively, and what levels of absorptive capacity are required to stay relevant and competitive in public sector markets. Internal mechanisms influence a firm's absorptive capacity level and more generally what incentives exist for firm learning to take place. Zahra and George (2002) reconceptualise AC in several ways. Firstly, they broaden the theoretical concept to describe AC, like other dynamic capabilities, as amenable to change through human effort. Secondly, they distinguish between *potential* (what could be) and *realised* (what is) forms of AC, as set out in Figure 3.3 below.

Figure 3.3 Forms of absorptive capacity



Source: Adapted from Zahra and George, 2002, p.192

Figure 3.3 shows a conceptual model with four dimensions of capability that each relate to a specific process. Acquisition and assimilation together constitute a potential absorptive capacity, and transformation and exploitation form realised absorptive capacity. The essential difference to Cohen and Levinthal's model is dealing with knowledge transformation or a capacity to develop new knowledge by combining the new knowledge absorbed with the knowledge already inside the firm. Two features of AC are its cumulativeness (its accumulation of knowledge gradually through repeated experiential episodes) and its ongoing effect upon performance expectations. Some firms can experience 'lockout' or reach a state of arrested development (Cohen and Levinthal, 1990) where new knowledge fails to be absorbed. This has been termed as 'not invented here' syndrome. Table 3.1 is adapted from Easterby-Smith *et al* (2008) and summarises the key concepts of absorptive capacity:

Table 3.1 Adapted version of key concepts of absorptive capacity (Easterby-Smith *et al.* 2008) p 486

Concept	Author
Recognition, assimilation and use of external knowledge	Cohen and Levinthal (1990)
Relevance of internal knowledge base	Cohen and Levinthal (1990)
Analysis of AC through dimensions of efficiency, scope and flexibility	Van den Bosch <i>et al</i> (1999)
A focus on internal processes of AC as potential and actualised; knowledge transformation aspect of AC and re-conceptualisation aspect of AC as a dynamic capability	Zahra and George (2002)
Activation triggers associated with assimilation of knowledge	Zahra and George (2002)
Social integration mechanisms	Zahra and George (2002)
Individual agency	Jones (2006)
A process perspective on absorptive capacity. Examination of AC in diverse organisational contexts.	Easterby-Smith <i>et al</i> (2008)

Direct interface with the external environment does not constitute a firm's AC, rather, it represents potential AC and it needs internal structures in place to assimilate or 'realise' knowledge. This means that AC requires investment. Internal mechanisms that develop and influence firm levels of

AC for tendering capability are not known, nor is it yet understood what types of information are difficult to absorb. Firms with higher levels of AC are more productive and sensitised to recognising institutional change (Cohen and Levinthal, 1990) and this may help firms pursue collaborative opportunities. Absorption of external knowledge requires specific forms of coordinating and formalising, and a social integration capability (Zahra and George, 2002). Activation triggers (Zahra and George, 2002) affect firm ability and motivation to assimilate knowledge. Examples of activation triggers are often circumstantial, such as market turbulence, lack of expertise, and other operational pressures. Social integration, however, refers to social structures that promote greater employee interaction and knowledge management systems. Formalisation of practices associated with an activity, such as tendering, enhances knowledge transformation (Jansen *et al*, 2005), particularly as it is a domain of expertise.

Van Den Bosch *et al* (1999) analyse AC through three dimensions of efficiency, scope and flexibility. For example, there may be economies of scale and therefore efficiency achieved with a certain level of identification, assimilation, and exploitation of external knowledge. Empirical investigation in case firms in this study can evaluate the role of AC in tendering practices and whether they are *sensitive* to tendering episodes as learning opportunities. At a more general level, knowledge management about tendering requires deliberate practice to engage in formal and informal modes of learning, including firm-level reflective practice. Schön (1983) defines the central characteristics of reflective practice as reflection-in-action and reflection-on-action. Experiential learning may peak when managers reflect on experience of similar market settings or capabilities (Bingham *et al*, 2007) and, so, draws on detailed understanding of how processes relate to market advantage (Simsek and Heavey, 2011).

The ability to envision and transform capabilities may itself be a skill that is improved with experience (Danneels, 2008). The motivation to reflect, codify and enact knowledge may be highest when managing unsatisfactory operational capabilities (Zollo and Winter, 2002) or small losses (Sitkin,

1992). Learning is suppressed under conditions of failure when managers tend to blame external forces rather than internal resource strategies (Zahra *et al*, 2006; Danneels, 2008). Visioning and action to change resource combinations will also depend on manager disposition (Zahra *et al*, 2006) and organisational culture. For example, the manager's entrepreneurial intention (Simsek and Heavey, 2011) will affect whether they perceive threat or opportunity more strongly (Bingham *et al*, 2007) and their entrepreneurial alertness will affect the vision they create for an uncertain future (Foss, 2011).

The accumulation of knowledge is at the individual and organisational levels. Knowledge may also be shared through inter-organisational relational ties (Simsek and Heavey, 2011). Shared cognitive effort, managed under conditions of constructive conflict (Simsek and Heavey, 2011), can help to penetrate the ambiguity of understanding environmental change, the deficiency of current capabilities, the potential of resources as distinct from the capabilities in which they are embedded (Danneels, 2010) and the options available to create new resource combinations and, so, lead to innovations (Zollo and Winter, 2002). Shared learning encourages and modifies the articulation of knowledge and creates variety in articulated strategic options.

Changes to the competitive environment, including regulatory shock, are likely to undermine a firm leader's capability to interpret accurately their environment and adapt firm capabilities to be competitive (Foss *et al*, 2011). Active engagement in explorative learning is required (Bingham *et al*, 2007), including experimenting with what works in different environments, and identifying what can be effectively imitated and integrated from competitor behaviour (Miner *et al*, 2001). Simply improvising solutions to new challenges may not yield learning without systematic reflection, communication and integration (McGrath, 2001). Small firms may, however, fail to engage in explorative learning or to adapt systematically and innovate due to a focus on exploitation driven by resource constraints (Jones *et al*, 2011). They may also only learn in discontinuous ways, through

improvisation and trial and error. Small firms' tendency to learn by doing is only likely to result in the ambidexterity necessary to build and exploit innovation in older and more developed small firms (Zahra and George, 2002; Zahra *et al*, 2006).

Entrepreneurship opportunity literature introduces the contemporary concept of the 'ambidextrous organisation' (Helfat and Winter, 2011). It posits that firms must balance and integrate capabilities that enable the explorative (and entrepreneurial) process of identifying and developing new opportunities and the exploitative process of creating returns on opportunities, for which firms have built capability in service or product delivery and market understanding (Danneels, 2008; Siren *et al*, 2012). Market change can render existing resources and capabilities useless or undermine their scarcity as market demand moves on to products or services with superior benefits (Danneels, 2012). Equally, firms cannot invest too much resource in learning about unfamiliar environments like public sector tendering. They must direct enough resource into short-term income generation via markets they already have.

The cost of learning and change may be reduced by effectively integrating activities in the ambidextrous firm (Siren *et al*, 2012). Managers may select, prioritise, synchronise and pace opportunity identification, development and exploitation so that managers have sufficient experience to develop specialist learning but also adequate time between experiences to absorb new knowledge and codify it into routine or heuristic improvement (Bingham *et al*, 2007). Managers may also use these techniques to balance the cost of exploration with the income generated through exploitation (Siren *et al*, 2012). By planning for the costs of explorative learning, and synchronising outcomes into a transition pathway (Bingham *et al*, 2007), entrepreneurial behaviour may become more palatable to risk-averse managers (Garrett *et al*, 2009). Dynamic capabilities, however, create direct costs in explorative and exploitative learning and building new routines that often have high capability levels and represent 'sunk' investments in order to survive (Helfat and Winter, 2011). Knowledge must be combined with tangible resources

(such as financial means, premises or technical equipment) and slack manager development time to create dynamic capabilities (McKelvie and Davidsson, 2009).

Learning routines, that integrate with processes to review and renew resources and capabilities, are themselves termed dynamic capabilities (Teece *et al*, 1997; Winter, 2003; Danneels 2008; McKelvie and Davidsson, 2009). Key tasks in explorative learning have low visibility and may lose status in a resource-constrained organisation (Easterby-Smith *et al*, 2009) even though, as capabilities that are difficult to detect and imitate, they may be primary forms of competitive advantage (McKelvie and Davidsson, 2009). For example, environmental scanning (i.e. time spent learning about events and trends in the organisation's environment) builds understanding of customers and competitors, but its value may only become visible when knowledge is *codified* and creates change to partner configurations or operational capabilities in the exploitative stages. Exploitative learning may also be viewed as too risky unless learning produces quick results. For example, the direct cost of assigning development processes to specialist personnel to create a locus where experience can accumulate (Zollo and Winter, 2002; Winter, 2003; McKelvie and Davidsson, 2009) might be considered too risky, especially when it creates an opportunity cost for busy leaders. However, if a firm does not systematically develop and embed individual learning into firm-level processes, change may become discontinuous and learning may be lost when staff leave (Zollo and Winter, 2002). Finding a 'sweet spot' for effective but lean learning about tendering can be critiqued through empirical cases in this thesis.

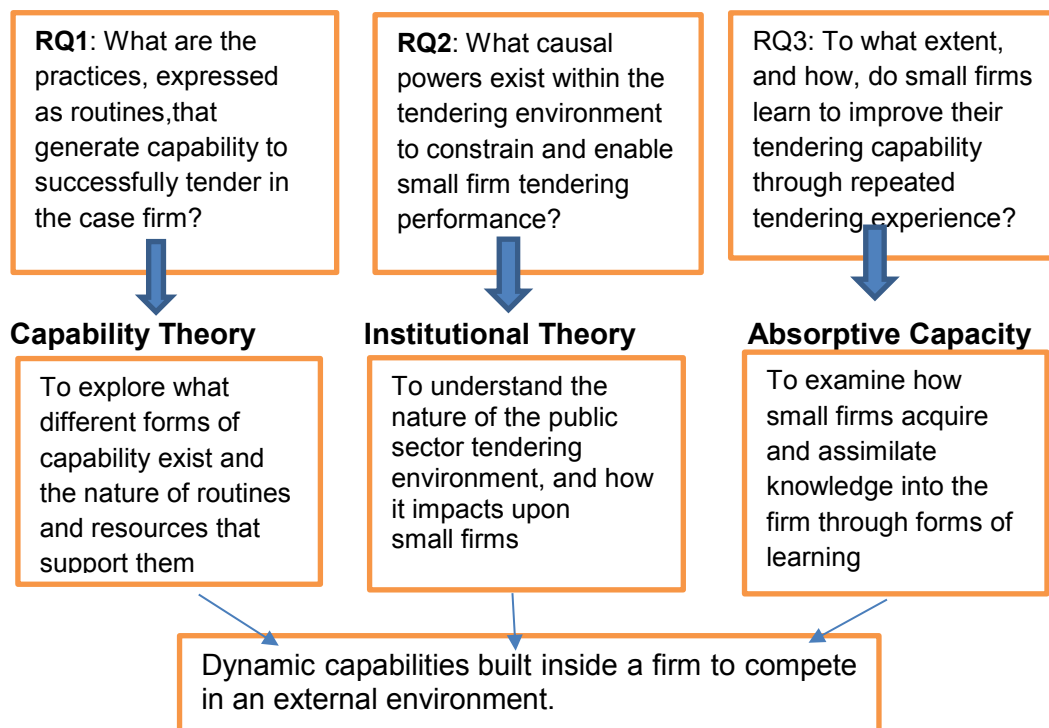
3.5 Chapter summary

This chapter has produced a distinctive theoretical framework from which to collect and analyse empirical data about the nature of small firm capability to tender competitively. The framework is repeated below as Figure 3.1. It has linked theoretical perspectives to each of the thesis research questions. Understanding how small firm leaders vary in their

ability to create vision and action from available constrained resources is key to understanding why performance varies from similar resource bases (Baker and Nelson, 2005). It is likely to relate to their institutional setting and their personal agency (Desa, 2012). It is received wisdom that small organisations are more agile because they are less bound by organisational routines. Equally, however, most small firms fail to develop the efficient capabilities and dynamic capabilities required to grow, and many fail. Although lack of capability does not impede business entry, it does impair survival and growth (Danneels, 2008).

Each research question draws on theory to conceptualise the challenges of public sector tendering in SMEs. Institutional theory enables study of case firms as inhabitants of a social system where its structural conditions, such as regulation, interact with firm agential efforts. Capability theory underpins a micro-examination of tendering performance in case firms, and it look beyond what firms ‘do’ to how capability theory can also explain adaptation through experience accumulation.

Figure 3.1: Theoretical framework to study small firm tendering capability



Absorptive capacity theory has introduced ideas about conceptualising firm-level market learning by considering the relationship between a firm

and its external environment. Knowledge acquisition and deployment emerge as a continuous and central theme, but it is not known what degree of formality is required or if it is a capability specifically built for public sector tendering. This thesis will explore firm learning as contextually contingent and how absorptive capacity is shaped by structural conditions and firm-level agency. The theoretical framework built to examine firm tendering capability sets the scene for chapter five, which is the methodology chapter. Chapter four, next, serves as a contextual chapter to provide an institutional analysis of tendering.

Chapter Four: The stratified context of public sector tendering

The properties possessed by social forms may be very different from those possessed by the individuals upon whose activity they depend. I want to distinguish sharply then between the genesis of human actions, lying in the reasons, intentions and plans of human beings, on the one hand; and the structures governing the reproduction and transformation of social activities, on the other (Bhaskar, 1998, p.79).

4.1 Introduction

Chapter three (the theoretical chapter) identified that a conceptualisation of tendering capability needed to account for the complex and dynamic relationships between firms and stakeholders, especially public procurers. This chapter, by way of context, provides an institutional analysis of tendering. It approaches the study of tender capability through an identification of the structures, mechanisms and processes that can explain the nature of capability. Public sector tendering is a multi-layered social institution, of which small firms are institutional inhabitants and actors. The act of responding to a public tender is primarily a social phenomenon, where firms are embedded corporate actors. Firm tendering behaviour is positioned as one of several layers within an overlapping structure, explained as the *interaction between structure and agency*, where reality is accessed through exploration of social mechanisms that create causes and effects. This chapter outlines a critical realist social ontology and epistemology from which to explore small firm tendering capability within a social setting. A critical realist ontology focuses on the notion of a social structure that people (agents) interact with, but that exists independently of observable phenomena.

A critical realist epistemology looks at facts at the level which is experienced and purports that they exist through interpretation. This is because institutional environments contain hidden structures that can affect firm behaviour and performance that are not observable through personal experience. This chapter shows how the nature of reality is stratified, and

secondly, that causal effects (or mechanisms) arise from different layers of the social system and interact in an open-system macro-environment. An open system is one where entities (parts of the system) as analytical components of institutional analysis cannot be understood in isolation from their environment (Bhaskar, 1993; Edwards *et al*, 2014). It expresses tendering as a multi-level structure, with interlocking power relationships that govern its conduct and behaviour. The nature of the social system comprises overlapping and interdependent layers of power that exist, but remain distinct from, agential perception. Equally, firms as corporate actors are not passive recipients of the effects of structure; they *can*, and *do*, shape social structures through deliberate action, although their power to do so is limited. By constructing public sector tendering as a social institution, structure and agency are presented as dual concepts, each with powers to influence social change. Bhaskar's quote (1998, p.79, above) emphasises an important distinction between human action and the social structure, both of which are elements of *context*. Critical realism upholds that agents can choose *how* to respond to their environments, even if their perception of it is always partial (Archer, 1995), although they can't control the environmental response to their actions.

Outlining a social ontology for the public sector tendering contexts enables description of the context of action within which small firms tender and the parts or entities of that system that interact. Whilst it does not explain empirical settings (in which structures interact uniquely), it can elucidate the kind of things that exist in any tendering event and the broad ways in which they relate. This chapter deals with structural mechanisms that pre-exist small firm tendering action contexts, enabling empirical investigation to focus on the discovery of agency-activated mechanisms inside the small firm at micro-foundational level. By doing so, it addresses the second research question in this research project, concerning the context of practice, '*What causal powers exist within the tendering environment to constrain and enable small firm tendering capabilities?*'

Chapter four comprises six sections. Section one is the introduction. Section two explains public sector tendering in institutional terms to outline how it is possible to observe how firms act beyond their own conception of context. It defines what is a social institution, and examines the ontological and epistemological considerations of using a critical realist approach. This section explains the stratified nature of reality, and provide a coherent framework to conduct an investigation that can build understanding of causal mechanisms in play. The macro-institutional environment is described as a laminated structure in section three, with exploration of the entities and their exercise of structural power. Section four expands on this by focusing on the role and importance of agency in institutional analysis. Section five interprets tendering as a morphogenetic cycle of events and explains the concept of emergence. Section six is a chapter summary, with a conclusion about how to take forward a critical realist methodology into a research design, which was described in chapter four.

4.2 Public sector tendering explained as a social institution

4.2.1 Defining tendering as a social institution

'Institution' is a term used to describe a type of social structure that exists where social actors or individuals grouped together by a common and bounded purpose (Hodgson, 2006). The institution of public sector tendering is constituted through multiple interacting social structures, shaped by, and emergent from, pre-existing structures. Institutions have systems of established social rules that structure social interactions (Hodgson, 2006), which can be enabling as well as restraining. Explanations of resource-seeking and capability-building attempts by small firms to compete in public sector tendering environments need to be contextualised in the institutional domain of public sector tendering. Institutions have been described as formal or informal procedures, routines, and as durable, socially-embedded rules (Hodgson, 2006).

Any institution has a set of rules, as shown in chapters two and three. Public sector tendering is a highly complex institutional arrangement. It is characterised by compliance to EU procurement and fair competition law, by actors within a supplier and competition base, by specific spatial socio-economic priority mandates for policy direction and through documentary artefacts as carriers of institutional elements, upon which information exchange resides. Public sector tendering is a specific convention to socially transmit the institutional rules of one type of public sector procurement, tendering. The way the rules are replicated depends upon the existence of a normative social culture and language to make it exist. Institutional rules are therefore codified, and may not be easily understood and exploitable by SMEs. Some of these rules will be legal, others will be customary and some may be dynamic and emergent. Repeated exposure to rules and observations of *what works* channels agency to develop customary habits (Hodgson, 2006).

The interpretation and appreciation of rules is a social act. Tendering for contracts is a convention for imposing form, resource demands, consistency and language as part of the rules of market exchange with public sector customers. To conduct an empirical or theoretical analysis of how an institution works requires a conception of what an institution is, as much of human interaction and activity is structured in terms of overt or implicit rules (Hodgson, 2006). As Scott (2001) stated, in order to survive, organisations must conform to the rules and belief systems prevailing in the environment. Tendering therefore is the outcome of formal practices that become shaped by its institutional context.

Scott (2001) described three dimensions upon which coercive external pressure to change (discussed in chapter three) is applied to an institution: i) regulative, ii) normative, and, iii); cognitive. Regulative pressure refers to the bureaucratisation of the rules of tendering, normative behaviour links to the social pressure to copy firm appearances for legitimacy through policy alignment, value statements and so on, and cognitive pressure refers to the ability to 'keep up' with changing and idiosyncratic procurer behaviour.

Isomorphism (DiMaggio and Powell, 1983) is an outcome of coercive authority to describe external pressure to conform to the same set of environmental conditions, a principle that is also described as firms attempting to earn social legitimacy over market effectiveness (DiMaggio, 1983). Searle (1995) identifies regulative and constitutive processes in an institution that are created and enforced collectively. Regulative rules influence existing activities and are procedural. For example, a minimum time-period for which a public tender must be advertised, or the length of time set aside for receipt of a tender response. Constitutive processes are conditions that have to be met in a particular context for a certain status to apply. Tendering has, for example, created specialist roles as a condition; public sector procurement officials are required to be in post to implement and safeguard tendering procedures.

Institutional exertion of pressure towards conformity introduces the notion of agent sensitivity or insensitivity (Hodgson, 2006). Within an agent sensitive institution, conventions are modified to accommodate actor feedback. Conversely, agent insensitive institutions place their operating structures in primary place over the beliefs of their actors. This can influence agents into positions where people are incentivised to act in certain ways and may become disincentivised from acting otherwise. Importantly, agents always have the *potential* to act otherwise, but agent-insensitive organisations may respond with strong penalties. Empirical findings err on the side of public sector tendering as agent-insensitive (Loader, 2011; Pickernell *et al*, 2011) with heavy compliance demands (Freshminds, 2008), conformance language imposition (Baden *et al*, 2011) and agent adaptation to regulation intentionally, inadvertently or not at all, being contingent on the agency of small businesses and their stakeholders (Kitching, 2006).

A key concept in institutional theory is path dependence, which is used to explain institutional stability as well as institutional change. Path dependence refers to a sequence of events, where later decisions are not taken entirely independently of past experience. At firm level, this is known

as the trodden trail (Ebbinghaus, 2006). As such, social learning cannot be neutral in its impact. This is because whilst actors and institutional structure remain distinct, they remain connected in a circle of mutual interaction and interdependence (Hodgson, 2006). Section 5.3 analyses tendering as a social institution, and describes the layered or 'stratified' structure within which firms are situated after an exploration of ontological and epistemological considerations in the remainder of section 5.2.

4.2.2 Ontological considerations for studying firm tendering capability

Critical realism emphasises how the world exists independently of what we think about it, making experience of it fallible. This means that a reality does exist, but it is difficult to understand (Easton, 2010). The form and nature of reality in critical realism is stratified as a meta-theory, and as a model of social enquiry that has emerged as a popular cited philosophical position (Bhaskar 2009; Collier, 1994; Archer, 1995). Critical realists see the world as an open, complex system (Bhaskar, 1993) where reality is multiply determined (Bhaskar, 2008). Critical realists believe that the world exists but individuals construct different understandings of it. There is a *stratified view of reality* that is accessible even if it is not observable, and forms of reality continually mediate each other. Tendering action achieves a temporal outcome that is directed through regulation, and it requires patterns of deliberate co-operation from businesses to enter into a specific form of knowledge exchange framework. Furthermore, it is as an enduring social structure. This investigation recognises that whilst agents require some conception of what they are doing, case firms may not be conscious of the laminated structures that make up the tendering environment.

Social structure is dependent on human actions but that we cannot rely on agents' conceptualisations to 'know'; experience is merely the starting point for explanation as agents have an inadequate understanding of societal structures that make certain actions possible (Ackroyd & Fleetwood, 2001). This affords an opportunity to observe the resources available to case firms and to look at corporate agency to help identify potential transformational

processes that they could take on to overcome structural constraint to procurement opportunities. Small firms as bundles of human agency draw on existing external and internal structures and practices that are then reproduced and/or transformed in action through tendering.

4.2.3 Epistemological considerations for studying firm tendering capability

Social structures include structuring factors that remain external to actors, but are open to agency interpretation as a form of reality. Emphasis is placed upon investigating empirical and actual domains (Bhaskar, 1979) to the deep causal mechanisms that govern events. For example, claims made in empirical literature that tendering is increasing resource demands on firms would, from a critical realist perspective, look at mechanisms by which this has occurred. This makes a realist evaluation place context centre stage and be considered as dynamic in nature. It is interested in answering questions about '*what works for whom in which circumstances*' (Nielsen and Miraglia, 2017). Three questions to address are; i) what makes a firm routine work; ii) under what conditions can it be effective and; iii, what capabilities can be elicited? This approach is described as the context-mechanism-outcome (CMO) configurations (Pawson and Tilley, 1997). Realist evaluation also implies that tendering actions as firm intervention work differently depending on the context, and how mechanisms trigger outcomes depend on the context (Greenhalgh *et al*, 2015).

Epistemological considerations explain the utilisation of the realist concepts of embeddedness, mechanisms and context. Embeddedness means that voluntary individual action is always viewed through social relations in the environment where the firm exists. Mechanisms are causal structures that can explain a phenomenon. They are a central feature in critical realist theory, mostly uncovered indirectly by analytical work (theory-building). The existence of mechanisms in an open system are unobservable but knowable, and generative in nature. The context of organisations requires knowledge of both *omnibus* and *discrete* contexts (Nielsen and Miraglia,

2017). In existing literature, findings generally only refer to context at a ubiquitous level, without examination of individual tender and firm situation. Examples of omnibus contexts are high entry barriers, formal language and regulation complexity, or the liability of smallness compared to large firms. Investigation into case firms looked at under which environmental conditions action is taken and mechanisms that have triggered those actions to improve understanding of how actions improve tendering performance. The notion of context is important to understand the nature of reality and access to it through fieldwork.

4.3. Reality as a stratified concept

Bhaskar (1978) contested it is possible to view reality and knowledge as distinguishable from each other, with separate operating paths. He outlined three domains of reality that exist but are conceptually separated: i) mechanisms, ii) events and iii) experiences, as shown in Figure 4.1 below. The real is the mechanism and structures that generate the social world. The ‘actual’ refers to what events actually took place. The ‘empirical’ domain refers to what is believed to be the case, meaning the *experience of* tendering from the viewpoint of a small firm or from the procurer perspective. The ‘real’ is whatever exists, whether it is visible or understandable or not. Its existence possesses generative mechanisms that are independent of individual human action. The institution of tendering as a public procurement system is real, regardless of whether it is enacted as an empirical object for not, and whether we have an understanding of it or not.

Figure 4.1: Bhaskar’s three domains: populating entities

	Real	Actual	Empirical
Mechanisms	X		
Events	X	x	
Experiences	X	x	x

(Source: Bhaskar, 1978, p.13)

This notion requires an acceptance that explanations will be, in part, interpretivist in nature, and an appreciation that all levels of reality act

simultaneously in a given context. Mechanisms may not be obvious within a case, but worked out theoretically from a broader observation of the case. Tenders can be advertised without firms seeing them, but it is also possible that they are observed and experienced. A particular agent's experience of an event will not necessarily reveal the full event: small firms do not know all that has occurred in the public sector body that culminated in releasing a particular tender document, for example. Therefore, the full complexity of public sector tendering is not solely revealed in individual actors' experience of tendering.

4.4 Public sector tendering as a laminated structure

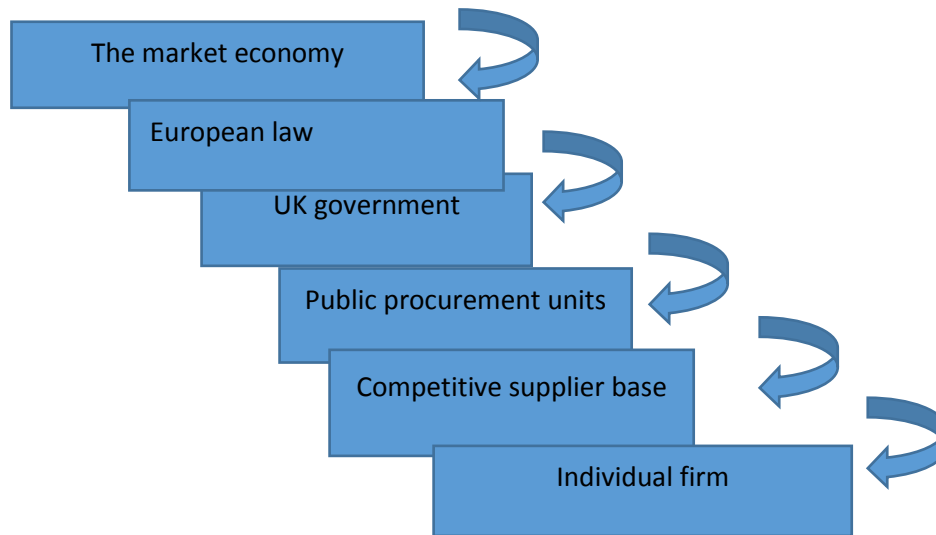
Public sector tendering can be conceptualised as an institution that operates as a laminated structure in a complex, open system. An open system is one where entities as analytical components of institutional analysis cannot be understood in isolation from their environment (Bhaskar, 1993; Edwards *et al*, 2014). This means that the form of social structure that produces a laminated or stratified view of reality is multiply determined (Bhaskar, 1978). Through interaction in open systems, entities can materialise (or not) and change in multiple ways:

“Events occur when actors mobilize the resources they have in particular contexts to shape change, which, in social contexts, unfolds in open systems where generative mechanisms (social, cultural and biological) operate independently or in concert in complex interactions”
(Hodgkinson and Starkey, 2011, p.362).

As a social system, public sector procurement is composed of stratified layers of interaction. Figure 5.2 is the researcher's own interpretation of the layers of compositional structure or entities in laminated terms (Bhaskar, 1978). In public sector tendering, the powers of one entity can interact with another. For example, the way a procurer chooses to attribute scoring criteria to tenders such as policy demands may act as a relational and transformational power in its supply base to increase its resources in a certain way. Structure holds power, exercised between compositional

layers, called entities, through rules and communication that shape practices. This is referred to as a *laminated structure*.

Figure 4.2: A laminated structure of public sector tendering



Entities in an open system observed cannot be understood in isolation from the environment they inhabit. Lamination is a metaphor to convey idea of social levels or entities that interact. Figure 4.2 is perhaps overly simplistic and appears to show each layer as separate. It is the intention of the arrows to show how many social domains seem better described as a continuous flow of interaction from lower to higher levels and from higher to lower levels. The primary societal entities identified in Figure 5.2 are: i) the market economy; ii) European law; iii) UK government regulations; iv) individual public procurement agents; v) competing firms within a competitive supply base and vi) individual firm practices.

An entity is a theoretical building block used to explain relational arrangements and it is possible to examine the nature of their effects, exercised through downward and upward causation. In simple terms, tendering is an economic exchange model (Easton, 2002) with sellers, buyers and exchange entities. Relationships between entities can take two forms, necessary and contingent (Sayer, 1992). Necessary relationships connect entities in how they are defined by each other. A public contract

award from a procurer necessitates a named contracted supplier. Contingent relationships, on the other hand, only suggest 'potential' linkages between them; a public procurer tendering for pencils and a supplier of pencils will *only* become linked if the pencil supplier voluntarily responds to a particular tender. The ways in which entities use their powers through necessary or contingent relationships to make a particular event occur are called *mechanisms*.

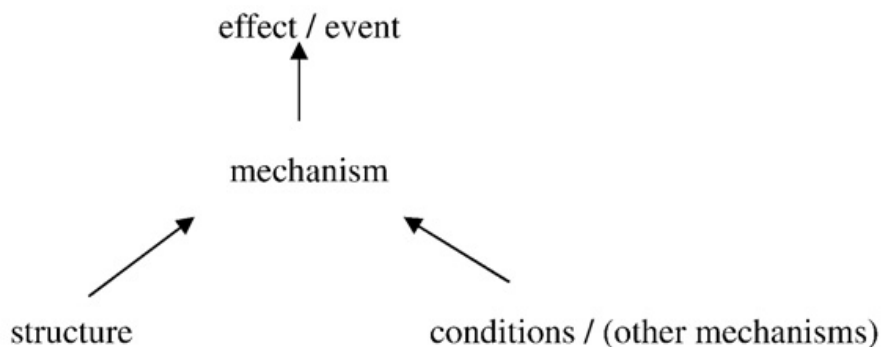
4.4.1 The nature and role of generative mechanisms

Generative mechanisms activate resources to find, select and orientate resources to public sector tenders. Mechanisms or 'generative mechanisms' (GM) offer explanations of why things occur in the ways that they do. They are usually hidden, sensitive to contextual changes and they generate outcomes (Dalkin *et al*, 2015). A critical realist perspective enables a review of mechanisms that underpin tender capability generation. Empirical information is observable manifestations of underlying causal mechanisms. Further accumulation of empirical evidence will not transform understanding *until* the underlying mechanisms that cause behaviour to occur are identified. Mechanisms link empirical and causal aspects of theory building. Generative mechanisms activate causal structures. De Landa (2006) suggests building explanations on two types of mechanisms; i) *micro–macro mechanisms*, to explain the emergent behaviour, i.e. how different components interact in order to produce an outcome at a macro level; and ii) *macro–micro mechanisms*, to explain how the whole enables and constrains the various parts. By doing so, it is possible to explain assemblages of casual powers and how different levels interact with one another.

Figure 4.3 below illustrates how mechanisms connect social structures to observable events. The responses they trigger can be capabilities. They connect inputs and outputs and they exist at a deep level. The idea of them and the *potential* for them exists, even when they are not being enacted as an event. The emergent causal powers of entities remain distinct from those

of people, but often dependent on people to enact them (Elder-Vass, 2013), who also argues that there are specific groups of people that have social structural power, and where “*tendering is a social interaction process that carries expectations of an interactive situation*” (Elder-Vass, 2013, p.146). Mechanisms also have tendencies. Tendering paperwork has the tendency to affect behaviour by making firms comply with aspects of socio-economic law, for example. It also has the tendency to make people create policies in firms that engage in tendering activities. This thesis will seek out generative mechanisms and identify their tendencies, that is, the conditions that need to exist for them to be activated.

Figure 4.3 A critical realist view of causation



(Source: Sayer, 2000, p.15)

Small firm difficulty engaging with public sector tendering highlighted in existing literature (chapter two) does not clearly highlight the nature of GMs that arise at every level from the structural conditions of tendering which pre-exist their exercise of capability. Attention is drawn to macro-environmental influences, such as the dynamic nature of procurement goals (Erridge, 2007), procurement knowledge and information demands (Baden *et al*, 2011; Loader, 2011), and idiosyncratic interaction practices (Stake, 1995). The significance of social structure and the potential of human agency is characterised by how firm tendering practice is embedded in social systems:

It is through the entire workings of entire systems of social relationships that any changes in behaviours, events and social conditions are effected (Pawson. 2006, p.30).

4.4.2 The structural powers of entities in a laminated tendering institution

i) The market economy is based on participation with market forces for voluntary exchange of rent. A competitive, capitalist market is the key driver of the UK market economy, and UK firms' ability to win tenders is controlled largely through market forces, i.e. the mechanism of competition in a market sector. What has and continues to happen in the UK as a capitalist society is transfer of public assets into private ownership, which has consequences for economic welfare, such as privatisation of National Health Service component activities. It also causes fragmented governance of services. The state acts as a mediating force, using public management principles to shape a market for delivery of market services. Public management reform can be defined as "*deliberate changes to the structures and processes of public sector organisations with the objective of getting them (in some sense) to run better*" (Pollitt and Bouckaert, 2011, p.2). By setting up tenders, the public sector is positioning particular public services within that market environment on the assumption that this makes public services purchasing more efficient, effective and transparent.

ii) European Law is incorporated into UK government policy, so tender documentation is itself situated within EU procurement legislation. EU law is driven by the principles of creating a fair, transparent, competitive market place. Compliance to EU law shapes complex regulation implementation using complex tendering regulation mechanisms. For example, how, and for how long tenders are advertised, the way tender documentation is constructed, and the transparency of tender specification requirements, scoring and firm response times. Following the UK's Brexit decision in 2016, whilst it remains a member state of the EU, the UK government is obliged to advertise its tenders across all European states and apply equal status to bidding organisations, whether they are based in the UK or in another European country. The key power exerted is 5 in nature. A critical realist conceptualisation of regulation (Kitching *et al*, 2015) proposes that regulation has causal powers that small firm agent experiences cannot fully

appreciate. They, therefore, only have a partial view of the effects that EU regulation law creates, for example in shaping market place transparency and preventing corruption.

iii) The UK government is historically and politically variable. The economic health of the UK shapes public service priorities and volume, but so do political responses. In 2017, the UK economy remains in an extended era of austerity, where many public institutions and departments are asked to deliver services from a reduced income stream. Constrained public sector budgets open up competitive rivalry where fewer contracts are put out to tender. Firms can face unexpected competition in a marketplace where supply dynamics are driven by economic conditions. Changing local socio-economic goals that reside within the public sector policy environment also affect the shape and weighting of tender specifications and scoring mechanisms that are displayed within tender advertisements. Every tender specification has specific priorities and idiosyncratic scoring criteria exist at points in time and in different tender exercises, even to deliver the same service in two local authorities. Procurer expectations of firm normative behaviour are being constantly redefined through a multi-stakeholder environment (Erridge, 2009).

iv) Public procurement units are also subject to ongoing changes in resources, including staff turnover and 'knowledge turnover'. They operate within a rigid, regulatory environment but with their own, localised institutional practices. Tender documents emerge from a procurement team's response to their laminated context. Structures are mediated by human beings or teams who, to a limited extent, are able to make creative decisions about how to shape specific tenders. This means tenders are always different, but does not imply procurement teams are agent sensitive. Documents are large and complex. Reduced public sector spending through austerity has produced multiple social effects, such as a reallocation of budgets towards and away from procurement entities, services being cut altogether and pressure on the supply base to compete for contracts with compressed pricing models. Relations are multi-

directional, with tender production teams inside tendering firms competing with, and shaped by, teams in other firms as a form of competition. Rising resource demands can preclude or limit accessibility for any given supply base.

v) A competitive supplier base is where firms are structurally shaped to be in competition with each other in specific sectors. Both firms and sectors remain heterogeneous; firms are comprised of different resource bases and intentions, and some sectors will have many more firms competing to supply contracts than in others. Equally, demand for products or services fluctuates across sectors, regions and time. Through austerity, smaller contracts are targeted by larger national firms, redefining local competition.

vi) Individual firms have structural properties that enables them to have capacity to act in a competitive manner and, potentially, to shape higher layers of context. Firm structural properties can exercise influence upwards upon public procurers, subject to conditional and temporal contexts. This introduces the notion of agency, as structure and agency are engaged in a recursive relationship (Archer, 1995). The firm as an entity embodies resources that can exert market influence. Resources require a person to orient them, and this is referred to as agential power. For example, being a legally established and trading firm with three years' accounts and having an existing contract award history with public bodies, acts as financial and social capital. Firms are incentivised to develop the resources and capabilities needed to comply with public sector procurement rules. To become a legally contractible entity with market power to attract invitations to tender, a firm's owner requires resources. Resources include capacity to hire staff and develop routines that turn staff and non-human resource into a competitive offering within the laminated system of public sector procurement, as it occurs in the procurements events in which the firm is positioned. They must be willing to accept a tender specification as a legally binding document if they win. Extant literature refers to strategic reflexivity, which describes reflexive interpretations about developments in the firm's environment or market (Sundbo & Fuglsang, 2006). This can apply to the

way a firm adapts their behaviour based upon its own interpretation of the future environment. The structural properties of the business are anchored in routines and capabilities. Capabilities and routines then become structural properties of the business. These capabilities and resources are the core subject of this research, contextualised within this laminated system of public sector procurement.

4.5 Firm agency and reflexivity

Human agency is the choice to attempt to change the initial conditions of an event. Routines are the result of active agency. Agency refers to the *intentional* and :practices and efforts made by tendering production units in firms in their continual response to contextual factors; dynamic external conditions created by public procurement systems, regulations and policies at different levels, and the internal conditions of the firm. Being an agent means exerting some control over social relations, which in turn implies the ability to transform social relations (Sewell, 1992). The exercise of agency itself is therefore a capability, albeit dependent upon resources. Archer (2000) argues that people as human agents have a property of creative reflexivity, although the environment may respond positively or negatively to their actions. It conditions an agent's understanding of their action situation. Collective action by groups of individuals is an emergent property of agency, called corporate agency. It describes the properties and powers that exist within a group of individuals with self-declared goals that acquire organisation to articulate self-interest. Archer doesn't refer to corporate agency in the sense of corporate businesses, but often referring to political groups advocating specific interests, such as environmental groups. Archer's ideas can be expanded upon in this study to think about how a business, even a small one, might organise its resources around a shared/managed intention to succeed in public sector tendering and, so, how agency may exist at an corporate level and not just individual level, through the formation of semi-automatic systems. Based on the empirical evidence, this in itself may be an institution.

Corporate agency can exert pressure to influence decision-making, and the way practice is conducted to serve their social interests. Agential power is exercised through social interaction, yet always conditioned through social context. Human agency can be organised into collective or corporate agency. In addition, it is the people that shape or change corporate agency. This is relevant to observe as investment in new staff or skills may produce a change effect to corporate agency. Corporate agential power may exist at different levels of structure within public sector tendering; at the level of the country's legal system, in public authority procurement teams, across firms that have a vested interest in winning public sector contracts in alliance, *and* at firm level.

Relationships are formed amongst people and mechanisms are developed that have causal power. Agents have their own causal history that binds individual staff together that can produce a causal group power of "*combined productive activity*" (Archer, 2006, p.467) or "*co-ordinated interaction*" (Elder Vass, 2013, p.155). Firms are reflexive agents within a system that occupy a social position in relation to a tender opportunity. They have capacity to transform themselves through deliberate action that is achieved through a set of capabilities and underlying routines. Firm reflexivity refers to how individuals collectively reflect upon and adapt their tendering practices and behaviours. It reveals how corporate agents have to diagnose their situations, they have to "*identify their own interests and they must design projects they deem appropriate to attaining their ends*" (Archer, 2003, p 9) and reflects the past experiences of actors (Suddaby *et al*, 2011).

The resources that exist inside a firm, such as capacity for learning or policy document creation are agential and can form routines. Yet behaviour is not necessarily routine at all. Routines and capabilities are only successful when they respond to the contextual tendering environment, and to act capably firm leaders need to learn about the environment and be able to 'read' the structural conditions of a tender opportunity. Conventional wisdom exists about what constitutes appropriate behaviour. As such, behaviour is influenced by a set of regulatory norms specific to tendering

practices and policy. Agency, however, is about capacity that *may* or *may not* be exercised. Differences in the context of agential performances can create capability differences, dependent upon the context or structure within which agents are embedded. This makes the study of capability more interesting and yet more complex. Agents are themselves formed within a set of social structures. Public procurement, for example, has its own sets of rules, language and dominance in its relationships with a supply chain. In the case of tendering, firms are required to interpret requirements, usually expressed through resource demands, and develop individual practices to enact capability. This is the focus of study, and it links to the theoretical chapter. The knowledge gap, in terms of structure, agency and emergence theory, is to discover what influences capability enactment.

4.6 Structure and agency: Emergence and the morphogenetic cycle

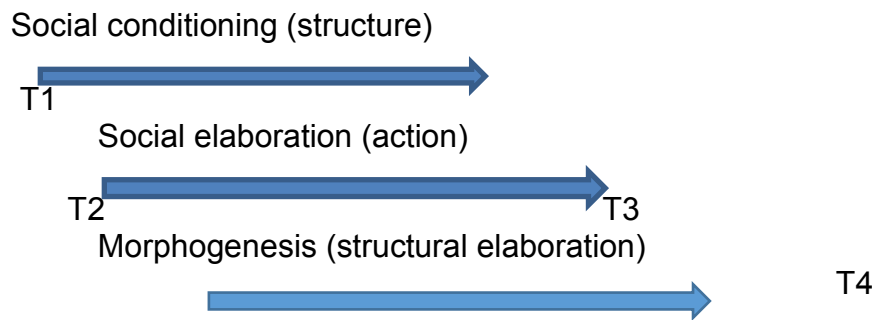
Structure and agency provide a social theory perspective to explain how public procurement operates as an institution, and are situated within a *temporal process* of interaction, as proposed by Archer's morphogenetic cycle (Archer, 1995). Emergence through interaction, creating reproduction or change, shows theoretically how social effects emerge through interaction, shaping both structural and agential properties. The term 'emergent' is used to understand interactions between the parts of a system and that the behaviour of a system as a whole can feed back on the parts which make it up, changing the behaviours of those parts. Emergence is a term that can describe outcomes from the recursive interaction between firms and the tendering system; "*a continuous cycle of interaction between social structure and individual actions*" (Elder-Vass, 2007, p.26). Emergence is about power that is not causally attributable to individual people. Rather, it means 'what comes about' as change or transformation that emerges from structure-agency interactions within firms and between the corporate agency of firms and the laminated context of public sector tendering. Causal relations can occur in different patterns across layers to create emergence. For example, the application of European Law to UK

public procurement has transformed how the public sector trades through tendering systems and documentation. In turn, firm interaction with tender processes has both created a demand for specialist knowledge of tendering language and processes inside businesses. This is called downward causation, as a higher-level entity has influenced the rules a firm believes it must follow, such as creating resources to hold specialist knowledge of tendering language. By applying emergence theory to an analysis of the social structure of tendering, it is possible to identify entities that possess emergent properties. Emergence then is a relationship between entities (structure) and their properties and capacity for agency (Elder-Vass, 2013). The relationship between structure and agency can be explained through consideration of inter-connected social mechanisms at work that operate between parts of the institution, best described as a morphogenetic cycle of activity (Archer, 2000). Archer offered structure and agency equal prominence, although not equal power to influence one another. She introduced that things unfold with time, alongside context, to explain interplay and its effects on social mechanisms. Archer states:

“Results of past actions are deposited in the format of current situations” (Archer 1995, p.201)

The quote summarises how historical context influences the interactions between parts, called a morphogenetic cycle. It implies that society does not have a pre-determined state, but is shaped by agent and structure activities at all levels: capitalism, government laws, the institution of public procurements, tendering systems local procurers and bidding firms. Each is seen to exert some autonomy from each other within a market institution. Archer proposed that a morphogenetic cycle has three analytical phases that occur at different points in time. Figure 4.4 below shows Archer's phases: i) structural conditioning; ii) social interaction, and iii) structural elaboration (Archer, 1995).

Figure 4.4 Adaptation of The morphogenetic cycle



Source: (Archer, 1995, p.157)

A morphogenetic cycle explains the temporally distinct sequence where *structure predates activity* that may reproduce or change it. Structural elaboration then takes place after interaction post-dates actions (Archer, 1995). Broader structural conditions arise from the conceptualisation of the relationship between agency and structure, and the potential to explore the importance of agent reflexivity in public procurement. Taking a laminated approach, T1 (social conditioning or structure) refers to the power entities set out in section 4.4.2. As well as referring to external structural conditions made by power holders that affect an agents' control of resources, it also concerns internal structures inside the firm, such as leadership, strategy and resource orientation. Stage T2 to T3, social elaboration, is concerned with effects that arise as a result of interplay between structure and agency. Effects may not be experienced or discernible until after a period of time. For example, observing how firms perform competitively in demonstrating enhanced socio-economic demands made through tenders. Social mechanisms operate through any case and specific contextual mechanisms will exist as changes and shifts in procurer and supplier behaviour mediate over time, making it also a dynamic context that requires constant capability development for firms to remain competitive. This means that tendering actions by a small firm cannot be explained in isolation from the external tendering environment, which itself carries statutory recognition as a way of doing business. In this sense, the notion of context, where organisational, regulatory and social conditions pre-exist choice as to how to compete for business advertised via a tender, required explanation at the beginning of this chapter. Structural conditions can have

independent causal mechanisms that *enable* and *constrain* tendering practice.

4.7 Chapter summary

Chapter four has contextualised firm tendering practices within a much broader context than what happens inside a firm. It has discussed the power of social structure as arising from people *plus* the relations that comprise them. It illustrates that a firm's procurement capabilities are the outcome of human agency and its temporal (and therefore dynamic) relationship with social structure in a conditional context. Firm tendering behaviour emerges from a dynamic relationship with context. Through a critical realist lens, individuals' positions within markets are governed by external structures (made by power holders that affect an agents' control of resources and set rules for competitive behaviour) and their behaviour is governed by their own internal structures (their understanding of their position within external structures and how they should act).

Critical realism offers a novel conception of public sector tendering and small firm capability to answer the research question about the nature of causal powers in the tendering environment. Structure and agency act as social theory concepts to analytically separate domains of knowledge about how a tendering system is produced and how it functions through cause and effect. Reality can exist at different levels, recognising the importance of context and time as significant for accessing knowledge. A stratified view of the tendering to explain how knowledge findings through case research can be interpreted as 'multiply determined' (Bhaskar, 1978). It positions analytical dualism as a critical realist methodology that is set out in chapter four.

Complex interdependencies exist within a network of actors in public procurement with structural and social conditioning influencing firm demonstration of capability in a wider morphogenetic cycle. A

morphogenetic explanation draws attention to the interplay of actors over time and allows for examination of practice in interaction with context. Structures are emergent from action and an objective context or future action, linking firm action of tendering to a wider context. The effectiveness of a tendering system is contextually conditioned by an established base of regulatory arrangements within a social interaction pattern. In practice, there is co-evolution of structural factors and firm reflexivity of corporate agency.

The social context of tendering is important to analyse as it plays a primary role in stimulating routine emergence and adaptation. The social mechanisms that operate *within* and *between* entities hold structural powers, with causal effects described. The notion of generative mechanisms or causal powers at work means that firm capability has to serve a context, and needs to be judged as such. Firms organise routines into operational and dynamic capabilities that respond competitively to tender demands. This sets the scene to examine case knowledge findings, starting, in chapter six, that analyses how that has occurred in primary case firm Fit for Life.

Chapter Five: A qualitative and critical realist research methodology

“Events occur when actors mobilize the resources they have in particular contexts to shape change, which, in social contexts, unfolds in open systems where generative mechanisms (social, cultural and biological) operate independently or in concert in complex interactions”. (Hodgkinson and Starkey, 2011,p.262)

5.1 Introduction

This chapter is the only one to be written in the first person, and in the past tense, to emphasise my reflexivity. It retells my journey of conducting a qualitative inquiry, building interpretive theory through a case study method and applying a critical realist methodology. My intention from the beginning has been to build theory through an inductive process. I used case study fieldwork to listen to situated small firm experiences in different contexts, and I collected evidence of tendering practices at micro-foundational level. I thematically coded case data about firm resources and routines before exploring findings through a constructed theoretical framework. My research took place through two data collection stages and three data analysis phases over a six-year period, between April 2009 and November 2015. By doing so, I have detected and described a plausible and novel set of sensitising concepts that create performance differences to explain why some small firms tend to be more or less successful than others at public sector tendering.

When considering a suitable methodology, I reflected deeply on the nature of the problem I was trying to solve within my thesis. Small firm tendering capability is under-theorised in the literature beyond an idea of resource scarcity. I had to better understand the role of agency in capability enactment *and* how to examine conditions under which capability emerges, or does not emerge. Previous literature does not adequately open up the ‘black box’ to look inside the firm:

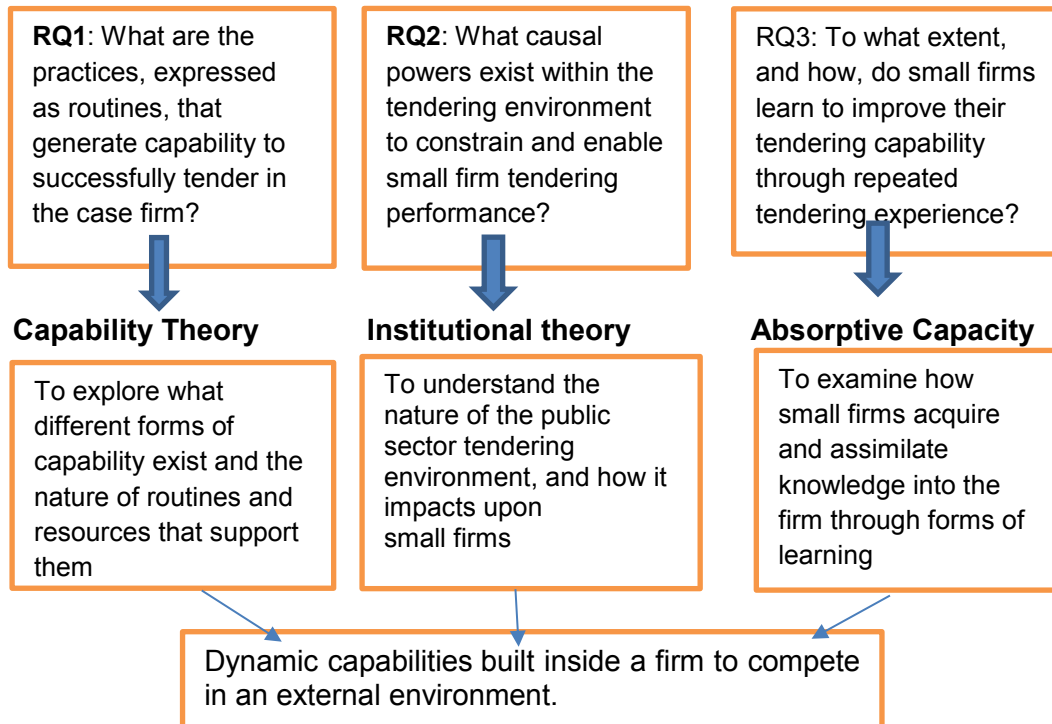
A significant element of agency is effectively being attributed to a black box. Actors may well be influential elements of institutional agency, but we must also develop an understanding of how institutional pressures might affect how these actors and their actorhood are socially constructed (Suddaby et al, 2010, p.1238)

The dominant rhetoric of a resource-constraint argument ignores the 'black box' through which organisations acquire and target resources to create capability and, therefore, provides a static and limited insight into the nature of the problem of building capability to compete for public sector tenders. Hence, a primary design consideration was to locate methods of data collection and analysis that could access a rich description of the nature of firm-level agency in tendering, to ensure I could study how agency connects to other levels within tendering as a social institution.

Murcott (1997) set out three key questions for a writing a qualitative methodology chapter: i) *'How did you go about your research?'* ii) *'What overall strategy did you adopt and why?'* and, iii) *'What design and techniques did you use? Why those and not others?'* I answer each question in this chapter. I argue that methods I selected enabled exploration of what case firms *do* and what causes changes to their tendering capability. The unit of analysis in terms of social agency is at firm level, set within a wider institutional structure, articulated in chapter four.

Critical realism looks for causal explanations beyond the situated experiences of case firm respondents. What follows is an honest account of my research design and practice, including blind alleys. The chapter charts my processes of trial and error in research focus and methods. It includes elements of bricolage to the research design, and it reflects an iterative cycle of reflection on how I interpreted, through multiple attempts, case study material. First, Figure 5.1 below is a reminder of the research questions that I sought to address through a self-constructed theoretical lens.

Figure 5.1: Theoretical framework to study small firm tendering capability



This chapter has six sections. Section one is the introduction. Section two outlines a qualitative mode of inquiry, use of a case study method within a critical realist mode of perception and the research timeline. Section three outlines the data collection stages process used to operationalise a case study method including data recording, transcription, data quality. It introduces case description and access, sampling, research ethics considerations and data collection methods. Section four explains the three phases of data analysis with focuses on abductive analysis of case data and the organisation of my findings, Section five explains my role as the researcher in the research process. Section six is the chapter summary.

5.2 Outline of a qualitative inquiry and case study method

5.2.1 A qualitative line of inquiry

A starting point for methodological choice was the empirical literature review and the gaps in knowledge that remained. Primarily, the purpose of my research was aimed at explanation over prediction and control. The intention of my research has been to identify *underlying influences that*

condition firm action, not to produce empirically generalisable findings that would fit with a positivist mode of inquiry. A positivist response to social behaviour would see SMEs as rational entities and could only offer a deterministic ontological framework for seeing “*social action and interaction as the product of external forces*” (Blaikie, 1993, p.402) where individualistic action is excluded. This paradigm is rejected as it carries an assumption that SME behaviour can be measured and modelled rather than seen as social constructs that are driven subjectively by business owners. A positivist paradigm limits the kinds of questions that can be asked to answer the problem of capability emergence.

My research questions are framed qualitatively; ‘understand’ and ‘explore’. A qualitative investigation was required for this research question to inform a conceptual model of capability enactment, with rich empirical data required to provide more understanding of the combination of firm routines and resources that underpin capability. Qualitative methods can be more flexible than quantitative methods, allowing concepts and ideas to evolve throughout the research project (Blaikie, 1993). Furthermore, qualitative data has great validity because it is based on detailed, in-depth information on unique cases (Churton, 2000).

5.2.2 Use of a case study method

Small business methodology literature (Perren and Ram, 2004; Chetty, 1996; Curran and Blackburn, 2001) provides helpful insight into the use of case study research. It measures and records behaviour (Yin, 2003); it acts as a useful vehicle for policy and management research (Yin, 1994); it offers an intensive examination of the setting (Bryman, 2004); it offers the researcher an opportunity to use multiple sources to gather information (Yin, 2003); it has the ability to uncover the structure of underlying reality in cases to validate and articulate theory (Eisenhardt, 1989; Easton, 2010); and it can allow for a more dynamic understanding of how firms configure resources (Byrne and Ragin, 2009). A case study method can focus on understanding the dynamics present within a single setting (Eisenhardt,

1989) and it is a rigorous methodology that allows decision making processes and causality to be studied from multiple perspectives (Chetty, 1996). What a case study can produce, for the purposes of evaluating capability, is contingent on the characteristics of the setting (Koenig, 2009). The purpose of the case study method in this thesis has been to understand complexity (Stake, 1995), analyse context and processes that can illuminate theoretical issues (Hartley, 2004) and build theory (Eisenhardt, 1989; Eisenhardt and Graebner, 2007), especially because relatively little prior research has been conducted (Benbasat *et al*, 1987). Case research is described by critical realist practitioners as being very useful to explain complex social phenomena, and to locate deep processes and structures that cause particular events to happen and the conditions for this to occur (Easton, 1998). A comparative case approach has enabled me to study patterns common to case and theory and avoid ‘chance associations’ (Eisenhardt, 1991). A case study method is a common approach to conducting qualitative research (Creswell, 2007). Table 5.1 is a summary of case study characteristics that frame my comparative case study approach. My case study method complied with all the characteristics described in Table 5.1. The hallmark of good case study research is *“building a bridge from rich qualitative evidence to mainstream deductive research”* (Eisenhardt, 1989 p.30) and I believe this is what I have achieved.

Table 5.1 Case study characteristics

Characteristics	Description of case study characteristics
Focus	Developing an in-depth description and analysis of a case or multiple cases
Type of problem case study suits	Providing an in-depth understanding of a case or cases
Unit of analysis	Studying an event/activity of more than one individual
Data collection forms	Using multiple sources; interviews,, observations, artefacts
Data collection strategies	Analysing data through description of the case and themes and cross-case themes
Written report	A detailed analysis of more or more cases

(Table adapted from Creswell, 2007, p.78-79)

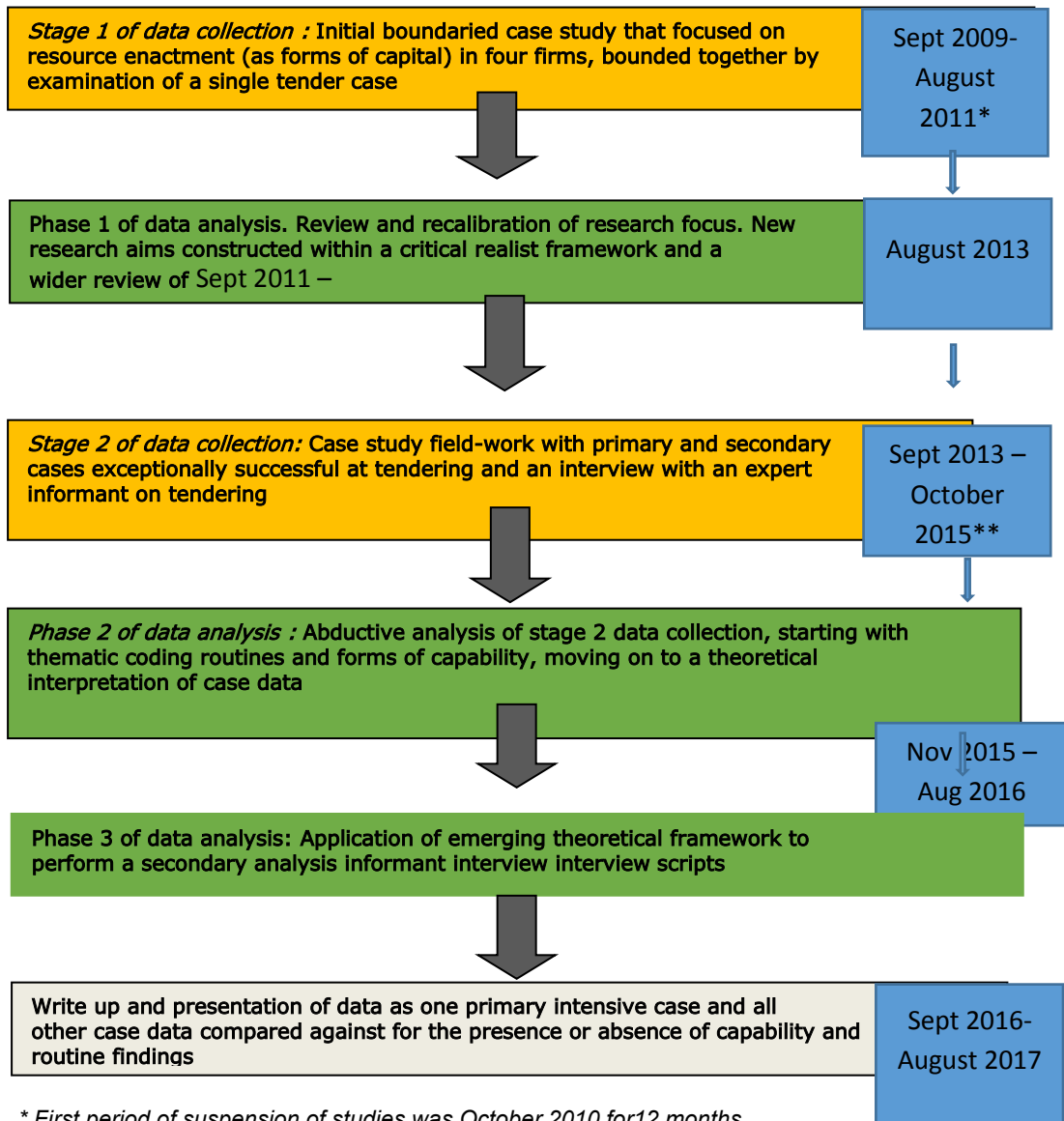
5.2.3 Critical realism as a mode of perception

Critical realism as a philosophy has significant implications for my research design and selected methods for data collection and analysis. It starts from the viewpoint that case firms under study are situated in an open system where external conditions have power, even if that power is not observable to case participants (Bhaskar, 2008). Conditions for practice are not fixed, and firm experience can vary in different contextual conditions, such as their sector, the point in time or by geographical location. Capability is a relational concept that arises from a firm's own behaviour, suggesting active agency and deliberate intention. As a mode of inquiry, critical realism offers a theoretical conception of firm action situated within a wider, stratified social institution, described in chapter four. A critical realist explanation asks me to suggest explanatory mechanisms that connect structure and agency, and then attempt to demonstrate that they exist as tendencies. To do this I need to understand agent conceptions of what is happening, as their experience forms part of the reality itself. Sayer (1992) sets out the principal ontological and epistemological nature of using a critical realist approach. Ontologically, I am looking at the independent existence of knowledge from observed reality in a stratified social world where objects or entities have powers of ways of acting. Epistemologically, social phenomena are conceptually dependent, observable through interpretation, where conditions and social relations influence knowledge production.

5.2.4 Research timeframe

Figure 5. 2 sets out my research in terms of two data collection stages depicted in yellow, three data analysis phases shown in green, plus the final write-up and presentation of data.

Figure 5.2 Research timeframe



* First period of suspension of studies was October 2010 for 12 months

** Second period of suspension of studies was November 2014 for 11 months

Section 5.3 below describes each data collection stage, each data analysis stage and how the study was written up into a thesis.

5.3 Case study data collection stages and sources

5.3.1 A theoretical case sampling strategy

My process of data collection was driven primarily by the aim of generating theory. I used theoretical sampling to investigate actual cases of small firm procurement experience. It afforded an opportunity to access multiple sources to gather information (Yin, 2003). Miles and Huberman (1984) developed a typology of sampling strategies to use with qualitative

inquiry. From this typology, I identified that my strategy needed to have a theoretical sample, from which to build interpretative theories from emerging data against my conceptual framework, and to select intensive cases, defined as information rich. When I began the first stage of my data collection I did not have a fixed, pre-conceived theoretical lens to apply to data. My approach was to collect data and (re) analyse it. I learnt to become sensitive to knowing what data was important to build my theoretical framework and also what data I could discard. Each case is in itself less important than how they contributed to my understanding of how to link together my emerging theoretical ideas into a sense-making framework. A two-stage approach to data collection and a three-stage data analysis model widened the sample and achieved theoretical saturation.

5.3.2 Data collection stages

Data collection took place in two stages. In total, fieldwork utilised eleven interview transcripts. A case tender specification documentation acted as an additional supplementary artefact.

The first data collection stage was though intensive examination of four firms and the procurer in one bounded tender case for the supply of domiciliary services. One interview was with the regional manager of a large national firm that won the contract to supply domiciliary services. The other firms were all local and small. From stage one, I learnt about successful tendering strategies a large firm had used. I also learnt how differently the smaller firms had behaved, albeit in different ways. One of the four small firms was successful at tendering for other contracts, just not on this occasion. After an initial review of the literature relating to small firm tendering (Sept 2009-August 2011) I completed stage one of data collection as part of the researcher training and Masters in Research (MRes) programme. It was an exploratory study about the ways that small firms *might* behave, not an authoritative piece on how they *do* behave. The objectives of this study were to i) analyse the resource demands of one specific tendered opportunity from advertisement to contract award stage;

ii) use textual and interview case data to investigate three forms of non-financial capital observed as a mechanism to identify procurement capability; and , iii) begin to evaluate critically not just the existence or availability of these resources, but *how* the enactment of resources actually shapes capability to exploit new opportunities.

The study was qualitative and it examined one city council procurement opportunity outcome for a vulnerable person housing support service. The contract case was for an existing social care service, divided into three separate lots, nationally advertised. It utilised a tender description and feedback event prior to document release to gain feedback on delivery viability around proposed outcomes and unit costs. Forty-seven organisations expressed interest in this opportunity and seven returned submissions. No bidder used a partnership bidding model and six organisations applied to deliver all three lots. The tender was a one-stage, full electronic tender submission, and firms had three months to respond to this opportunity.

I interviewed the local government procurer, the winning large firm and three small firms that had also submitted tenders. My unit of analysis was the perspective of the firm, with limited consideration of the social effects of structure and agency upon capability. In my study three types of non-financial capital were under review: i) *human*: the skills and knowledge stock of an individual or group of individuals; ii) *social*: the firm's ability to draw resources out of networks, and; iii) *entrepreneurial*: how an individual mobilises resources around opportunity. It was the conceptualisation of the relative importance and interplay of these forms that helped me to examine firm responses to tender events. Data were collected through participant interviewing and secondary case data sources. I attempted to use a critical realist paradigm to understand the role of social structures that are embedded, culturally and politically, within public procurement and small firms.

The second stage of data collection recognised a need to collect data by studying small firms that had themselves learnt to be successful at tendering, and this became my primary and secondary cases. Stage two of data collection focused on two different small firms that were both successful at winning tenders, and by interviewing an expert informant who acted as a tendering consultant to small firms. Both small firms were rich in data about successful routines. The expert informant had supported over a hundred small firms with tender completions, so could draw upon observed experience. Stage two of data collection fieldwork took place between September 2013 and October 2015. I located two firms as case studies that were successful at tendering to begin new fieldwork. I had datasets from my pilot study on small firms that reported a lack of success in one tendering occurrence. It was my intention to seek out firms that are exceptionally successful at tendering. I also wanted to access cases from a new sector, to broaden study of sector contextual influences, as my pilot work had focused on domiciliary care. Firms selected were not previously known to me but I knew of them anecdotally through personal contact with a university business growth programme. I discussed case requirements with colleagues. Through informal discussion I shortlisted two firms. At this point I was unsure if I needed both cases or indeed more than two cases.

The first firm was Fit for Life, which I have used in this thesis as the primary case as I had been informed through colleagues that their tendering success was mature and to an impressive scale. My initial contact with the firm was using email followed by an on-site visit to the Managing Director (MD) to seek participation in the study. Having secured agreement, a second meeting took place to meet again with the MD and members of her executive team, all of whom were case interview respondents. I attended a team meeting where tender opportunities were discussed as part of the agenda. Two weeks later, I returned to the firm to conduct four one-to-one interviews on site. Upon completion of the interviews, I took away a copy of a recent and successful completed tender for textual analysis. In the following months I was also contacted by the MD who forwarded feedback on an unsuccessful tender as we had discussed the quality and utility of

procurer feedback. A similar process was followed with Software4U that is also successful at tendering in a different sector. Initially I made telephone contact with one of the owners and then set up a meeting with the Director and two of her staff that respond to tenders. A completed tender was reviewed on site.

Stage two of data collection also included *expert informant insight*. One semi-structured interview took place at this stage with a consultant who specialised in offering tendering consultancy services to small businesses. This opened up new perspectives for me to explore within my small firm cases and it acted as a counterbalance to personal bias that comes from my own experience of supporting small firms to tender.

5.3.3 Organisational attributes in case firms

Table 5.2 sets out the income, employee size, sector, age and ownership status of each case firm. Table 5.3 lists the respondents from each case firm. Both tables provide background context to cases studied.

Table 5.5 Summary table of case firm attributes

	Primary intensive case	Secondary intensive case	Secondary analysis of pilot data	Secondary analysis of pilot data	Secondary analysis of pilot data
Company	Fit for Life	Software4U	The Big Carer	Local Care Co.	Domiciliary Ltd
Number of employees	62	42	200	11	45
Sales turnover	£3,100,000	£1,200,000	£19,000,000	<£400,000	£700,000
Sector	Leisure	IT	Domiciliary care	Domiciliary care	Domiciliary care
Registered status	Limited company	Limited company	Limited company	Limited company	Limited company
Ownership	Private	Private	Private	Private	Private
Governance	Owner managed	Owner managed	Owner managed	Owner managed	Owner managed

Table 5.3: Description of Research Participants

Respondent code	Gender	Title
FFL1	Female	Managing Director
FFL2	Female	HR Director
FFL3	Male	Marketing Manager
FFL4	Male	Operations Manager
S4U1	Female	Director/Owner
S4U2	Male	Sales Team
S4U3	Female	Sales Team
EE	Female	Expert informant
TBCr	Female	Business Development Manager
LCC	Male	Managing Director
DLTD	Male	Managing Director

5.3.4 Conducting semi-structured case interviews

I conducted eleven semi-structured interviews, and every respondent was interviewed once in their workplace. Analysis of each interview enabled a framework of final set of thematic codes to emerge. Semi-structured interviewing has been described as an ‘open’ conversation (Kvale, 1996) or a ‘guided’ conversation (Rubin & Rubin, 1995). Its application in fieldwork enabled me to access the insider perspective (Somekh and Lewis, 2005) through in-depth case study activity. The semi-structured format allowed me to ask follow-up questions as a prompt to explore a topic in more depth, and it gave participants more time to elaborate. The role of the researcher, and their preparation before the interview in producing a useful interview schedule are important in semi-structured interviews. As Kvale (1996, p.129) highlighted, “A good interview question should contribute thematically to knowledge production and dynamically to promoting a good interview interaction.” Use of semi-structured interviews in a case study design provided me with “a structured and standardised set of data to

investigate associations between variables” (Easterby-Smith *et al*, 2002, p.38) and its use incorporated a biographical account of experience from interviewees in interview datasets at stages one and three.

I gave each interviewee a Participant Information Guide and confidentiality was assured. Interviews took place at employer premises and each lasted between 60-90 minutes in duration. Aspects of biographical study were incorporated by asking case study respondents to compare their past and current processes to reach and respond to new opportunities (Denzin, 1989). Internal and external environmental and cultural contexts emerged; reflection on procurement routines and behaviours developed a longitudinal perspective that built an understanding of the evolution of the capability through the application of learning.

My case approach allowed for intra-case and inter-case comparability whilst enabling participants to tell their stories and for new themes to emerge. Although some themes had been previously identified in the literature, the interviews were exploratory, encouraged discussion and were unconstrained by the pre-identified themes. Interviewees were asked about the most recent tender they had completed, and then asked to describe one successful, one unsuccessful and one other ‘memorable’ tender response they had participated in. This approach allowed me to gather lived situations of firm action, whilst seeking to explore hidden generative mechanisms that drive particular behaviours. Whilst introducing my study and throughout interviewing I was careful not to use the words ‘capability’ or ‘routines’, as I wanted to listen to how firm respondents attribute success or deliberate action. Throughout eleven interviews, no respondent used the words ‘capable’, ‘capability’ or ‘routine’ as words to summarise firm behaviour.

5.3.5 Documentary artefacts

Table 5.4 Description of other research artefacts used as data

Artefact	Utility
Invitation to tender documentation supplied to Fit for Life for guidance	Coded thematically to look for structural conditions
Fit for Life completed tender response to the tender	Coded thematically to look for agency response
Fit for Life procurer feedback on a separate unsuccessful tender	Coded thematically to look for structural conditions
Review of Software 4 U completed tender	Coded thematically to look for agency response

Artefact evidence: Secondary data sources (for case context) were used for textual analysis. A hard copy completed tender (2014) from FFL was scrutinised off-site. This was a response to a contract advert for the provision of leisure training and intervention programme for a public service organisation. The proposal had parts A-F that could be tendered for separately, and Fit for Life had tendered for all parts of the proposal, and was also the incumbent contract holder for the service. A copy of both the completed tender and the pre-qualification questionnaire (PQQ) were supplied. The PQQ is a document that formed the first part of this tender response to capture legal, financial and technical information from bidders. To progress to the next stage it is necessary to demonstrate compliance to threshold levels set out in the specification. The tender contract advertisement was placed in the Official Journal of the European Union in 2013. It followed a process of PQQ submission, a full selective invitation to tender and a clarification interview. The tender process took eight months and was awarded to FFL late May 2014. It was interesting to assess the value placed upon this activity by the primary case firm team to look for systems of employing the learning, and for dynamic capability systems that use this to inform operational capability.

5.3.6 Field notes

Throughout my study, I collected nine notebooks with observation notes, questions and thoughts about theoretical alignment. They are not dated or particularly well organised, and this is a learning point I am taking forward into future research. However, they have been invaluable to the writing up process, especially at times when ‘writer’s block’ has set in and I have needed to ensure I stay close to the data.

5.3.7 Data recording and storage

Descriptive data was collected in the form of transcribed taped interviews, extensive field and diary notes. For the final analysis, all interview data was then entered into the qualitative research software NVivo™ for thorough coding and further identification and refinement of themes and sub-themes.

5.3.8 Ensuring case study validity and reliability

Qualitative analysis results in a different type of knowledge than does quantitative inquiry, but all data has to fulfil quality criteria. Yin (2003) suggested case research evaluation should use the constructs of validity and reliability. Validity refers to the effectiveness of the research design to answer the research questions, and reliability is both internal (though a pilot) and external (the generalisability of findings to other situations). I have applied a validity and reliability quality test to my case data, as illustrated in Table 5.5.

Table 5.5 Case study validity and reliability test

Quality Test	Tactic I used	Research Phase
<i>Construct validity:</i> ensuring I study appropriate concepts	<ul style="list-style-type: none">• Use multiple evidence sources	Data gathering Writing up
<i>Internal validity:</i> confirming causal relationships	<ul style="list-style-type: none">• Pattern matching for• explanation building (Yin, 2003) through narrative analysis	Data analysis

	<ul style="list-style-type: none"> • Analytic memos (Corbin & Strauss, 2008) • Constant comparative method (Glaser and Strauss, 1967) 	
<i>External validity:</i> Establishing the domain to which my study findings can be generalised	<ul style="list-style-type: none"> • Use more than one case study 	Research design
<i>Reliability:</i> demonstrate that operations of a study are repeatable with same results	<ul style="list-style-type: none"> • Use of a case study protocol • Semi-structured interviewing 	Data collection

In the last twelve months I have thought more about the concept of 'trustworthiness' of data, identified by Lincoln and Guba (1985). Trustworthiness comprises of credibility, transferability, dependability, and confirmability.

- **Credibility** has been achieved in how I negotiated access to case firm participants. Use of thematic analysis has collected data and ideas that has remained congruent with theoretical framework for investigation.
- **Transferability** is the assertion that thick description is essential for others who are interested to transfer my findings to another context, or individuals. My intention has never been to generalise, and my small case study population does not support such a claim. However, my use of a primary case with a comparative study to other data sets can lay claim to creating an empirically valid theory of practices and mechanisms that form competitive public sector tendering (Eisenhardt and Graebner, 2007).
- **Dependability (reliability) and confirmability (objectivity)** – I have deliberately used triangulation through multiple investigative methods (participant interviews, documentary analysis and third party insight). I also used different sets of data and a cross case comparative analysis. Re-use of my pilot datasets provided negative instances of capability (i.e. where firms were incapable of being competitive in public sector markets). Researcher bias is an important part of confirmability, and I have said more about this in section 5.5 below.

5.4 Data analysis phases

Data analysis can be categorised as three phases, as shown in Figure 5.2. The first phase of analysis drew on findings and implications from the first stage of data collection. The second phase took place after the second stage of data collection and the third phase continued on from this with a re-analysis of specific interview transcripts from the first data collection stage. Each phase and the approach taken is set out in this section.

5.4.1 Data analysis and findings from the first data collection stage

To analyse and interpret my first set of data I developed a system of axial coding which identified relationships between existing codes, according to my concepts. Secondary and primary data sources were coded using a combination of free and tree nodes. My data analysis mode was, in part, predetermined by the RBV theoretical framework I used. It allowed me to code what was interesting for the emergent analysis of trends, and to build and test theory of resource enactment. Data reduction was achieved by sorting data into clusters using Spradley's "*family tree*" concept (1980). This enabled me to identify taxonomic (grouped) relationship structures and links between my concepts. I assigned properties and dimensions to each category, applying criteria to determine if it qualified to assess my raw data.

In terms of findings, the results from individual and across-case analysis highlighted mystery, organisational routines, learning processes, reputation, and scale as influencing factors upon agency responses. Structural demands noted from the initial bounded case study were: i) procurement rules, legislation and language; ii) rising competition from national organisations for small localised contracts; iii) the complexity and depth of tender responses demanding high levels of human, social and entrepreneurial capital; iv) the format of capability demonstration through paper submission; and v) procurer assumptions about small firm resource access. Agency responses observed were: i) SME assumptions and "mystery" of procurer expectations leading to a sense of unfairness; ii) the

need to be more professional and routinised to compete with larger firms; and, iii) capacity to learn and improve for future opportunities. Several social effects of structure and agency arose; i) SMEs are in danger of becoming “marooned” from delivering local contracts; ii) practice-based entrepreneurialism within small firms appears to be excluded in a formalised tendering process; and iii) the loss of competition from small providers, creating new power for large providers that could push up delivery costs. The study had clear implications for knowledge. It began to inform me empirically about the structural demands and agency responses that shape SME tendering prospects. It was an effective method for collecting evidence of resource enactment linked to open and competitive tendering that had considerable potential for further research. My pilot study (Turner, 2013) helped me to develop an initial set of codes, set out in Table 5.6. The codes and coding process were linked to three forms of capital; human, social and entrepreneurial. I draw on thematic analysis to refer to the initial coding process as *thematic sensing* (Boyzatis, 1998).

Table 5.6: Initial development of thematic framework and codes from stage one of data collection

Phase of study	<i>Relationship to form of capital</i>		
Pilot study	Human capital codes	Social capital codes	Entrepreneurial capital codes
Stage 1: Triage	Routines for decision taking and planning time investment Knowledge & skills for deep assessment of procurer goals Leadership of triage process Ability to commit time for stage 2	Ability to draw in internal & external knowledge stocks Identification of partnerships to increase scale	Self-efficacy of business owner to develop the opportunity
Stage 2: Mobilising a tender response	Acquisition or existence of skills and knowledge stocks	Loose ties to build reputation and scale Brand identity	Entrepreneurial business development processes
Stage 3: Evaluating tender performance	Knowledge and skills to review management action	Development of loose ties for current/future opportunities	Embedded firm capital in a feedback process

From this start-point, I began a process of thematic reflection. I had developed some codes inductively, but recognised the limitations of this work. First, the codes highlighted processes or resources used by tendering firms in a bounded case study, but they were not clustered hierarchically and they did not describe capability. Miles and Huberman (1984) refer to a requirement to cluster themes to achieve a higher level of abstraction.

5.4.2 Review and recalibration of research focus after stage one

A prolonged period of literature search and reflection over fifteen months (Sept 2011-August 2013) was beneficial to me to reflect on the limitations of my pilot study as well as build up a greater degree of confidence in my overall research approach. It confirmed to me that a critical realist perspective was valid and that I had not yet fully exploited its potential use. I began to see how the tendering process itself was seen to rely upon high levels of human, social and entrepreneurial capital that small firms do not necessarily have. In part, these capitals related to routines and firm-level learning, and yet I had not captured either of these constructs in a meaningful way or thoroughly associated SME tendering capability as emergent from causal processes operating at the levels of political and regulatory structure. A key limitation from my pilot study was not having the opportunity to examine a successful small firm – I could merely interpret what a successful large firm did.

My next step was to understand capability from a much wider perspective than from the resource-based view. As a process, I employed a bricolage of thematic origins. My capability ideas arose through three routes; from existing literature, from my first data collection case and inductively through intensive comparative case research from the second data collection stage. Themes have been, in part, theory driven, for example use of dynamic capability theory (Teece *et al*, 1997). My fieldwork generated more codes inductively. I extended my theoretical and empirical literature reviews and developing codes that were theory driven and were present in existing literature (brought up to date in 2017). Abductive and retroductive techniques made sense of the data. Expanding and collapsing codes until

an orderly and explanatory means of categorising the data has been a successful approach (Miles and Huberman, 1984). I used template analysis to summarise data for each case interview. I have used this in conjunction with the coded text to conduct within-case and across-case analysis. An iterative process of analysing the data was used to identify emerging themes during the case study process. I used a cross-case spreadsheet to identify themes and categorise information as the interviews were progressing. Information from documents and other case data was also entered into the cross-case spreadsheet.

In thematic analysis the relevance and quality of a sample should meet three tests; efficacy, efficiency and ethics (Boyatzis, 1998). Efficacy refers to having a sufficient variety of units of analysis to analyse between to identify comparison and variance. It also demands multiple units of coding to understand each unit of analysis in the round. I have complied with these efficacy guidelines through my sample size and respondent range. Efficiency is about making coding time manageable. I significantly underestimated the time required to code, recode and cluster my themes. However, through supervisory discussion, I have completed coding and learnt lessons for managing future coding in research. Ethics is the protection of confidentiality of data. I have taken adequate steps to protect against source identification by changing or making vague the names, locations and sectors of case firms. I was also encouraged by my supervisor to become vaguer about specific details such as accreditations held by case firms.

The use of memos helped me to initially understand the analytic story behind the data (Corbin and Strauss, 2008) and to connect disparate concepts together within my theoretical framework. This integration process was an iterative process of continual sense-making of key issues that are buried within the data to support a theoretical rather than just a descriptive explanation.

Further codes became apparent from a more extensive literature review, with a specific focus on several key studies, (Flynn and Davis, 2016; Woldesenbat, 2013; Reijonen *et al*, 2014). From here, I constructed an initial set of themes to begin fieldwork. As time progressed, I utilised further theory to 'see' codes through interpretative methods of data abstraction. Figure 5.3 (below) is my final thematic coding template. The template was constructed using four segmented themes: i) market knowledge, understanding and experience; ii) market engagement, influence and positioning; firm knowledge exchange, routines and adaptation, and, iv; resource demands, mobilisation and orientation. Each segment was then afforded sub-categories where a detailed level of data analysis takes place. An initial set of codes that had emerged through the literature review had acted as potential thematic categories for initial data coding of interview transcripts (Corbin and Strauss, 2008). As coding began, categorical coding clusters became more visible. Pre-defined initial codes to adopt data led titling.

Figure 5.7 Revised and final thematic coding template

1. Market Knowledge, Understanding and Experience	2. Market Engagement, Influence and Positioning	3. Firm Knowledge Exchange, Routines, Adaptation	4. Resource Demands, Mobilisation and Orientation
1.1 Understanding tendering processes and regulation as a market mechanism	2.1 Market shaping strategies	3.1 Opportunity triage	4.1 Specific resource demands observed
1.2 A- priori experience	2.2 Market positioning through networks and relationships	3.2 Opportunity leadership, co-ordination and distribution	4.2 Company investment into resources as forms of capital
1.3 Competitor awareness	2.3 Opportunity flow positioning	3.3 Micro-routines observed	4.3 Fluidity of resource access and exchange
1.4 Utilising a tendering strategy	2.4 Innovation	3.4 Aligning company ethics and values to decision making	4.4 Resource orientation
1.5 Effects of procurer behaviour on capability demonstration	2.5 Motivation and agency	3.5 Applying learning and reflection	4.5 Risking resource effort

Before I settled upon using institutional, capability and absorptive capacity theories I also explored bootstrapping, bricolage and effectuation within entrepreneurship literature with a view to using it within a theoretical framework. I 'played' with the idea for nine months, convinced that entrepreneurial bricolage behaviours may provide a broad explanation of innovation to perform an exchange under resource constraints (Senyard *et al*, 2014) and could help unlock explanations for capability performance differences in case firms. Bootstrapping and bricolage entrepreneurship literatures gave me a theoretical perspective to examine resource command processes. I also recognised effectuation as a nascent literature that resonated with my interest in understanding human action.

Effectuation is a process of thinking and a form of entrepreneurial expertise (Read and Sarasvathy, 2005) that starts with a general aspiration to use resources at immediate disposal rather than to exploit environmental contingencies. Effectuation describes small firm behaviour and I believed that opportunity positioning strategies and understanding opportunity formation under uncertainty may be illuminated through effectuation theory. Fundamentally, the behavioural principles of effectuation (Sarasvathy, 2001, 2008) offer a paradigmatic shift away from rational (causative) goal driven behaviours where opportunities are found and exploited through firm controlled resources. Effectual logic would have meant embracing the five following principles: i) that a goal is replaced by a set of means; ii) expected return is replaced by affordable loss, i.e. what is riskable; iii) competitor analysis is overridden by use of strategic alliances; iv) exploitation of pre-existing knowledge is transformed into leveraging knowledge; and, v) effectual thinking does not try to predict the future (market) within uncertain environments. I personally struggled to apply these principles to my case data and became confused using effectuation, as my unit of analysis was the firm and not the leader. I would like to utilise these aspects of entrepreneurship theory in the future, but I concluded that a robust study could be conducted with a tri-partite theoretical construct using capability theory, institutional theory and absorptive capacity.

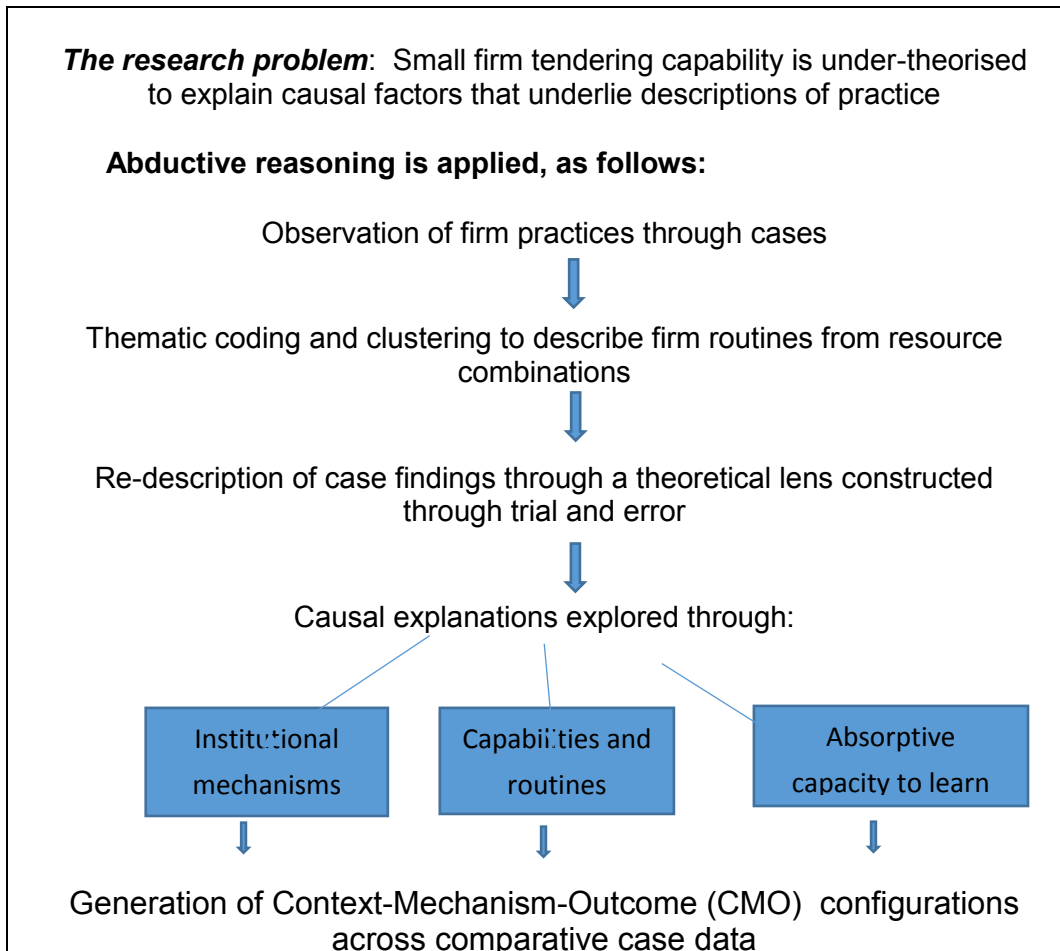
5.4.4 Phase two of data analysis - abductive and retroductive techniques

The ontological and epistemological assumptions of critical realist theory have meant that data collection from case firms has involved continuous reflection to identify *why* events occur and *how* they can be explained. Empirical data collected has needed to relate back to the real nature of entities within a wider social structure, with an emphasis upon retroduction (to look for potential causes) and abduction (to infer the most plausible explanation). Critical realism has proved to be an appropriate paradigm to adopt in relation to understand the role of social structures that are embedded, culturally and politically, within public sector tendering and SMEs and it has enabled theoretical arguments to make sense of empirical data.

Table 5.3 (ahead) frames my critical realist research approach. I have already stated that observable data lacks explanatory power to locate causal structures that exist within the cases to differentiate between empirical and actual knowledge. Access is gained through a process of abduction, or the process of identifying and matching the relationship between underlying mechanisms and observable data, by looking at data through a theoretical lens. My theoretical lens was described in chapter three, and was developed through a reflective 'to and fro' process between data and theory. Retroduction as a technique can observe how human action as forms of agency combine with structural conditions to produce interacting causal mechanisms. Retroduction is described as "*...a movement . . . from the conception of some phenomenon of interest to a conception of some totality or thing, mechanism, structure or condition that is responsible for that given phenomena.*" As a process it identifies the causes and conditions of case findings. A retroductive examination of findings moves from "*a description of some phenomenon to a description of something which produces it or is a condition for it*" (Bhaskar 2009, p.7). Application of a retroductive methodology is useful to identify potential causes to explain capability enactment by locating and understanding causal mechanisms underlying the emergence and success of competitive capability practices (Pawson and Tilley, 1997). I used five steps of

abductive reasoning that are set out in Table 5.3 below. Each step corresponds to Bhaskar’s ontological domains (2008), the *empirical*, *actual* and *real* that are discussed in chapter five. Step 1, resolution, refers to the collection of case data, that is initially organised into thematic categories. Step two, re-description, examined the data through the theoretical framework constructed, using capability theory, institutional theory and absorptive capacity theory as a constructed lens. The third step, retrodution, was to conceive of explanatory mechanisms that may be in play. I found this step challenging, and spent considerable time considering and dismissing possible generative mechanisms in my cases.

Figure 5. 3 Steps of abductive reasoning within a critical realist approach



For the purposes of contextual broadening, I also applied scrutiny to existing data sets from pilot data and to an expert informant interview. The final steps are referred to as elaboration and elimination. The CMO model (context mechanism, outcome) pattern configurations is an analysis tool to

understand *'what works for whom in what circumstances'* (Tilley, 2000) and I have applied it to case findings to uncover generative mechanisms inside case firms which shape agency responses in different contexts. Table 5.8 illustrates how the steps of abductive reasoning fit into my research discovery.

Table 5.8 Steps of abductive reasoning within critical realist ontological domains

CR ontological domains	Steps of abductive reasoning	Research discovery
Empirical (empirical knowledge)	Resolution	Collection of empirical data from case study firms FFL and S4U. Focus on successful practices used and reflections on situated tendering experiences.
Actual (all events and behaviours)	Re-description (looking at empirical data collected through my constructed theoretical framework)	Thematic 'sensing' is applied to FFL primary case study. Thematic codes are repeatedly analysed through application of codes to the concepts of capability, institutional theory and absorptive capacity.
Real (generative mechanisms)	Retrodution (postulation of underlying generative mechanisms)	Generative mechanisms are considered, dismissed, reconsidered and adopted
	Elaboration and elimination of other explanations (are my GMs still relevant)	Re-examination of data sets from pilot study and expert informant interview with S4U empirical data to apply the postulated generative mechanisms

Pattern matching is a core procedure in every theory-testing study (Campbell, 1966; Dul and Hak, 2008), and I expected patterns of behaviour that emerged from data would allow me to conceptualise my process of data analysis and build an analytic structure. Use of the constant comparative method (Glaser and Strauss, 1967) encouraged me to stretch the diversity of data I collected to achieve theoretical saturation. Each incidence of tendering experiences I examine is likely to bring out different aspects of behavioural learning and process so this technique uncovered similarities and differences within my coding labels.

5.4.5 Phase three of data analysis - contextual broadening

The final stage of data collection was to apply my emerging theoretical framework to perform a secondary analysis of datasets from three pilot study firms. Inclusion of the data stretched the diversity of my data by collecting it from small firms in different sectors. It highlighted comparison or differences in resource fungibility between tender responses for products over services.

5.4.6 Write up and presentation of data

A key challenge and learning point for me was my ability to identify and experiment with ways of presenting data. After some soul-searching, data on my findings were synthesised into a primary and comparative case report. Chapter six presents Fit for Life, a firm that has grown just over the medium-size business category (62 employees), primarily in a competitive public sector market. It is my primary intensive case, organised under an observed set of routines that comprise capability. Chapter seven uses a comparator approach to identify the presence or absence of routines and capability forms found in FFL with all other case firms. Primary case findings are compared against a secondary intensive case, Software4U (S4U), an analysis of datasets from three pilot firm and from an interview with an expert informant on tendering. Firms additional to FFL occupy different tendering conditions, different markets and different levels of product or service mutability. For example, S4U sell software which is a fixed product in a market with minimal direct competition. Their market procure on a small financial scale. Pilot firms are sized differently, from eleven, 45 or 200 employees and operate both successfully and unsuccessfully in a domiciliary care market. Data are presented in matrix and narrative formulae, with direct quotations from respondents. Respondent names and firms were anonymised (Douglas, 2005) and particular details of firm such as specificity of location are vague to protect firm identity.

5.5 My role as researcher in the study

My role as a critical realist researcher is to locate deep social structures that are not observable through interview respondent accounts of practice, perceived by the teller through recollection. A process of retroduction is required as a mode of inference, *“to move from a ‘surface phenomenon’ to some ‘deeper’ causal thing”* (Lawson 2003, p.145). Retroduction as a process is iterative (Wynn and Williams, 2012) and creative (Bygstad *et al*, 2016). It places the researcher centre stage as interpreter. There is no established methodology for the identification of mechanisms (Bygstad *et al*, 2016) although it is aided by theoretical discussion (Danermark *et al*, 2002; Sayer, 1992; Pawson and Tilley, 1997).

The retroductive process has been referred to as ‘thought trials’ (Weick, 1989) to identify the properties of a causal mechanism at work. As the researcher I have been required to generate codes and then postulate generative mechanisms from thematically coded data. It has required confidence to decide which ones have the highest explanatory power. Learning to apply thematic analysis has been a laborious process that has required me to develop particular skills and behaviours, to recognise and overcome obstacles for unit analysis and code analysis identification and interpretation and to recognise what makes a good theme, or code. Case analysis has been more complex than I had anticipated as I started to perceive multiple causality in the small firm tendering domain and requiring an ability to conceptualise a broad set of relationships. In particular, I saw a benefit from my close knowledge of the topic under investigation. It helped me to apply theoretical sensitivity, awareness of theoretical understanding can influence empirical findings, to generate concepts from data.

In previous roles, I have worked within a small firm to write responses to public sector tenders. I have also worked in a consultancy capacity to advise and mentor business leaders in small and large organisations to build processes and knowledge that increase their public sector tendering

competitiveness. This experience has been a useful reflection ground to support case comparison and to understand the nature of situated practice. However, my mode of investigation was not as an active participant that of an observer. Boyatzis (1998) identified three threats to the researcher of: i) projection; ii) sampling; and, iii) mood and style. Starting with projection, I understood that my subjective familiarity with tendering may increase the risk of layering my own judgements upon data. My strategy for ensuring against this was two-fold; firstly, to biographically account my situated tendering experiences, context and emotions to expose any bias, and; secondly to stay close to the data by citing participants throughout my findings chapters. With regard to sampling, I was keen to avoid contamination of data. I used a semi-structured interview plan to guide and collect information. Both primary and secondary case firms sought my advice and feedback on their tendering practices after interviews, and on occasion during them. I declined their invitation and offered a feedback session towards the end of my thesis. Thirdly, mood and style is important to information collection and analysis. Boyatzis (1998) refers to the 'arousal effect' of data on a researcher. My data analysis was delayed using a suspension period whilst I had significant challenges in my family life. I re-engaged with coding and interpretation with a clear focus and exercised self-control in my frustration at having multiple attempts to develop a reliable coding template.

5.6 Chapter summary

Starting with limitations, my study cannot say *which* resources are typically needed or give a full account of possible capabilities. For example, resource efficacy or bootstrapping are not researched. I focus on private sector firms and my primary firm is medium-sized. Ideally I would like to understand their capabilities when they were smaller or newer, and the process of emergence. My study cannot address all research gaps. So, my primary contribution is to theorise capability using a novel theoretical framework, and this is a great foundation for future research.

Nevertheless, this chapter has addressed the utility of my comparative case study method to conduct my research and collect data. Use of a qualitative research strategy has enabled a micro-foundational approach. A critical realist research design is suitable to explore the interaction of structures, events, human agency and contexts, within which to identify and locate generative mechanisms (Wynn and Williams, 2012). In order to understand more fully events and mechanisms it has been necessary to conduct sophisticated in-depth research, collect multiple experiences, and use the logic of retroduction to theoretically analyse the causal processes at work in events and, behind them, in institutionalised mechanisms. This chapter has included an account of two data collection stages and three phases of data analysis. My data are presented in the following two chapters. Chapter six describes findings in the primary case, Fit for Life. Chapter seven compares the findings of the primary case to a secondary case, expert informant opinion and to a re-analysis of three small firms in the pilot data sets.

Chapter Six: Tendering routines in Fit for Life

6.1 Introduction

This chapter presents a micro-analysis of fifteen interlocking and competitive routines observed in case company Fit for Life, set within a structural analysis of context. Routines are the practices in which firm capability is institutionalised for competitive advantage. They are enabled or constrained by the effects of structure and agency. This firm is exceptionally successful at tendering, and as such, its practices are worthy of scrutiny. Its routines are categorised into six types; i) information seeking; ii) strategic; iii) interpretive; iv) cultural; v) data mining; and, vi) transformational (otherwise known as *dynamic capabilities*). The typology of routines and capabilities described in this chapter is not the firm's way of understanding or expressing their behaviour. It is the researcher's interpretation through case analysis. Routines in themselves do not constitute capability; they serve capability by building it through combination efforts into successful performance outcomes.

Competitive responses to tender completion are organised into three specific operational capabilities that situate the business in the public marketplace (with analytical ideas of what needs to be achieved as a capability and the operational practices that produce these). They are i) market analysis; ii) market positioning; and, iii) relationship building. Three further operational capabilities support tender productivity: iv) reading a tender specification; v) creative resource mobilisation; and, vi) the technical components of tender completion. The constant re-development of capabilities to be more effective to respond to changing market conditions relies upon two forms of dynamic capability (that are also routines) that operate across the task accomplishment routines to enable transformation to occur. These are vii) entrepreneurial orientation; and, viii) environmental learning.

Findings address the second and third analytical research questions for the thesis. The second question concerns the nature of the case firm's competitive response: '*What are the practices, expressed as routines, that generate capability to successfully tender in the case firm?*' The third question, concerned with absorptive capacity, asks; "To what extent, and how, *do firms learn to improve capability through repeated tendering experiences?*" In critical realist terms, the approach separates out each routine for analytical purposes, whilst acknowledging that in practice they are inter-linked.

This chapter has six sections. Following the introduction, section two introduces the case firm, Fit for Life. Section three analyses, routine by routine, the six categories of operational routines discovered. Observation and retroductive analysis of the routines looks at task accomplishment and agency participation within it. Section four creates a link between routines and capability. It proposes clusters of routines that combine *and* inter-dependently overlap to create *specific forms of capability* that firm leaders use to situate the business competitively in the flow of public sector tendering. Section five summarises the structural conditions that pre-exist agency, and the exercise of agency. The chapter ends in section six by summarising a case capability framework for successful tendering capability. Chapter Seven then compares the findings to additional cases and to tendering expert informant opinion to elucidate the contextual differences in the role generative mechanisms play in routine performance.

6.2 Primary case description: Fit for Life

6.2.1 Fit for Life company background and services

Fit for Life (FFL) is an outdoor leisure training business, and is well known in its specific sector. It is a large provider of outdoor leisure training services within its niche market in the UK. The firm possesses about 11-13% of the overall UK market size of £11m in its area. Its clients are in public, private and voluntary sectors, and the firm holds contracts with nine local

authorities to deliver services in the UK and Ireland. FFL is an active market shaper of UK outdoor leisure development and at the forefront of sector developments both locally and nationally, evidenced through its social and political networking activities.

FFL's headquarters are in a northern city, with satellite offices in the North East and in the North West. FFL is run as a company limited by guarantee. It was owner-managed when established in 2000. At the time of fieldwork it employed 62 staff and had an annual turnover of £3.1 million. It is a successful firm that has displayed significant growth in turnover and a rapid increase in staff over the last five years. In 2013, the owner participated in a university high growth business strategy programme. A clear growth strategy was apparent through respondent interviews, and increasing public sector contract service delivery is core to their growth plan. Approximately 60% of current income is generated from publicly funded contracts, although profit margins are significantly lower for public than private business. The management team has made a conscious decision to maintain a private and public sector contract balance. FFL has a five year business growth strategy, and approximately 50% of growth is expected to come from public contracts. Private sector work is more profitable but public contracts are generally larger in size and are the 'bread and butter' to maintain financial stability. So, a structural condition of public procurement is that it may limit contract profitability to below that of private sector work, whilst simultaneously creating access for small firms to public market revenue.

6.2.2 Fit for Life vision and values

FFL has clear goals to get people fit and to provide leisure training services that are profitable and effective. The goals are displayed on the business premises and enacted by management and operational staff. Several research visits to the Head Office gave an impression that the business mission, vision and values are shared and championed by the executive management team, and firm behaviour and routines can be described as consistent and consensual. The company's mission statement captures its

social purpose to inspire everyday active travel and healthy lifestyles. It identifies five distinct customer groups: i) communities; ii) individuals; iii) instructors; iv) organisations, particularly those that require active leisure and fleet management services; and, v) drivers of leisure activities. The well-articulated vision and values are themselves a part of the firm's tendering success. This semi-formalisation is part of what distinguishes FFL from other medium-sized firms.

6.2.3 Fit for Life leadership and management

FFL is a successfully led firm that has grown organically and fast through strategic leadership by the founder. The MD has an ability to influence others in the firm to act in a way that enhances the prospects for the firm's long-term success while maintaining long-term financial stability. She is an entrepreneur, having started up the business with a core knowledge of the sector and an ambition to grow a nascent market. The HR Director is a co-owner of the business and has worked in it since 2008. A Marketing Manager was recruited in 2009 and, in 2012, a new senior role of Operations Manager was created to expand internal capacity and expertise for service planning and delivery. By this time, the MD had introduced a more formalised approach to senior team recruitment. For the first time, an external recruitment expert was hired to support a full day recruitment and selection process, showing a more planned and distributed approach to business leadership. The decision to introduce structured candidate assessment activities later becomes significant to understand how the firm uses internal human capital to strengthen firm tendering capability. The executive team meets weekly with the MD. Observation of communication indicates that the executive team body language and conversation is that of personal commitment to company values, to delivering the business plan and to supporting each other.

The executive management team has a diverse set of experience. The MD displays leadership of communicating sectoral market funding sources and innovation. She was involved in writing the Sports National Standards and some of the pilot schemes were delivered by FFL. The HR Director had

previously worked for a local authority and has first-hand experience of constructing and scoring tenders. She has built symbolic capital for the firm by leading the firm to earn the Investors on People quality kitemark. Policy development to public sector standard has been driven by the HR Director. The Marketing Manager was recruited from a commercial sales background and he has learnt about public sector tendering from the MD and the HR Director. His experience has been put to work through mobilising resources to conduct a competitor analysis, upgrading firm branding and reputational capital and focusing on private and public sales activities. It is his role in the firm to project manage tender completion. In doing so, he has re-organised resources to a compliant, competitive standard. The firm's appointment of an Operational Manager into a new post in 2012 was to embed a growth strategy for operational scaling geographically and by contract award size. Small firms tend to be operationally-led, but FFL has two senior managers involved in business development and one on operations. The company has unusually high levels of human and social capital to know and to interpret market demands. This is perhaps because Fit for Life is a firm with strong growth intent, showing signs of formalisation and specialist leadership. It has a clear mission and appreciates that public sector tendering is crucial to achieving that. Capability is built on resources, then, and on the expectation of reaping further significant reward based on those resources; growth is also dependent upon tendering.

6.2.4 Fit for Life successful engagement with public sector tendering

Fit for Life is an active participant in the active leisure services tendering sector. Prior involvement with tendering, and as the current incumbent service contract holder in some locations, means that it is already known what firm resources are generally required to submit a tender. In this sense, experience acts as a form of emergence. FFL has a successful track record of contract award through tendering since 2006, with fifteen tenders awarded to them at a value of £3.5m. Interview respondents discuss examples of tenders won and lost. Proportionately, the HR Director states

that the firm has won about 75% of all tenders submitted. Whilst the market is well understood, firm tender submission results using identical resources can still produce unexpected results. Through discussion, it is the context of tendering that remains idiosyncratic. On occasion, the submission context has been as the incumbent supplier to a public body, yet more frequently tenders are submitted to unknown procurers in unfamiliar spatial positions. Temporal contexts also apply, as more or less public money becomes available to deliver a service, whereby service pricing becomes more sensitive and factored in scoring criteria. Competition is seen a dynamic force that causes market disruption, and in this case firm an example is given of pricing pitched below market norms. However, as case data will show, FFL is often the market influencer through inimitable structural properties that reside within the firm.

6.3 Tendering routines

Case findings identify six types of firm routine that drive competitive behaviour. The routine types are broadly categorised as i) information seeking; ii) strategic; iii) interpretive; iv) cultural; v) resource accrual; and, vi) transformational.

6.3.1 Information seeking routines

Information seeking routines refer to activities that draw knowledge into the firm to develop and maintain a current perspective on market opportunities and the competition base. The routines are i) market information gathering; and, ii) competitor surveillance.

(R1) Market information gathering (MIG)

Market information gathering describes the act of gathering information on evolving market contours and interpreting implications for firm tendering practices and opportunities. As FFL is already a supplier of publicly delivered services, its leaders analyse the market for consideration of both *contract retention* and *contract acquisition* purposes in *targeted* geographical areas. The business leaders all communicate a concern with

significant strategic developments within the sector at government level. They discuss examples of changes to national policy-making, budget setting and budget ownership by public entities, all structural conditions of the public marketplace in their sector. Procurer idiosyncratic behaviour is a separate but related point that is recognised by respondents. Market analysis demands a constant flow of high quality information into the business. This is used to predict spend of public monies and the changing nature of public sector customers. Information is searched out through informal and formal micro-routines. A core mechanism to unlock information is the firm's pro-active approach outside of the business. The MD's activities within sector professional networks draw firm attention to upcoming opportunities through early contact with formal information and by 'word of mouth'. The MD and the Marketing Manager actively engage in parliamentary steering groups, sector standards development and other thought leadership activities, such as lobbying and writing articles for 'trade' publication. The firm strategy is to influence resource deployment of monies towards services they deliver at a higher level than individual contacting units, such as with local authorities. To achieve this requires expert stocks of knowledge, influence and extensive social capital.

Knowledge acquisition about new tenders *before* they are advertised is a powerful yet informal method Fit for Life uses. Informally, tacit knowledge is continuously accrued on the idiosyncracies of purchasing behaviour, such as tender scoring where the percentage of marks awarded for quality compared to pricing could fluctuate between procurers for identical services. Business leaders know this varies, and they use market information gathering to learn about price sensitivity. By doing so, and by linking to a competitor surveillance routine, firm leaders are better positioned to predict when price sensitivity becomes more important in particular situations. Firm leaders know the frequency of service purchasing cycles in targeted public sector clients. They are clear where tenders were advertised and are familiar with a service specification embodied within lengthy tender documents. The MD, for example, refers to using knowledge of a governmental pledge to reduce obesity through active leisure

promotion as market building. The Marketing Manager mentions an internal political move in the government to site market responsibility for active fitness services in another department. Both of these examples show active reflection on market development and future implications for the firm and are structural conditions that shape firm understanding of opportunities.

Firm leaders work as a team to make sense of information acquired from formal and informal sources. Informally, the researcher witnessed an executive team meeting where members share anecdotal marketplace intelligence, including discussion of examples of idiosyncratic behaviour that helps them to predict likely changes to tender specifications. In this meeting, a respondent had raised a concern that some councils were taking active leisure services back in house. A swift firm response to the market trend was to develop a new service to accommodate market change:

“Because we train the trainers we’re still getting work off those local authorities because somebody’s got to train the trainers and they’re not training providers for actually training the trainers. So on income wise it’s advantageous for us to train the trainers rather than deliver the training [MD].

MIG clearly leveraged valuable social capital that can also shape the market. Social capital drew knowledge from sector-based networks to informally learn about market contracting. The MD and the Marketing Manager are referred to by the Operations Manager advising on tender opportunities ‘outside the business looking in’ and having the ‘external bit covered’. The MD states:

“I know what’s going on in the whole of the country of significance to us and then I have to think about where I want to place the business and what we want to do” [MD].

This suggests that capability enactment recognises the operating environment of the firm as being *outside* the business as well as within it. Informally, the firm has built up significant reputational capital and effective professional and social network exploitation skills. FFL is a ‘go to’ active fitness services supplier, demonstrated through current service reputation.

In this sense, resources are built by the firm that advertise firm capability in the marketplace, and subsequently draw in opportunities to respond to tenders. Resources are existing contracts and positive marketplace relationships with different stakeholder groups. FFL's MD knows about forthcoming tenders ahead of release, and gave one example of being asked to offer expert input into tender construction by a local authority. The quote below summarises the level of investment and engagement put into finding out about tenders:

We're obviously on a lot of tender portals so we get an alert or we hear about it... "Sometimes we might not see an alert ..and someone might actually contact us and say, "I've seen this. Thought about you. Do you fancy having a go?" and then the third way is similar to that; someone might come to us and say, "We've expressed an interest in this but we need a partner to help us either as a sub-contractor or as lead partner. Do you want to have a go?" [MD]

The firm has registered interest on tender portal sites for electronic notification of tender alerts. A set of keywords entered into a portal allows staff to automatically receive emails when a relevant new opportunity is advertised. In this firm, the business development manager has set up the keywords, but an increased resource put in place now includes the Managing Director as a second recipient of tender alerts. As a structural property of the firm, the routine of receiving tender alerts operates to facilitate internal discussions about opportunities, alongside safeguarding against individual failure to notice new tender advertisements. The routine was amended after relevant tender opportunities were overlooked, so missed opportunities triggered resource investment into this routine. A second adaptation to the MIG routine is a response to marketplace idiosyncrasy. The firm has begun to conduct a regular review of key search terms included in electronic portal searches, introduced after a relevant tender contract titles had adopted different terminology and was not identified through existing search criteria. In practice, this means entering words and phrases that the firm believe will identify and flag relevant tenders that are being advertised. It took the firm a while to get this right;

too specific and narrow search terms may overlook some opportunities, whereas too wide a search was returning irrelevant contract opportunities.

The MIG routine does not operate in isolation. It is dependent upon its cultural routines of tender leadership and team-working to exercise collective agency. Entrepreneurial orientation unlocks pro-active market search activities to gain privileged knowledge, and environmental learning underlies why FFL believe a MIG routine is necessary to pursue, and worthy of scarce resource.

(R2) Competitor surveillance

A competitor surveillance routine discovers how competitors perform in contract acquisition and delivery to analyse how to out-compete them. It enables FFL to recognise the dynamic competitive environment within which it operates and its influence upon contract acquisition and retention. It orients resources from within and outside of the firm to build insight into competitor actions, so that it can detect threat and build market distinction. Respondents feel that the transparent nature of tender advertising and access means that the big consultancies want to win smaller (£50,000) contracts. This is a structural condition of a shrinking market, under public sector austerity measures. Firm interviewees explain how they have reacted to the threat by limiting opportunities for competitor imitability. They describe themselves as 'always ahead' and at the front of the market,

“Almost what you see on the website is out of date because we’re much further ahead at that particular point, but I keep a very close eye” [MD]

The Marketing Manager has recently completed a written competitor analysis, making competitor analysis a specialist form of information gathering. Resources to support the exercise are sourced externally in the form of a team of university students at no cost to the firm. The outcome of the analysis exercise was that market procurers appear to be awarding contracts to bigger firms who exercise unexpected competition:

“The bigger players are getting bigger. So, we are getting bigger...It’s really interesting who’s coming in [to the market] now” [Marketing Manager]

Competitor surveillance informs the executive team how to shape a forward plan to target key accounts. Supplier questions and answers during a live tender are displayed on a portal. Firm respondents explain one tactic is to delay asking questions until the last minute to limit competitor imitation. The competitive micro-routine of delaying asking questions has been developed as a defense mechanism to limit competitor access to understanding, and therefore protect FFL. Competitor performance surveillance in FFL is also continually informed through everyday practice. The HR Director recounts an experience of colleagues attending a tender panel interview that generated a causal effect. A large competitor had fielded ‘three men in suits’ at an interview panel. The FFL representative reported this back and adapted firm practice, sending four members of the executive team to the next panel interview. Competitor behaviour triggers agency response inside the firm. Finally, competitor surveillance is a strategic asset to contribute into decision-making, where knowledge of competitor practices are uncovered through social networks and judgements are made about how to out-compete the incumbent:

“...we knew the present incumbents and we weren’t impressed. We knew it wasn’t great what they were doing. So we could easily do the job and do it, well, better” [MD]

Competitor surveillance is a routine created through the presence of entrepreneurial orientation (to proactively track competition) and through environmental learning, to commit to active market learning. It also acts as a dependency for setting criteria for opportunity selection.

6.3.2 Strategic routines

Three routines are strategic in their orientation and application. They are iii) setting criteria for opportunity selection and review; iv) alliancing; and, v) safeguarding market pricing.

(R3): Setting criteria for opportunity selection

This routine describes firm creation of a formal set of criteria that is codified into a written artefact to guide strategic opportunity selection and review. It includes tacit rules and flexible application to feed into flexible strategic development. FFL has written a tendering strategy to align opportunity selection with its written business growth plan. It has done so to assess objectively the opportunity value in a strategic performance context. In practice this means maintaining existing contracts, growing contracts in existing contract areas and looking at productivity and profitability of an individual contract and as an overall as a percentage of its public sector work.

The MD has completed tenders for eight years without a formalised artefact to affect selection and review practices. Her decision to codify what criteria should be used to assess tenders is a recent innovation, emergent from a clearer strategy on its marketplace positioning. The tendering strategy enables multiple executive team members to analyse firm chances for contract award and to reject others. FFL respondents agree that they reject a lot of tenders on the basis that effort would not produce a commensurate return. This point acknowledges the disproportionality of effort in tenders of small value, and indicates firm strategy to access better return on investment from larger contract opportunities. The written strategy is a codified example of deployed human capital. It defines criteria for minimum contract value size, geographical location and existing incumbent provider service performance. Finance is described as a joint first consideration with how it fits within the business and growth strategy. Interestingly, the strategy is a yardstick, but it is not applied with rigidity inside the firm if opportunity triage highlights otherwise. Firm intention is driven by a strategic focus of entrepreneurial effort to shape or exploit a market in specific places, where the firm has a large contract that covers key

infrastructure costs. So, the opportunity selection strategy is spatial and about creating a concentration of supply that is more cost effective, building on an anchor contract.

One respondent commented that whilst a specific type of contract may be lower on profitability, once the firm is in an area they can do other interventions which are more profitable. The management team concurs that if a contract is over a stated threshold value, it would give them enough money to set up an office and become viable. Firm forensic awareness of costs and profits contribute towards a capability to know *how* to evaluate contract pricing. It is a form of human capital and a capability (set of routines) in itself that supports tendering. Strategic selection of tenders to respond to is a mature and adapting routine that is largely absent in the literature. However, some reasons given for tendering are interesting and distinctive from just winning business:

“If it’s on our patch and it’s a small tender and we don’t think we can make money on it we might still do it because we don’t want anyone else encroaching, we don’t want anyone playing in our playground basically.” [Operations Manager].

Again, mention of having a ‘patch’ is a reminder that opportunity selection is spatial. Protecting territory or *market blocking* has become a more recent informal strategy that has suspended the usual tender consideration process. The quote demonstrates firm leaders as corporate agency adapting its own rules to serve a sophisticated understanding of its own interests. In one interview, a respondent refers to a current tender they are considering. Whilst a strategic review revealed that they would probably lose money on it, FFL held other framework agreements with the same organisation which were profitable, so a bigger picture view suspended rigid selection criteria to support relationship building. As a tacit rule, this suggests the firm leadership team take a long-term view of both contracts and relationships, relying upon short-term resource investment for long-term gain. The firm’s interplay between its tendering strategy and client relationship management is explicit:

“We might take on a piece of business and say actually it’s three years and the first year we know we’re going to lose money, the second year we might make it even and then the third year we’re going to make a profit out of it. So we kind of look at it that way.” [MD]

Whilst repeating a tender for a previously contracted service was described as familiar territory, respondents noted the magnitude of losing current business and the importance of getting it financially and strategically positioned to block competitor imitability. Managerial understanding of the public sector environment exercises agency over the interpretation of market-level behaviour and to evaluate competitive threat. The point is that there are both formal and tacit rules for enacting an opportunity selection routine, and these are strategically integrated but also applied with flexibility and in a way that enables strategic development. This routine only exists at all because of entrepreneurial orientation to serve rent seeking, and its exercise is critical for further interpretive routines, alliancing and safeguarding market pricing.

(R4) Alliancing

Alliancing in FFL is operationalised by selecting a larger firm that will act as the bidding vehicle in exchange for including Fit for Life services, but not as a weak partner. A strategic alliance with a business partner secured a piece of work for FFL that would otherwise have been out of reach because of its high financial value and broader set of requirements. Respondents draw attention to occasions where they believe tenders are constructed to only be won by larger organisations. An example given is where a transport company known to the MD was submitting a tender. An exchange of knowledge resulted in FFL supplying specialist knowledge into the tender response and in return being named as a supplier for a sub-section of services procured. Interestingly, alliancing is seized as a learning opportunity as well as a business creation exercise and is a specific form of knowledge acquisition:

“We have done a few collaborations. ...I feel like we are breaking new ground.” [MD]

FFL used this relationship to build social and human capital. Alliancing combines with the first routine, market information gathering. The large company had developed highly professional methods to construct visual and easy to read tender documents. These practices are imitated by FFL and this is now embedded practice. In the alliancing routine, FFL’s resources successfully leverage stakeholder and professional network based assets to increase the value of their own knowledge and market position. Firm level agency draws on its capabilities, and manages to change the opportunity window in their immediate environment to their advantage.

(R5) Safeguarding market pricing

Safeguarding market pricing uses reputational capital and specialist knowledge to influence unit pricing in tenders. This is a competitive routine that utilises firm service reputation for safety and ethical market leadership as a strategy for upholding prices. Firm leaders engage confidently in knowing what to charge for their services and knowing the ‘going rate’ for units of service delivery. Applying ethics to decision making on tender values is a visible practice in the case firm. The executive team are very clear on its price points and why they exist:

“We never go below [unit price] it makes no sense to anybody and we want to be able to deliver a good quality service” [MD].

Pricing services for tenders places quality ahead of winning, and it is a viewpoint that became strengthened through observation of competitor behaviour that had become destructive to service performance in communities. Opportunities are quickly rejected if a contract funding envelope could impact safety and quality. The desire to ‘do it properly’ is a distinctive quality within the business. One respondent comments that company ethics expressed in terms of the MD’s stance to pricing and

quality is one of the reasons she came to Fit for Life, suggesting that this approach helps to build a professional management team:

“She wants the company to be a successful company but based on the fact that it does what it does really well and I love that because that’s what I’m about as well. This undercutting, undercutting all the time is not appropriate in the business we’re in” [Marketing Manager].

In this sense, a commitment to ethical behaviour has become a structural property of the firm that supported demonstration of capability, sometimes ahead of competitors. Ethical practice has superiority over pressurised market pricing and is a key part of the firm’s reputational capital. An interesting comment links market shaping to the firm’s ethical stance. They stated (unasked) in a recent tender that they did not and are not prepared to use ‘zero- hours contracts’, as this did not reflect the intended shape and spirit of the market. In another situation, a respondent explains how the firm made their position very clear to a council on a retendering exercise, stating that they will only submit a tender if the unit price enables a safe and quality service to be delivered:

“The tender came out and it was weighted 70% price, 20% quality and 10% sustainability, which straightaway. We made representation about to the Council ..how many parents would be pleased to know that their children are being taken into situations based on a provider which has been weighted at 20% quality? [Operations Manager]

As a routine, safeguarding market pricing depends upon environmental learning to recognise ‘bad business’. Its exercise requires sufficient market positioning and having existing contracts to draw upon and use (R 13). Challenging a tender specification is reliant upon sufficient stocks of regulatory compliance practices and artefacts (R8), knowledge of competitor behaviour (R 2) and market information gathering (R1).

6.3.3 Interpretive routines

There are four interpretive routines at work inside FFL. They are i) individual tender opportunity triage; ii) tender specification and question scrutiny; iii)

regulatory compliance practices and artefacts; and, iv) tender specification question answering and document presentation.

(R6) Individual tender opportunity triage

Tender triage is a routine to conduct a detailed reading of a tender specification. FFL use a self-created document to develop a response plan, and also to decide which tenders to pursue after thorough consideration. It is a dimension of capability that is largely absent in the literature but emerges through this case. Again, the level of formality to discuss an individual tender in detail has increased significantly through repeated use:

“[with] the main part of the tender we sit down and we have a meeting, discussed which of us within the exec team is best suited to answer the individual questions. So there are four sections within [this] tender and the stuff about delivery and operation and stuff on the training, methodology, method statements, risk assessments, Health & Safety and all of that” [Marketing Manager]

Prior to discussion at an executive team meeting, a tender is read by the Marketing Manager who prepares a summary of how the tender meets the firm’s strategic criteria for new (or to renew) public sector business. By this point the MD has usually already been alerted to the opportunity and made a verbal recommendation. A general observation is made about needing to orient firm resources at this stage towards interpreting procurer intentions collectively as the executive team. It is described as a frustrating process:

“Most of the time tenders are badly written and the people who have produced it do not really know exactly what it is that they want or need.” [HR Director]

Several technical aspects of a tender specification are described as important to pay attention to as a collective team exercise. These are the scoring framework, how innovation is demanded, and what level of research is required. Financial considerations are of the greatest concern and tender scoring against price, quality, technical aspects of service delivery and other areas are carefully critiqued. Tender scoring

percentages between similar contracts are claimed to be highly variable, with examples of recent scoring being attributed to 70% quality, 30% price, whereas a lot of the time they were usually split 50/50, 60/40. If price is the main driver for the local authority, FFL questions whether to respond or not because they pride themselves on quality of delivery:

“That’s why we win awards. That’s why we’ve got quality marks and stuff like that” [Marketing Manager]

Secondly, the firm’s triage process of reading a tender focuses on any sections where bidders were asked to demonstrate service innovation. Respondents state how historically procurers have built in service features that FFL, as the incumbent, have developed, and incorporated them as mandatory practices in future tenders. This is an imposed structural condition that can limit firm innovation to a tender lifespan, after which any bidding organisation will hear about the innovation and incorporate them into their own tender responses. Thus, the external environment constantly demands innovation:

“A number of the services which were on this tender didn’t exist prior to us. We invented them and then they took them on and then the recent contract now includes those elements but we created those interventions. So, the tender was very much influenced by the work we’ve done over the last three years.” [Operations Manager]

Thirdly, at triage stage, respondents closely examine contract documentation to uncover if TUPE conditions apply. TUPE refers to the transfer of protected employees, whereby individuals already working for another provider on an existing contract would legally have to be transferred to FFL if they won the contract. If TUPE applied, legal advice would be taken after employee employment profiles were sought through the procurer. A point here is pro-activity again; seeking information that is not provided with the tender documentation. The firm does this to understand better the risks TUPE may entail upon pricing, profitability and

service quality. For example, having to train up TUPE'd staff who are not already qualified to external standards:

"We learned a lot about TUPE, as I say at a huge cost"
[Operations Director]

Historically, failure to understand what TUPE meant and to undertake due diligence incurred costs in FFL had eroded contract profitability. Fourthly, the firm uses tender opportunity triage to understand what research is required. Research includes establishing a current knowledge base of the end user requirements, the procurer service targets, procurer branding needs for services carried out on their behalf and how the service is currently being delivered by another firm to identify points of innovation they can bring to the contract. Research also includes close investigation of the operational challenges and costs involved in service delivery. The Operations Manager shared a particular example:

"I look at what are the potential benefits and pitfalls and how easy will it be to manage. As an example we were looking at a tender in Wales and so I did an analysis of the geography, the population density and the resultant effect that would have on moving equipment and structures around and costs and that sort of thing. So I guess from an operations perspective that's the kind of detail I look at: is it feasible, how difficult is it going to be, how difficult is it to manage it, do we need a remote management or can we manage it from head office, those sorts of things." [Operations Manager]

The quote emphasises the financial and analytical skills and practice that is an important supporting capability. In this firm, collective triage actions sit on top of individual areas of responsibility too, illustrating that a tendering decision is also about marketing positioning in the future. They take a medium term view and an ambidextrous approach to exploring profitable capability now *and* developing new capability for future trading:

I don't only look at it with my Ops hat on, I look at it with my exec team member hat on and that obviously is: does it benefit the business, is it going to contribute to growth or stability or is it strategic. So, it may be a breakeven but it could be that strategically it would be good to have a

presence in a particular area or a particular field, in which case then it's worth going for" [Operations Manager].

FFL uses close analysis to spot where they can do things better operationally than they have done previously. Firm leaders know how to make processes effective and use this to competitive advantage, when possible. Tender triage is a routine that is dependent upon several other routines; setting criteria for opportunity selection (R 3) to unlock a process of micro-scrutiny; team-working (R11) for collective opportunity scrutiny; environmental learning (R14) to know what to look for, such as TUPE implications; and a commitment to entrepreneurial orientation (R15).

(R7) Tender specification and question scrutiny

Tender question scrutiny is a routine that follows a tender triage discussion, for individual sense-making of allocated questions *prior* to their completion. The routine takes place once a decision has been made that the firm will submit a tender response. It is about informing the operations of delivery, both in terms of resources needed to answer tender questions and to focus on sense-making and overall interpretation of contract delivery implications. A routine inside the firm is for the Marketing Manager to read each tender question in detail, prior to its completion. The routine purpose is to interpret the specific and detailed nature and format of responses required at question level. Case respondents describe it as an onerous process to analyse questions; each question could be a compound question with three or four questions built into it:

"..effectively on first reading it's one question but actually when you read it a couple of times you realise they're asking for four things, compound questions" [Marketing Manager]

FFL has developed a novel method of question examination, one at a time. This is as a response to prior experience of tendering where firm respondents did not repeat information in questions, assuming, erroneously, that if information had been presented once that would achieve the desired score. Scoring criteria and weighting are printed off and independently scrutinised for marking use. Highlighter pen is used to 'code'

the detailed level of response required. For colour coding, green highlighting meant it was an important part of the specification. The ambiguity observed in some of the tender questions has a causal effect on capability demonstration. The effect caused in the firm by 'poor tender questions' was additional time spent to craft answers:

"I thought they were very broad questions, not very specific and I thought they had made a lot of work for themselves because I imagine ourselves and any other organisation bidding for it would have to give massive answers, which we did. Some were pages of A4 long just to make sure we'd got what they were asking. So that was a little bit frustrating"
[MD]

Case firm interviews told a longitudinal story of changing and intensifying resource demands. The same tender opportunity, from one round to the next, displayed increased complexity and resource demonstration from its questions:

"There were some new questions; some questions which I felt were at a higher level than we'd previously been asked. So much more about management structure, company structure, how are you going to ensure lines of communication within the organisation. Those sorts of more structural strategic questions were a little bit new and a little bit at a higher level to what usually gets asked in other tenders." [Marketing Manager]

FFL uses a tender triage process as a routine that follows opportunity triage. The firm has invested in formalisation to increase collective capability to interpret what answers each tender question is looking for. Its discovery is a key finding about how firm tendering capability is heavily reliant upon acts of *semi-formalised interpretation*.

(R8) Regulatory compliance practices and artefacts

The routine is about putting in place resources to meet and exceed threshold regulatory demands that FFL respondents believe contribute to score higher marks to tender questions. It refers to concessionary

behaviours that build adherence to the rules for tender submission. From market analysis activities, the firm accepts that tendering is the mandatory public sector way of doing business. As such, it is committed to demonstrating compliance to procurer methods and structures. Submitting a tender requires a potential supplier to share company financial, legal and regulatory information, often as part of an eligibility checking process to participate. The case firm has demonstrated its intention to gain market access to public sector contracts through tendering by intentionally creating an infrastructure that is compliant with procurement regulations expressed in tender documentation. FFL has invested in building up significant artefacts to accompany its description of its service capability; creating firm policies that were regularly demanded in tender documents, such as a diversity policy, a staff training and development plan and an environmental impact tracker; high levels of financial indemnity cover that meet or exceed amounts typically requested in tender documentation; on-hand legal advice to call upon; building an on-line presence aimed at public sector scrutiny; and, recruiting and maintaining staff with knowledge of these formal systems and how to build artefacts. By doing so, it is sufficiently positioned to answer multiple technical questions shown below. The questions are sourced directly from a tender that FFL had completed (anonymous to maintain confidentiality):

- *“Do you have a formal Equality policy/statement or relevant documentation to evidence how your organisation deals with issues associated with diversity and discrimination?”*
- *“Please explain how you communicate this policy to people you are recruiting, training and promoting....”*
- *“How does your organisation monitor equality related issues in terms of service provision...?”*
- *“How your organisation monitors Equality related issues internally?”*
- *“Does your organisation have any systems, processes and practices in place that aim to reduce your environmental impacts, meet your legal requirements and achieve continual improvement of environmental impacts? If yes, please provide evidence of such (please see supplier help for further guidance.”*

Respondent interviews reveal that public sector procurer's socio-economic goals emerge as structural properties that exist within the market institution of tendering. Socio-economic goal alignment exercises power over firm-level capability demonstration. In turn, it influences agential action, for example, to abandon decayed information or terms and to build replacement policies or descriptions of firm action. Such market forces possess properties that are opaque. Creating and updating firm policies is enacted through a member of senior staff with expertise in both HR and the public sector. The firm is aware that tender scoring criteria demands documented quality processes to be in place. Policies for equality and diversity, staff training and development and environmental impacts are scrutinised externally and internally and constructed in procurer language to address public procurer expectations. Activity involved periodically updating policies and adapting them after episodic learning through tender submission feedback. Production of extended policy documentation and accreditation efforts communicate regulatory awareness and compliance. However, whilst standard policies exist, firm practice is clear; to present bespoke versions in accordance with procurer requirements:

“So you can't go, 'Here's all our policies and procedures' because you can then only upload the one particular thing that they're asking and then you've got to reference it. So almost every single tender we have to redo all our attachments and things like that.” [HR Director]

Resource investment fluctuates by differences in each procurement proposal because it demands an adaptive response rather than simple administration of a pre-established set of documents and routines. The firm's commitment to noticing and responding to idiosyncracies reflects its capability to mount a detailed response, and as such it deploys knowledge resources to fulfil exact customer requirements. Artefacts used within the capability routine are developed from prior reflexive interaction with the structural properties of the tendering process. This has involved significant time investment by a highly skilled worker, the HR Director. By orienting firm resources into the demonstration of stakeholder priorities, the firm is able to score better results for the 'non-functional' aspects of a tender

specification. Non-functional aspects refer to threshold statements in tenders that are the initial qualifying entry requirements before scoring and shortlisting criteria are applied. Statements about firm practices for community engagement, employee diversity and green credentials are examples of non-functional aspects that serve a compliance purpose:

“A lot of the policies that we’ve produced have sort of been tender driven, that is just being really honest. There was a lot of work on getting the policies up to date and in shape of a standard and format that would be scored well on the tenders. Previously we had complied with the law of course but it just didn’t seem to be enough for what the councils wanted. All the stuff on equality and diversity has increased.” [HR Director]

Accreditation acquisition is also how FFL demonstrate its regulatory compliance. It invests in human and financial capital to actively pursue industry awards, accreditations and business memberships in the belief that it raises firm tender scores:

“We do them [accreditations] to distinguish ourselves from our competitors and because that gives us a tick and a quality mark in the client tenders” [HR Director]

Accreditation achievements are displayed on their website and include multiple sector awards for being an environmentally responsible business, for workforce equality and diversity, for workforce skills investment, sustainability and wellbeing. The firm executive team perceive there is procurer demand for resource display through external accreditations as a validation of competence. There is a connection between procurer behaviour, demonstrated through tenders, and firm take up of accreditation kite marks:

“We are intending to do ISO 9001 because that’s then a tick because on all the tenders it says, “Have you got a quality accreditation? So the answer to that, you can’t answer ‘no’ because if you answer no then you’re out. So you have to ignore it in a way and then write something about your own internal quality procedures.” [Operations Manager]

In this case, external accreditations are deemed to be believed more than a firm's explanation. A question in a recently completed tender read, *'Please provide details of any relevant trade association or professional body that your organisation is a member of. Please include your membership number'*. Respondents confirm most tenders asked this question which has encouraged them to invest in accreditations to achieve a higher score to this question. This links back to the market analysis capability. As a routine, regulatory compliance requires effective routines in place for market information gathering (R1) , competitor surveillance (R2) and it creates an opportunity to safeguard market pricing (R5). It is heavily reliant upon environmental learning for regulatory accreditation review and refreshment.

(R9) Tender specification question answering and document presentation

Question answering is a routine to apply specialist knowledge to interpret and to write an answer that aligns with procurer requirements with visual appeal to tender readers. Interviewee comments allude to the structural properties within the public tendering system that cause the firm to present their capability in a pre-determined way, and this requires commitment and effort to understand. A statement in one of FFL's tender specifications said *'Please do not include general marketing or promotional material for your organisation, either as answers for any of the questions or for any other reason.'* So, case respondents know they have to discard general service benefits and contextualise every answer to the specific context of a single tender. This demands a high level of professionalism and resource investment into personalised explanations of how they can service a particular contract at that point in time:

"I started off modelling the tenders that I produced on the best of what I had seen before. I think we've potentially understated things in the past or emphasised things that are not necessarily required in a tender." [HR Director]

Tender responses demand maturity and possibly formality in a firm. Multiple interviews revealed a perception that the market construction of tenders was itself seen as fallible by interviewees with regulatory transparency/efficacy regularly called into question.

“One of the reasons that we didn’t get [a tendered contract] is precisely because it wasn’t structured properly in the first place... They had done their sums wrong actually” [MD]

Language used by FFL, for example, ‘determined to’ describes both self-efficacy, sustainable effort and a commitment to deliver on their contract promise. A structural property of tendering is the power to demand from suppliers an explicit understanding of tender submission and methodologies using a form of tendering language and compliance requirements (e.g. word counts). This renders market communication a core supplier capability through how tenders are completed. Another practice highlighted by the Operations Manager is asking people who perform specific tasks on a daily basis to think about the best way of answering specific tender questions. Drawing in knowledge from the shop floor is important, and linked to the firms’ culture of learning. A key learning point was firm experience of question complexity and procurer fallibility.

FFL’s Marketing Manager describes a process to segment tender for allocation and arranges for them to be accompanied by management checklists. A tick/double tick system checks for satisfactory completion. One tick means it is completed, two ticks indicated it was ready to import into tender response after second scrutiny. Overall, this achieves a high level of readability. FFL displays tacit knowledge of the tender as a procedural process. When answering each tender question the firm adopts a routine of restating the question in the first part of the answer. Whilst creating an impression of confidence and competence, firm respondents also point out that this method accommodates the way tender marking often scored questions in isolation from the overall set of responses. The application of this logic points towards expert knowledge of tender marking systems in use, with knowledge acquired through experiential learning and previous expertise of the HD Director as a Council employee.

Clear sectioning of completed documentation in a reviewed tender utilises the procurer's numbering framework. Answers are evidence-based and follow a consistent pattern of 'assertion-evidence-impact'. The completed tender reveals many 'rules' and complexities to question answering; word-count limits per question, structuring answers to compound questions and a requirement to repeat information across questions. Clear examples are given from a completed tender review of handling of multiple questions in one question; for example, '*What would you provide in terms of ...function, and how do you propose delivery?. How is it adapted for different abilities and ages...*'

The firm respondents described how they overcome structuring answers where the same information is repeatedly asked for:

"... every single question had to answer what was laid out in that question regardless of whether we had already just said that in the previous question. When you read it, there're huge amounts of repetition because you have to say things eight times if you're asked for it eight times" [Operations Manager]

Structuring answers is described as 'the main thing' as it is the structure that enables the firm to communicate their point effectively. In one tender completion example discussed, an external consultant was brought in to help the internal team to improve structure:

"So we pretty much put all the information we needed to put in but what x showed us was about the effective communication of the information. So, making sure it's clearly understandable to someone and about making sure there are no assumptions, that just because you've been delivering it for years that the contractor understands from our answers exactly what we're communicating, not taking anything for granted."[HR Director]

The external consultant helped to embed new learning into the firm practices by demonstrating how a tender is objectively scored. It challenged

a firm perception that they could to some extent rely on their reputation as the incumbent contract holder.

A structural condition of tendering is the rigid question and answer format of tenders, which does not provide the co-creative possibility of dialogue:

“So it’s too rigid, it’s too formal and the thing that annoys me about the whole process is there’s never any opportunity to discuss, “What are your ideas putting this into place?” So you just have to be very bold. ...I think with small businesses you don’t realise the formalities of local authority tendering and a lot of the tender documents are written for multi-million pound buildings or schools and things like that and a lot of these contracts, it’s not relevant. So sometimes we have to provide some information that’s just got nothing to do with what we’re doing but they have a set template and you can understand why they are for buildings, which are millions and millions of pounds.” [MD]

An extensive review of a tender completed by FFL showed multiple examples of deliberate work, creativity and investment into learning how to tender. Whilst policy documents are submitted by all potential suppliers as appendixes, Fit for Life quoted sections of documentation in the main body of the submission to draw attention to ‘policy in action.’ Service user quotes had been incorporated within narrative responses. A justifier model had been used to show how the firm planned to score extra marks. It centred on how the company will help the procurer to do their job and enhance their reputation, a dimension that was not explicit in the tender questions. Policy statement extracts were highlighted in the main body of response, as respondents felt that just attaching them as supporting documentation may not be read and therefore the quality of content could be overlooked. These included: promotion of procurer brand – make explicit what we will do free; knowledge /research – customer survey and propensity for service use; reputation – how the company can champion the contract as exemplar; quality improvement - benchmark with other areas; and, disclosure of other contracts to support reputation.

FFL used a creative process of using visual media to draw attention to firm capability. The case firm believed there was a demand for resource display through external accreditations, and that a connection between procurer scoring of tenders and visual affirmation of firm take-up of accreditation kite-marks was applied. It routinely displayed its accreditation kite-marks on every page as a visual footer so that the policies had become a structural property of the firm. External accreditations were perceived to be believed by procurers more than a firm's self-explanation. Policies carried creation and review dates. Overall, this presents a high level of readability. Answers are made visually easy to read and digest through use of bullet points and colour, flow charts explain operational processes and photographs illustrated service performance in action. The routine has emerged as a result of partnering a large firm in a tender and examining their practices, demonstrating imitation:

“The glossy standard of what they produce is far beyond what we’ve always produced. So we’ve really copied a lot of that, upped our game quite a bit and just learned little tricks like where some tenders, which is quite good really, have a maximum word count, so 300 words for this side, 1000 words for that side, etc,. I suppose what we never really thought about or realised was you can add graphics and tables and diagrams and things and that’s outside the word count and that immediately anyway gives you a much better tender. So you don’t have to absolutely follow the rules as they are stated, if you know what I mean. So part of what I also did for this tender, very consciously, was before I even sat down, did any writing, I did a series of tables and diagrams that we could use.” [Marketing Manager]

This defies the idea that small firms cannot learn from large firms – they can, but they need to adapt ideas to their resources, as part of absorptive capacity.

A review of the firm's most recently completed tender shows that it is a visual document compared to previous one described. Colour blocks draw attention to company strengths in each section response and the design background of a senior manager enables the firm to present the documentation more 'professionally' than in the past. The Marketing

Manager describes how s/he had created a series of tables and diagrams for use within a tender to illustrate what the firm did:

“I think that’s important. Although that doesn’t get marked the more readable it is, the more easier it is to go through it the more obvious it is where the important content is. I think that’s an important aspect of the process.” [Marketing Manager]

6.3.4 Cultural routines

Cultural routines in FFL ‘oil the wheels’ of other routines, upon which they have a dependency. They (R10 and R11) are hard to imitate as they operate inside a firm and remain invisible to competitors.

R (10) Tender leadership and co-ordination

Tender leadership and co-ordination refers to active senior manager leadership of tender responses, ensuring a full display of firm competence, innovation and competitiveness in its contextual environment. It is emphasised to highlight the investment made into professional leadership and management. It made the case firm effective at compliance, quality assurance and ideas generation, including servicing tender demands for innovation. The routine was enabled by team working in a performance-oriented environment. There was a separation of leading the tendering process and writing the tender response. A case respondent sums up this distinction:

“So yeah, we divide the work up between us and I coordinate it. So I make sure that they do the bits they’re supposed to be doing and I make sure that they understand the questions that they’re being asked” [Marketing Manager].

The Operations Manager describes how his role is to contribute bid content, whilst others tend to advise on tender completion from an outside perspective of the business looking in. Tender leadership operates to accrue and mobilise resources that the firm does not already have, so improvisation. One recent opportunity triage identified a resource gap that required the financial value of indemnity cover to be increased from existing cover levels so immediate action was taken to raise the cover. In another

example, respondents expressed anxiety at the thought of losing a current contract to another supplier. An improvised leadership response brought in additional resources that do not reside within the firm to decrease risk:

“We arranged for an external person to help us with giving us feedback on the tender process when we produced the first draft. We gave her the spec, we said, “This is what we’ve got to produce.” She went away, spent a day reading it all, then came back when we’d produced the first draft and sat with each person and went through just what their section looked like and from her point of view as somebody who had procured services herself as a public sector senior manager, talked through the value and how the scoring really was likely to work, which you’d think we’d know about but it was very interesting.” [HR Director].

The process of responding to recent tenders has also caused the firm to think more efficiently about fitting its operating practices around dynamic contract requirements:

“So we’re quite lean in what we do now, or more lean. So we’ve [now] got people on different contracts. We’ve got people on term time only contracts or annualised contracts which suits [some of the contracts]” [Operations Manager]

The investment made in professional leadership and management described in this section is significant. This routine could partly explain performance variances between similar firms. It relies upon teamwork (R11) to be enacted and environmental learning (R14) as a routine to invest in accessing external knowledge.

(R11) Team working

Team working is a cultural firm dimension where individual roles were supplanted by a higher order sense of motivation to take collective action. It flows from information and ideas, feeding into other routines. It is embedded in FFL, and this applies to conducting tendering activity. The word ‘teamwork’ is mentioned in interview transcripts fifty-four times, without a direct question being asked about team working. The distributed tender completion process is considered quite effective because it allows individuals to be able to answer from their areas of direct specialism and

makes good use of the team's expert knowledge silos. The division of labour through teamwork between the leaders links to company culture and motivation:

"It wasn't all on one person, we each had responsibility, and we work well as a team. So we took responsibility and were accountable for what we had to do; there was no worry that somebody was not going to do a good job or anything like that, we trust each other. So it was effective" [Operations Manager]

Motivation arises from teamwork. It links to perception of effort and resource orientation and to tender leadership capability:

"Actually no, we've still got to win it. We have still got to put the effort in. We can't be complacent and assume that they'll just give it back to us because they have to go through the due diligence; they've got to go through the whole process to prove that they've been fair" [Marketing Manager]

Anxiety or emotion about potential of contract loss unlock further resource investment in this firm, creating defensive behaviour to guard against job losses. No other study has offered insights into team-working aspects of tendering, and yet FFL rely upon it to mobilise a quality tender response.

6.3.5 Data mining routines

Two data mining routines refer to creative ways in which FFL exploits its existing knowledge to increase tender productivity and access to examples that can demonstrate competence. They are i) *systematising tender information retrieval (R12)*; and, ii) *exploitation of existing contract performance (R13)*.

R (12) Systematising tender information retrieval

This routine is about good data management. It describes effective systematic processes used to store, retrieve and develop performance data to evidence in a tender including use of specialist contract management software. Through experience, FFL has developed systems for organising frequently requested information from tenders. Whilst completing a tender,

firm staff save their respective completed answers in a dedicated electronic folder to review each other's sections. A micro-routine of uploading and sharing completed tender sections in a shared folder has evolved, again through experience. Team working extends to a shared sense of ownership of the firm's tender response. It also stores completed tenders as a bank of resources, but does not rely on a cut and paste approach. The firm leaders know from experience how to organise and display contract performance data, using project planning tools and methodologies. Descriptive performance words such as 'outcome' and 'output' are tacitly understood and used to justify past and predicted performance. In a reviewed tender, the firm had included of evaluation report from another service to illustrate third party assessment of their own quality. Disclosure of other contracts to support reputation harnessed existing customer feedback as an intangible resource to put towards another opportunity. Much data are drawn from existing contract performance, illustrating interplay between servicing existing contracts and demonstrating performance levels a procurer can anticipate from future contracts.

"We can output management reports and have a clear audit trail." [Operations Manager]

For example, a recent tender completed by FFL stated that the supplier must be able to provide a *'comprehensive performance management package, specifically monthly data reporting on progress. Also to include project monitoring, review and evaluation reports to Partners as and when required and as necessary for other projects (to be agreed with partners at start of each project). Specific reporting and format information will be confirmed with project managers.'* A response demanded specialist IT and project management knowledge. FFL has built up such a resource through investment into a senior Operations Manager function. Effective data display is also made possible through firm investment into contract performance software. The types of data they collect, such as staff retention or the number of trained learners supporting effective contract evaluation, can help to answer bespoke questions asked within tender specifications.

It allows firm-level progress reporting, and this has become an embedded routine in firm culture and processes.

R (13) Exploitation of existing contract performance

This routine harnesses a firm's existing contract performance as both marketing collateral in new tenders and as a defence strategy. FFL uses its own experiences of existing contract service delivery alongside market analysis practices to attract and retain public sector clients. In a reviewed tender, the firm included an evaluation report from another service to illustrate third party assessment of their own quality. Disclosure of other contracts to support reputation harnessed existing customer feedback as an intangible resource to put towards another opportunity. As a structural condition, this routine can only be enacted because FFL has already won public sector contracts, supporting the literature in how success begets success. Incumbency positioning created firm confidence. Competitive performance practice that drew on existing contract performance as an intangible asset is evident in the firm's approach to defending incumbency:

"..We're re-tendering, so we're a known entity and we knew that we'd performed very well within the contract so we were confident that they weren't eager to get rid of us because taking on another supplier would cause... it's a nightmare something that size. We were fairly well entrenched."
[Operations Manager]

6.3.6 Transformational routines

FFL has a clear set of practices to 'get things done.' However, interview transcripts tell a vivid story *beyond* routine enactment to a continual process of routine adjustment. FFL interview transcripts reveal two dynamic routines. Firstly, a capability for active learning through firm level interface with all levels of the tendering environment, and, secondly, an entrepreneurial orientation to adopt innovation and to take calculated risks. Dynamism is demanded for every tender because they are *all* different. A repertoire of approaches and capabilities has been built, and accelerated where the case firm has experienced challenges in understanding and

adapting to a dynamic set of rules and regulations in a complex social context.

R (14) Environmental Learning

Environmental learning is defined as the firm's ability to reposition itself in the market through active engagement in learning, cognitive reflection and transformation of firm routines and operational capabilities. Fit for Life continually demonstrated co-ordinated reconfiguration of its structural assets. An environmental learning capability drove action to change resource combinations into routines by formalising firm systems, building firm-level absorptive capacity, seeking and applying procurer feedback and challenging procurer decision making. Firm learning takes place at a collective level of cognition. The executive management team clearly display a learning culture towards successful tendering. As one senior respondent member stated:

"I feel like we are breaking new ground all the time." [HR Director]

There is an explicit intention to learn through reflection on firm tendering practice through imitation, effective use of third party feedback and raised levels of absorptive capacity in executive team members to process and respond to new information:

"We've just learned so much about tendering. We have been good at is getting feedback, talking to people about it, learning about it, asking people about it, about their tendering, and within the market" [Marketing Manager].

Coping with heterogeneous tendering practices between local authorities is a structural condition that demands case firm capability to interpret local expectations, and that is itself a learning experience. Formalisation of routines occurs through firm level counterfactual thinking, that is, learning from the past by deconstructing it to facilitate future sense making, and therefore capability building through human agency. FFL respondents display team-based counterfactual thinking. Table 6.1 below shows examples of findings from individual study respondents.

Table 6.1 Examples of counterfactuals by study respondents

Counterfactual expression used in respondent interview	Condition under which it was expressed	Dynamic effect of learning and reflection upon practice
<i>I never realised you could add graphics and visuals into a tender submission</i>	Observing a large firm completing a tender	FFL invested resources into creative information display
<i>We realised we needed to change to accommodate how the market is moving</i>	Losing a tender	FFL increased its financial indemnity levels so that future tenders with higher levels required would be in their scope to apply for, and it implemented a question scrutiny routine to avoid losing scored points that a lack of detailed scrutiny may cause
<i>If we hadn't won, it would have been difficult emotionally. One third of our workforce would have been lost to TUPE</i>	Anxiety over losing incumbent position	FFL took a strategic decision to block competition from taking over firm contracts by making their staff terms and conditions unfavourable for another firm to inherit
<i>We should have structured our timeframes better and started planning earlier</i>	Exhaustion after working 'all Christmas' on a tender to get it completed	Appointment of Operations Manager to formalise a project plan for tender completions
<i>We never realised that the people who read the tender have never seen the information in our pre-qualification questionnaire</i>	Getting feedback that sections of a tender response had scored low marks	A new routine of re-stating the question in each answer and repeating information
<i>In the past, we have understated the firm's competencies or emphasised things that aren't in the tender</i>	Reflection on action and using an external consultant to provide objective feedback	A decision to invest more heavily in accreditations and better contextualisation of answers within each tender

Case respondents employed counterfactual thinking as a preparative function that was strongly tied to environmental learning. Mechanisms existed within counterfactual thoughts that individuals used to make sense of the future. Examples of procedural shock observed in Fit for Life (such as not realising that tender markers did not have access to all supplied information) triggered both positive and negative learning attempts. A respondent discussed an example of when one contract was awarded to another supplier on the basis of added value cited that was not sought in

the tender specification. The fairness and the transparency of the processes by which procurement decisions were made, and trusted by all parties, was challenged. On this occasion, procurer behaviour elicited a frustrated response:

"There was nothing in the spec asking for that, nothing."
[Operations Manager]

Negative emotion was directed towards the procurer's opportunity handling. This is not an issue of capability limitations, it is an issue of inaccurate statements of capability award criteria. In terms of cause and effect, a sense of unfairness in procedure disrupted commitment to tender leadership. It revealed how important optimism and trust are in the tendering process (even if it is imperfect) as underlying conditions to commitment and leadership of tendering. It fails to achieve the principle of ensuring distributive justice expected from the procurer in this social exchange, which relates to the perceptions of fairness associated with the exchange. Investment into information-seeking about procurer needs was seen as worthwhile, and respondents saw this as a strength. Environmental learning had enabled the team to adapt *how* they approached tender completion by considering what was seen as most valuable from a procurer perspective:

"Basically the procurement people and the managers are not interested in any of that. They just want a company that's not going to cause them any trouble and there'll be no accidents, they won't go broke in the process or ask for more money, those sorts of things. So what we call the quality of the whole experience they're not interested in. That's what we had to learn. So that's why we have to respond straight down the middle." [MD]

FFL employees had adapted their tender engagement model to reflect what they described as 'dis-engaged procurer behaviour', both in terms of attitude towards bidders and their knowledge of actual tender specifications and bidders:

"The contract manager said at the interview that she hadn't had any involvement in the scoring, which really freaked us

out actually, so that will have been delegated to more junior people.”[HR Director]

It was this recognition that existing firm performance in a contract is discounted that triggered the firm’s routines for question scrutiny and question answering techniques. It led to firm routines for tender completion to become developed from informal tacit actions into team-based routines, but routines that remained open to change and adaptation through a learning culture. Formalisation emerged through repeated use doing something informally. It did not suggest rigidity in this firm, rather, effective teamwork and a recognition that they had come a long way from their early attempts at submitting tenders:

“When we look back at our first tenders you just get a bit embarrassed about them. It’s a bit like looking back at your essays from doing your O levels or something like that, but at the time we thought we were fantastic.” [HR Director]

R (15) Entrepreneurial Orientation (EO)

EO is a dynamic routine for improvised resource construction to sense and seize opportunities that may appear potentially out of reach (e.g. because of firm size). Organisational learning is *enabled* through entrepreneurial orientation. Tendering experiences recounted in the firm show evidence of entrepreneurial orientation by the executive team, and particularly by the firm’s MD. They exercised entrepreneurial orientation through rapid resource configuration to improve outcomes and to create scale of opportunity. This was distinctive - it tested the rules and propelled value-creating behaviours. Collective managerial capability in the firm displayed ambidexterity in its approach to managing current and prospective business relationships. This was demonstrated best by having a routine to build new routines inside the firm such as alliancing and tender leadership and co-ordination. Repeated exercise of a routine could lead to stagnation, but FFL exercised agency to renew how it presented itself to the public sector marketplace. Entrepreneurial culture led to modes of innovation, both in how tenders were answered and constructed but also through firm

strategies for limiting imitation by competitors and protecting contract values. The following activities observed in Fit for Life were attributable to the firm's entrepreneurial orientation:

The introduction of new routines: Over time, knowledge acquisition and display capabilities are renewed and others expired. A structural property characteristic of tendering is the power to set and change award criteria without agent awareness. Competencies required change significantly over time, observed in the specialist skills and knowledge applied to tender question scrutiny and answering and in how the firm challenged procurer decision-making. Respondents describe tender completion co-ordination as a nascent competency to ensure accurate and comprehensive tender fulfilment, having experienced solo attempts by individual firm leaders.

Methods to explore and exploit tender opportunities: Firm-level entrepreneurial orientation modified how the case firm views marketplace opportunities and generate new ideas for business development. For example, explorative activities include accruing knowledge from expanded professional networks such as sector standards, council group meetings and using existing social networks to collaborate on tenders.

A rapid adoption of existing or new practices: FFL is agile in rapidly changing systems that do not work, or lack the professionalism they wanted to convey. A firm culture of empowerment and team working supported individual agency activities to improvise or try new ways of doing things, such as how to display firm credentials more effectively. Self-efficacy enables firm leaders to believe in themselves and own a capability to apply knowledge and skills in uncertain situations. It challenges procurer decision-making where procurer behaviour is deemed procedurally unjust or fallible. They also place resources to challenge decisions about tender scores by procurers. They understand how to challenge decisions and did it:

“We made representation about it [award of contract elsewhere with proof of lack of transparent practice]. Of course we've let [the] Council know, “You're in breach of

National Standard, you're in breach of government guidelines" [Operations Manager]

Anticipation of opportunities that do not yet exist: In the market positioning routine, leaders of this firm say they re-combine their resources to offer a service they sensed would be required, due to the Council bringing services in house. They demonstrate innovation by being *first to market* to create a new service to train trainers to keep Council business where services were being brought back in house.

Scaling to win bigger contracts: The firm is able to create opportunities using prediction that is based on market information gathering. An example of confidence or self-efficacy was evident from firm experience of winning an out of area contract:

"I saw the opportunity and said why don't we go for it? The MD said, 'We can't operate it in [city], we're in [city] without opening an office. But it is worth a significant amount of money. Okay, we'll do it.'" [HR Director]

That experience leveraged a new opportunity flow to repeat the pattern again, and a further office was opened in another city. It demonstrated risk-taking behaviour:

"So we just threw everything at it, big, big tender process, and we won it. It was like, "Right, wow!" [HR Director].

Regulation itself creates different performance effects, and context is always key, but FFL is an example of a firm that is sustainably successful as a result of marketplace agility and first mover advantage position in their sector. Entrepreneurial orientation operates across firm routines and in tandem with environmental learning to exploit its effects. The next section connects routines to capability domains.

6.4 Routine clusters that build tendering capability

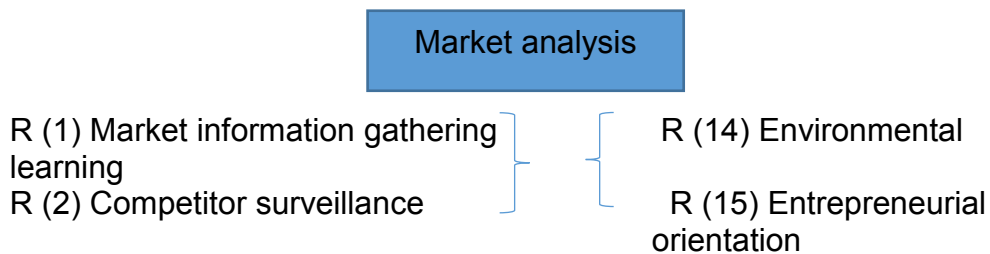
Fifteen firm routines have been identified, explained and classified by routine type. This section connects routines to domains of capability. Case

data suggests that tendering capability can be explained through six operational and two dynamic capability domains, each with interlocking dependencies for routine enactment. The scope and function of each capability form is critiqued next, using FFL case data.

6.4.1 A market analysis capability

Figure 6.1 shows four interlocking routines comprise this capability; market information gathering and competitor positioning; environmental learning and entrepreneurial orientation.

Figure 6.1: Routines that comprise a market analysis capability

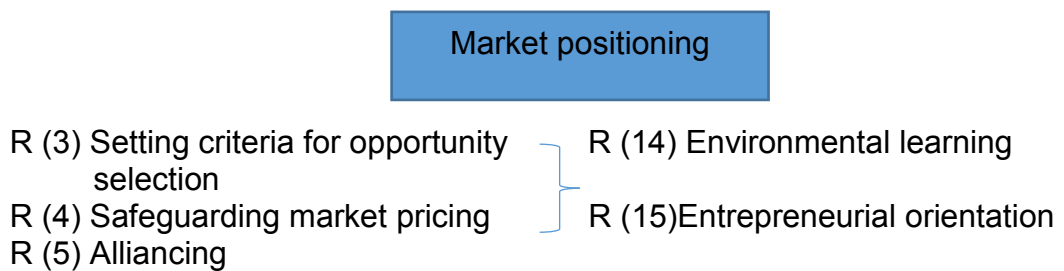


Several practices inside the firm comprise the routines to gather market intelligence and then interpret it: travelling, being part of formal groups, sustaining an informal network, sharing and discussion of information at management meetings and possibly also throughout the business, writing formal documents like market analysis, drawing in resources from external contacts and students semi-formally. FFL places management time and effort into maintaining specialist and current market knowledge. It recognises the dynamic social environment within which it operates and orients resources from within and outside of the firm towards understanding market supplier movement and threat. Operational investment into market analysis resides in the human capital of the firm, but it is firm capability to build *new routines* on the basis of market analysis that has created successful tendering outcomes. Market analysis is a capability domain that feeds into market positioning.

6.4.2 A market positioning capability

Whereas market analysis is concerned with information that is ‘out there’, market positioning is a capability that uses market analysis to position a business strategically within opportunity flows. It relies on three strategic routines: i) setting criteria for opportunity selection; ii) alliancing; and iii) safeguarding market pricing, also both dynamic routines: environmental learning and entrepreneurial orientation.

Figure 6.2 Routines that comprise a market positioning capability



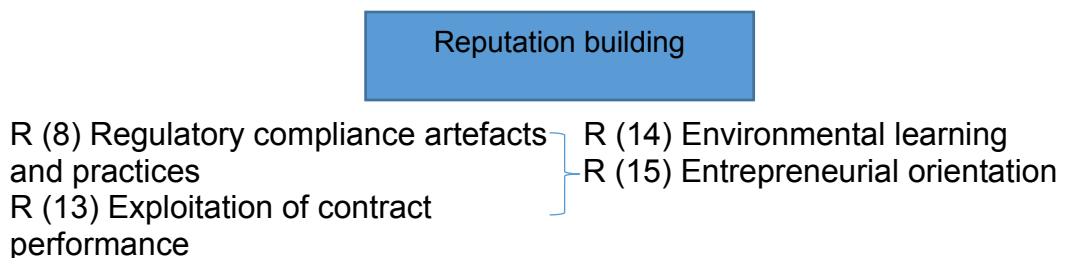
Combined, these routines serve to manage opportunity selection in harmony with business growth ambition and enable agile access to resources. All three operational routines were created through specialist forms of human capital; in particular, how to analyse a business opportunity, collaborative decision-making, negotiation and intra-firm communication. FFL relies upon past successful experience and teamwork to behave confidently and collegiately in knowing *how* to evaluate and act upon company self-interest. Market positioning has the power to shape buying expectations; if quality providers will not operate in the market, then the supply market becomes diminished. Alliancing is dependent upon FFL exercising an effective reputation building capability. Market pricing is used as a form of agency. If FFL holds a contract that is being retendered and it is not making sufficient profit on it but would like to keep the business, the MD puts in a higher price to see if the procurer is prepared to accept that in order to keep them as the contractor. The MD refers to this as a strategic decision-making. She is able to do so because she has information to hand about profitability down to a finite number of decimal places. This approach

relies upon self-efficacy, financial planning skills and a high reserve of customer loyalty in the bank. It begs the question of whether this is an approach only for a mature firm.

6.4.3 Reputation building capability

Reputation building describes how Fit for Life invests in ways to present itself to the public market as credible, relevant and superior through reliable service delivery, and a commitment to ethical practice and innovation. It encompasses two routines shown in Figure 6.3; i) regulatory compliance and artefacts; and, iii) exploitation of existing contract performance.

Figure 6.3 Routines that comprise a reputation building capability

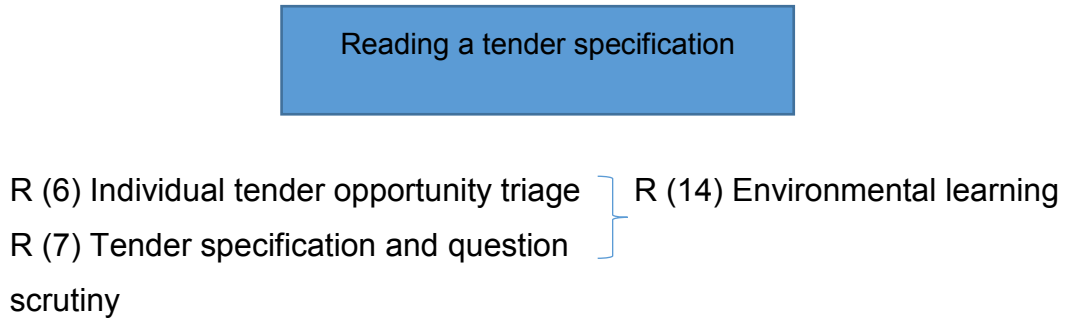


As a capability, reputation-building is reliant on market positioning and resource mobilisation capabilities, and it requires constant renewal through entrepreneurial orientation and environmental learning routines. Reputational resources require constant acquisition and renewal for market competitiveness. Significant HR knowledge is required to research and augment regulatory practices. Specialist knowledge of typical tender threshold demands is also required for targeted resource investment. Finally, FFL uses existing contract performance as a vehicle to build and demonstrate competitive practices that is showcased in new tenders.

6.4.4. Capability to read a tender specification

This capability relies on experience accumulation to interpret exactly what and how to construct high scoring answers to scored questions. Two routines have been built in FFL to conduct review activity; i) tender triage; and, ii) individual question scrutiny (Figure 6.4).

Figure 6.4 Routines that comprise a capability for reading a tender specification

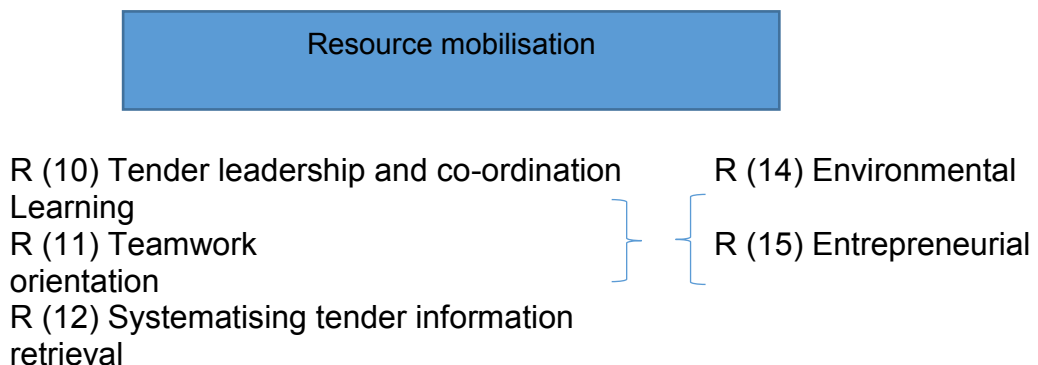


The act of reading a tender specification in detail follows an internal decision of its strategic fit with FFL’s tendering strategy. It describes an account of the actions taken in FFL to review, in detail, one set of tender documentation criteria. A detailed review exercise reveals what opportunities and threats the specification of services to be delivered pose to the firm. Both routines R (6) and R (7) have become established routines through environmental learning.

6.4.5 Creative resource mobilisation capability

Resource mobilisation describes a set of dynamic assembly activities that operate throughout a single tender completion cycle inside Fit for Life. Figure 6.5 shows the three routines were visible in the case firm that had recently completed a tender; i) tender leadership and co-ordination; ii) teamwork; and, iii) systematising tender information retrieval.

Figure 6.5 Routines that comprise a creative resource mobilisation capability

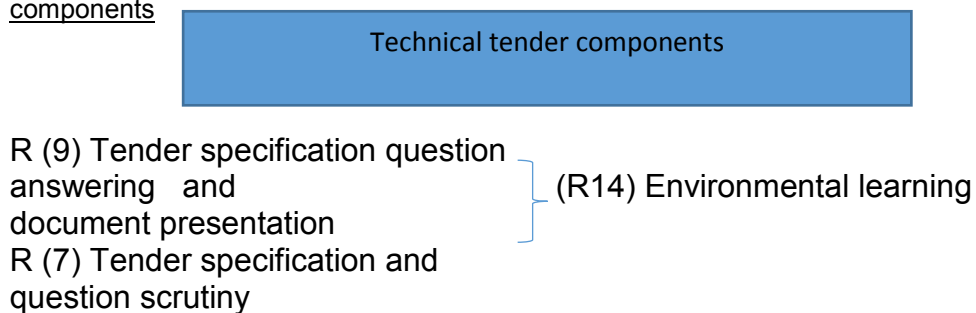


FFL’s routines that enable effective resource mobilisation have arisen from a cultural motivation to apply cognitive efficiency and to ‘get the job done.’

Tender instructions act as a generative mechanisms to enact collective problem solving and tender assembly activities. Resources released are primarily staff time and trigger expertise, but in this firm, there is a porous boundary to harnessing external resources such as consultants and lawyers.

6.4.6 Capability to complete the technical components of a tender

Figure 6.6 Routines that comprise a capability for completion of technical tender components



Routines R9 and R7 address *how* the firm presents its credentials as distinct from *what* they said. Agential capacity for learning and adapting routines is distributed across firm executives and enabled through a culture of working as a team. The team appears to stay alert to improving technical aspects of how to produce a high-scoring tender.

The technical aspect of tender completion is a capability to explain how the firm interprets the depth, detail and precise nature of questions and responses required to fulfil procurer requirements. Creative display of interpreted competency aims to achieve a full or high score to each question, so determining the firm’s tendering performance outcome.

6.4.7 The role of transformational routines as dynamic capabilities

Both dynamic routines, environmental learning and entrepreneurial orientation, are also capabilities in their own right and they are mutually dependent on making each other work. Environmental learning operates across every operational capability. Routines for learning drove action to change resource combinations and underpin firm capability to adapt. Learning and high levels of absorptive capacity are a pre-condition for capability reconfiguration.

6.4.8 Summary of tendering capability framework in Fit for Life

FFL is clearly very successful in its tendering activities. Each capability has been defined, followed by a detailed description of how it work in practice, as routines and knowledge assets combine to create capability domains. General characterisations of each capability are summarised by case respondents using their own words drawn from interview transcripts. Routines that exist to enable that particular capability are explained. One routine is shown to support more than one capability. Knowledge assets includes skills, and resource demands employed within each routine in the case firm are elicited through illustrations from respondent data and researcher observation. They include the same skills and resources may assist multiple capabilities. Table 6.2 lists firm routines, their relationship to other routines upon which they depend, and to overall capability formation. It is a summary of the fifteen routines discussed in chapters six and seven, and it is constructed as a sensitising framework for other firms to create their own capability framework.

Table 6.2 Descriptions of FFL tendering routines and capabilities they serve

Firm routine	Description	Other routine dependency	Capability it serves
Market information gathering	Gathering information on evolving market tendering practices and opportunities using multiple external sources	Tendering leadership and co-ordination	Market analysis
Competitor surveillance	Finding out how competitors perform in contract acquisition and delivery	Market information gathering	Market analysis
Setting criteria for opportunity selection	A formal set of criteria that is codified into a written artefact to guide strategic opportunity review and selection. Also tacit rules, and flexible application feeding into strategic development	Market information gathering Competitor surveillance	Market positioning
Alliancing	Selecting a larger bidding partner to act as the bidding vehicle to sell firm services; by doing so, building financial, social and human capital	Tender leadership and co-ordination Market information gathering Competitor surveillance	Market positioning
Safeguarding market pricing	Using reputational capital and specialist knowledge to influence unit pricing in tenders	Exploitation of contract performance	Market positioning

Firm routine	Description	Other routine dependency	Capability it serves
Exploitation of contract performance	Using existing contract performance as both marketing collateral in new tenders and as a defence strategy	Regulatory compliance practices and artefacts	Reputation building
Individual tender triage	Conducting a detailed reading of a tender specification and accompanying documents to develop a response plan, and also to decide which ones to pursue after thorough consideration	Tender leadership and co-ordination Teamwork	Reading a tender specification
Tender question scrutiny	A routine that follows tender triage discussion r individual sense-making of allocated questions PRIOR to their completion	Individual tender triage	Reading a tender specification
Tender leadership and co-ordination	Active senior manager leadership of tender responses ensuring a full display of firm competence, innovation and competitiveness in its contextual environment	Opportunity selection and review	Creative resource mobilisation
Team work	A cultural firm dimension where individual roles are supplanted by a higher order sense of motivation to take collective action. It follows from information and ideas, feeding into other routines	Tender leadership and co-ordination	Creative resource mobilisation
Systematising tender information retrieval	Systematic processes to store, retrieve and develop performance data to evidence in a tender	Tender leadership and co-ordination Teamwork	Creative resource mobilisation
Question answering and document presentation	Applying specialist knowledge to interpret and write an answer that aligns with procurer requirements. It includes the display of firm credentials	Tender leadership and co-ordination Market information gathering Competitor surveillance Accreditation acquisition Exploitation of contract performance	Technical tender aspects

Figure 6.7: A capability framework for public sector tendering

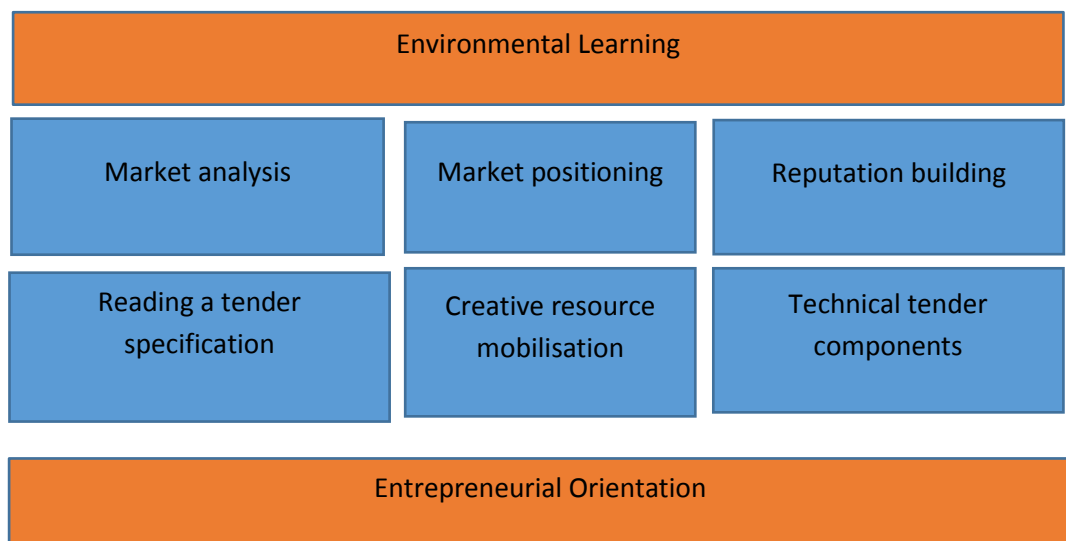


Figure 6.7 summarises FFL’s agential framework to interact with market conditions to create capability. It is the firm’s generative mechanism to respond to structural conditions. Market analysis, market positioning and reputation building are three types of capability that situate the business in *targeted tendering environments*. In each case, resources are deployed through routines. Reading a tender specification, creative resource mobilisation and technical tender components are capabilities for tender production. Environmental learning and entrepreneurial orientation are active routines that act as dynamic capabilities to cause competitive adaptation; this also shows the exercise of agency in routine enactment and refresh.

6.5 Structural conditions in pre-existence and the exercise of agency

A critical realist approach to analysing firm routines exposes multiple layers of structural conditions that create conditions for action on FFL. Structural conditions inside the firm can be described as roles and responsibilities, processes, resources and culture. A key structural condition in this firm is forming a tender production team for efficient knowledge assembly and

quality assurance, a condition that has arisen from experience accumulation, routine development and strategic recruitment.

The structure of tendering regulation creates complexity of tendering documentation, codified in specialist language, idiosyncratic tender scoring systems and high market entry barriers set through resource demands. Public procurer tendering behaviour creates procedural shock: respondent comments portray it as idiosyncratic, open to fallibility and reliant on small firms employing formalisation to exchange information about their competency to deliver a public contract. Competitive behaviour shapes access to privileged knowledge, and markets become more competitive when large firms encroach upon localised contracts that were traditionally in the domain of small enterprises. However, what this case has shown is that FFL *can* produce a productive tendering performance. It has a causal history that binds staff together to produce a “*combined productive activity*” (Archer, 2001, p.467). FFL has its own set of routines that exercise agency to attempt to neutralise, challenge or harness social effects *and* create productivity and competitive positioning.

6.6 Chapter summary

Chapter Six has delivered a rich description of FFL’s routines to enact successful tendering. It details activities that specifically improve current levels of performance and serve firm-level strategic rent-seeking from public sources. The incremental development of routines is resource intensive, requiring time, specialist knowledge, strong leadership and high levels of entrepreneurial orientation and absorptive capacity to continuously learn. FFL has clear intentions as a team and a long-term goal to be successful at tendering. Knowledge exchange on tendering processes inside the company is an agential property that is both tacit and explicit. It has acted reflexively over ten years to overcome potential points of failure. An intensive examination of firm tendering practices has distilled practice into fifteen routines, and routines act as both task accomplishers and change agents. Routines cluster into six firm-level operational capabilities

with two dynamic capabilities acting as routines to adapt all the other routines.

Whilst the content of capabilities or routines may vary between firms, they are more likely than not to need these capabilities and routines to succeed. Findings presented in this chapter are a framework for practice and represent a dynamic framework to engage with the question of how routines and capabilities identified in one firm relate to other small firms. In FFL, they can be considered rules of success to explore uncertainty and to build novel organisational artefacts.

Findings show that FFL respondents have the capacity for innovative responses to tender situations in the face of contextual constraints. Knowledge comes from individual and firm level tendering practice at the interface with procurers. Knowledge becomes codified into firm-level routines and then often into artefacts such as tender completion checklists and a written tendering strategy. Some routines arise and change as a direct result of external demand, others through firm learning: doing, imitating, experimenting and strategic reflexivity. Routines are created, deployed, reproduced and adapted through environmental learning and entrepreneurial orientation, created by firm-level agency as a response to dynamic context. Dynamic capabilities in the firm co-evolve in harmony with the case firm's operating environment. Finally, agency is significantly endowed in firm culture as well as in its routines, particularly with regard to resource mobilisation.

Case analysis of public procurement as a laminated institution illustrates the consequent need to build specialist forms of capability and resources to respond. Case findings offer illustration of what the capabilities *can* look like and how firm employees as organisational agents can modify routines and improvise to accomplish self-interest. In particular, case findings raise the importance of firm reflexivity, acknowledging that the firm embodies forms of capital that can exert market influence. Structural properties shape firm behaviour and lead to the structural conditions of a context. Tender

pursuit capability is significantly shaped by erratic and unstable procurer behaviour observed by case respondents, yet it is apparent that higher-order capabilities built through routines and exercised by agency can mitigate structural constraints. This reconceptualises tendering by small firms away from being passive towards structural constraints, and to possessing capabilities that not only raise competitiveness but also affect the future of sector tendering practices. The next chapter compares the presence of the fifteen routines to a second firm that is very successful at tendering, Software4U, to expert informant opinion and to a further three firms from the pilot study.

Chapter Seven: A comparative case review of tendering routines

7.1 Introduction

This chapter compares the fifteen tendering routines and capabilities identified in the Fit for Life case to other case firms. A comparison is sought through identification of their presence, with a case-by-case critique of different contextual enablers and constraints in play. The purpose of comparison is to build on the FFL capability framework to explore how routines may be different or not selected for good strategic reasons. In addition, to explore *conditions* under which routines are created, and to show that capabilities *can* be enacted under different routines and resource bases.

The chapter begins with a brief introduction to comparative cases. Software4U is comparable to FFL, in so far that it is successful at tendering. Further comparative secondary case firms are those from the study pilot: The Big Carer, Domiciliary Ltd and The Local Care Company, where original datasets were re-analysed from a pilot study through the theoretical lens constructed for this thesis. Finally, comparative practices in small firms are triangulated by interviewing an expert informant, who drew upon experience of assisting multiple small firms to build tendering capability. Referring back to chapter five on methodology, different data collection methods were used with pilot firms: interview transcripts from informants are from pilot firms interviewed from one bounded tender case where *all* the small firms had been unsuccessful. Their utility lies in demonstrating the particularity of market context and it may help to explain why FFL do what they do. Chapter findings from additional case data, comparatively summarised to the primary case, highlight differences in how firms design responses to tendering situations and use agency as a form of capability. The chapter is organised into sections in the same way as chapter six, to aid cross-case comparison.

7.2 Secondary case firms

7.2.1 Software4U

Software4U (S4U) has broadly comparability to FFL. It is a profitable, owner-managed small firm located in the North of England, with significant successful tendering experience and a strategy on place to grow its revenue and services. A point of difference is that its tendering success has been with lower value tenders that appear to demand less formalised processes. It was established in 2002 and employs 42 staff. S4U is owner managed by the Managing Director and the Operations Director. It has a flat structure with three key teams; technical development, sales and customer support. The company offered a single product until 2014 that was aimed at educational providers to offer licences use of learner tracking software for vocational training and assessment of qualifications. In 2014, it introduced secondary software product aimed at similar learner groups. Since trading began, it has won multiple awards for its product and earned firm kite-marks of good practice for people, processes and the environment (IIP, ISO 9001, an environmental pledge). The Operations Director had recently attended a business growth programme and as an outcome of this, the firm has a clear growth strategy and resource plan in place, which is to develop new software products, expand its current software customer base and to recruit new talent. Continuing to win public sector work is key.

S4U holds business relationships with multiple education providers as their main customer base. Additionally, it provides secure software solutions to several councils, police and fire services and with the armed services. The company's first tender was seven years' ago, when the owners had no personal prior experience or staff with practice experience of tendering. Less than 30% of new business has been won through tenders, but respondents felt that a change in the marketplace to lower the threshold value of tenders was starting to impact on traditional 'show and tell' sales processes, to become formal tendering exercises. This was exerting pressure on the firm to produce time consuming and lengthy documents, with no guarantees of winning at the end.

7.2.1 Re-analysis of data-sets from pilot case firms

The Big Carer, The Local Care Company and Domiciliary Ltd are case firms used to develop pilot data. Transcripts of interviews have been re-analysed against primary case data to draw out comparative and conflicting data on competitive routines. Unlike FFL and S4U, pilot firms were selected because they were all associated with the same procurement case and not necessarily on demonstration of competitive practice.

The Big Carer

The Big Carer is a national organisation with 200 employees and the interviewee was with a regional Director. The company is usually successful at winning tenders. It delivers a broad portfolio of community care services utilising public funding contracts to support people in disadvantaged communities. As an organisation that is reliant upon public funding it had an infrastructure in place to meet public body requirements for receipt of, and accountability for, public monies.

The Local Care Company

The Local Care Company is an owner-led firm established 13 years ago, with 11 staff to provide community care services under contract to local authorities. The interviewee was with the Managing Director (MD). Almost 100% of its work is funded through public grants and contracts. It is in the process of adjusting from a grant-receiving organisation to one where open and competitive tendering replaced local service delivery arrangements.

Domiciliary Ltd

It is an owner- managed domiciliary care company with 45 employees. The firm was set up 25 years' ago. Two years ago, it had over 90 staff. Two lost tenders, where the firm held incumbent position, meant that staff were transferred across to the winning contract holder. The Managing Director has not adapted well from transitioning the business from a public grant culture to one that relies upon competitive tendering. Company experience of tendering described by the MD is located within several unsuccessful

attempts to hang on to existing contracts that were awarded under a previous commissioning regime, so they have never won a competitive tender.

7.2.2 The expert informant on small firm tendering

An expert informant is a business consultant who has engaged with over 500 small companies from commercial organisations, social enterprises and charities. She provides two forms of services to firms to improve their tendering performance. Firstly, she designs and delivers training sessions to help business owners to understand what public procurement practices exist and what they need to do to get themselves tender ready and how to actually respond to the common questions in the documentation. Secondly, she has provided bespoke support to individual organisations for specific tenders, acting as a writer, an editor and a researcher. Her experience is also drawn from participation in Cabinet Office strategy discussions on the experiences of small businesses in tendering for public sector contracts and with the Local Government Association in their round table looking at barriers and best practice in procurement. The interview drew out first hand opinion of practice of small firm tendering behaviours.

7.3 Comparative analysis of routine enactment to FFL

The fifteen routines described in chapter six are repeated in this section. Each routine begins with a reminder of what FFL does to aid comparison. Examples of comparative case use or absence of each routine is critiqued by each routine heading.

7.3.1 Comparison of information seeking routines

(R1) Market information gathering

What Fit for Life Does

The senior team invests high levels of specialist resources into ensuring a high quality flow of market intelligence into the business. A proactive and engaged approach enables better market prediction. Human capital in the form of expert sector knowledge is exerted to influence market standards and public sector investment into their services. This shapes technical demands within some tenders that then sets barriers to entry from competitors. Firm leaders collectively engage in active reflection on market development informally and formally in team meetings. Senior leaders have made a strategic commitment to resourcing efforts that assist opportunity interpretation from multiple sources. Firm networks provide market access to privileged information to upcoming market opportunities. They recognise the dynamic nature of idiosyncratic tender requirements, including how tender specifications are titled. The firm is registered on multiple tender portal information sites and search terms are adapted to ensure comprehensive alerts to new opportunities. Two firm leaders review incoming tender alerts to manage the risk of opportunity oversight. There is evidence of service innovation to adapt to intelligence of changing market requirements from procurers.

Contextually, S4U operates in a smaller niche marketplace than FFL with a single flagship product. Tendered contracts operate at a much lower value (typically, £30-50,000) to deliver an IT product into similar educational environments. Purchasing habits by public procurers are expressed as stable and repetitive by the Operations Director but she discussed government-funded market expansion as a catalyst for exponential market growth in the next three to five years. The firm can demonstrate expertise within a narrow field of education administration by interaction with purchasers at trade fairs. Consideration of product application into wider markets has an informal plan to customise marketing messages to suit additional likely purchasers in aligned sectors. The Operations Director recognises market changes that are being made to tendering, noting that public body threshold values for tendering are significantly decreasing. This is having a causal impact on 'doing business' as more sales now need to be channelled through a competitive tendering process.

S4U has historically put less effort into deliberately placing themselves in the opportunity flow for tender alert. Word of mouth has been an effective method for new opportunity alerts, but the sales team commented upon a dramatic increase of enquiries in tender format in the previous year, so they know they need to adapt and register their interest using more formalised methods, such as tender portal registration. This firm has a more limited routine than FFL, bypassing comprehensive tender portal registration and spending its resources to accrue sales using face-to-face selling methods. This is possible because they are able to still sell small numbers of software licences that are below tender thresholds, often as a pilot. Their market access primarily relies upon firm and product reputational capital with the majority of the enquiries coming through word of mouth. Respondents believe that public sector procurers want *tried and tested* products in similar environments; a strategic decision has been made to focus resources on winning business through face to face selling than through tender portal registration efforts.

The most effective method for getting on to tender lists is performing software demonstrations at trade fairs, on-line and by appointment to potential customers. A competitive practice is to offer a small number of software licences for pilot use at low cost, so that when an institution is required to tender, S4U's product is already known as a technical solution to meet market needs. The owners feel that recruiting staff with rapport building skills is sufficient to uncover opportunities. Market information gathering has less formalisation of routines in this firm but it is a firm capability that is executed with good results. Tender opportunities are not generally missed or overlooked as reputational capital compensates for lack of active search and registration efforts. It shows that capabilities may be achieved via different routines. In terms of routines, this firm is uncomfortable with procurers that rely solely on a paper based decision-making procurement process. Respondents expressed greater confidence in dealing with a public body that was already familiar with firm software, as they believe rapport and engagement with firm sales staff and the product gave them a hidden market advantage. Again, this indicates that a different

MIG approach that is still strategic. Networking with senior managers is invested in as the best form of market positioning.

Expert informant opinion sees marketplace information gathering as an institutional weakness in small firms, believing that many small firm owners didn't look as regularly for potential tenders as they could do. Search routines were not considered to be visibly routinised or proactively considered, and where they did exist, they are not consistently applied as a deliberate activity, so they were not necessarily seeing them. The expert informant also alluded to the poor use of professional networks for knowledge exchange.

The Big Carer orients significant resources into interpreting changes occurring within the external sector environment and treats this as a regular business practice and part of their strategic orientation. The other pilot firms do not appear to operate at market level; they present as more reactive than anticipatory, disengaged and operating with a belief that they have no market influence. There was a lack of evidence of search routines in Domiciliary Ltd and The Local Care Company. The MD of the Local Care Company said:

“Things like those portals are not designed for us because it's a full time job looking at them and there's so many of them and so many different authorities and ways of advertising and things we miss because we don't have somebody who can spend five days a week searching for things.” [MD, The Big Carer]

The Big Carer did utilise a market information gathering routine, using its extensive market links to search out emerging opportunities and keep abreast of using tender portals to stay visible to procurers. This is effective practice and acts as a cause of their levels of success overall in winning public sector contracts.

As a routine, MIG is contextually dependent upon sectoral utility of tendering and the market-value of its tenders. Firms like FFL is required to

orient more resources in the form of social capital and behave more entrepreneurially than S4U that has less competition for its product. The Big Carer has a national business infrastructure than FFL to draw in MIG resources.

(R2) Competitor surveillance

What Fit for Life Does

Firm leaders deploy human and social capital to stay alert to a dynamic competition base. They commissioned a formal review of their existing and emerging competitors, looking at competitor service features and their client base to deploy as a strategic asset for making decisions about enacting a tender response to opportunities. Environmental learning through experience accumulation saw firm leaders expending additional resources to imitate large firm behaviour in tender presentation panels. Competitor tender clarification requests on an open system are observed but firm level questions are submitted within a short notice period to limit competitor time to learn about procurer explanations of service need.

Within S4U's industry, there are only five to six other firms who have developed software solutions into their nascent and niche market, demonstrating a different operating context. With changes in the market to using tender processes for lower value contracts, the firm is acutely aware that it cannot continue to rely as much on direct sales. In contrast to FFL, competitor surveillance is conducted effectively yet without the same degree of formalisation:

"We know who are competitors are and roughly what they quote, know our strengths against competitors to highlight in tender."[Operations Director]

The competitor base is small, with no known incomers in the last two to three years. The Operations Director knew that they had only lost 8% of opportunities to competitors on software features. The firm kept a list of competitors to whom opportunities are lost, with regular update reports generated on the percentage of revenue potentially lost and reasons why.

The Big Carer draws substantial value from continual external horizon scanning and discusses looking to the field for best practice to read about similar services offered by competitors elsewhere. The firm maintains loose

ties outside the area with firms who are not direct competitors. This is effective and successful practice. Domiciliary Ltd does not appear to think about competitor features to adjust their service offer until they are completing a tender where there is another incumbent firm. The MD of The Local Care Company feels threatened by placing a tender submission alongside much bigger firms. He believes that size is primarily what makes the firm appear less competitive, stating:

“The big boys are coming in and swallowing all of us up.”

[MD]

This MD appears to reside in ‘victim mode’, and ongoing tender rejections serve as proof to the MD’s sense making that they are penalised on grounds of size.

Expert informant experience draws attention back to the importance of competitor surveillance as an opportunity to create differentiation. A criticism from the expert informant is that firm leaders do not think about who the competition is and, therefore, do not think about what the differentiators might be between firms. Small organisations have stated to the informant that they are not going to bid for a particular tender because they think a national organisation will tender and win it, without first analysing if they can win the tender themselves. Her advice was forthcoming:

“If it’s a local contract within your capability, play to your localism and show your local knowledge.” [Expert informant]

So, agency is under-exercised, rendering some small firm resources, such as local knowledge, unproductive. What can be drawn from this comparison is that small firms in different sectors operate in a context where national players threaten SME competitiveness.

7.3.2 Comparison of strategic routines

R (3) Setting criteria for opportunity selection

What Fit for Life Does

FFL has a written tendering strategy; a formalised artefact developed to make objective assessments aligned to business growth intentions. There is strategic focus of entrepreneurial effort to shape or exploit a market in specific places where the firm has a large contract that covers infrastructure costs. Opportunity selection strategy is spatial to create a concentration of supply that is more cost effective, including building on an anchor contract.

FFL has incorporated a written tendering strategy into its strategic business planning and review activities. S4U has not, but does not appear to need one to be successful at winning public contracts. Selectivity of tender selection is instinctive over procedural, with a clear intention to avoid tenders that will not benefit the firm but without clear explication of these conditions. The first considerations to select a tender are its potential value and if the service being procured, can specifically be met through S4U's software product. A lack of formality has exposed a degree of fallibility in firm decision-making. For example, a fifty-question tender did not state an indicative contract value. Rather than clarify the contract size, a response was mobilised. Upon winning it, the contract value of £3.5k offered little reward other than gaining an additional customer.

S4U treats tender opportunities as a sales activity rather than as a strategic marketplace manoeuvre. In terms of a process, both sales team members receive tender documentation and produce a regular board report to summarise all pipelines of opportunities, including tenders and direct sales leads. Tenders are treated as a live opportunity and listed on the firm's customer management database. Sales and tenders are not differentiated as separate modes of opportunity in sales reports.

Tendering in S4U is coined a 'no guarantees' activity that calls upon a completely different set of skills from demonstrating software face-to-face.

The concept of risk of unproductive time investment weighs heavily on decision-making in S4U. It is a less trusted route to securing a sale, with more effort is required to calculate opportunity costs. A tender process renders sales team verbal rapport skills redundant. The Operations Director describes two kinds of tenders he identifies with: those that he believes that don't really fit the firm's product and others where the tender has been created to match their software product. The firm exercises selectivity and like FFL is not afraid to say no to tender invitations. Interview respondents are clear that they would not tweak their software product to win a tender. Proportionality of effort was raised; for example, answering fifty questions for a £3.5k contract, yet it was recognised that it could lead to something more. Nevertheless, a long-term view is clearly not present here.

The Big Carer relies upon senior team knowledge to qualify a tender as *in* or *out*. Their approach is to start with a review of the service specification and then decide if that fits with a) what they currently do and b) the firm' strategic direction set by senior manager annual planning goals. Then, on a more practical level, it considers the amount of work responding to a tender entails and the resource availability for that. There is an established routine to analyse if it is cost effective to go for a tendered service:

“Staff here are very good at it and they learned over the years as they have gone along so they can say off the top of their head if that is something we could go for and whether we can do it in the timescales.” [Business Development Manager]

The Big Carer maps tender opportunities to its strategic goals with a focused “triage” process used for risk analysis on “going for it”. Procurer requirements were explored at a higher level by a deeper analysis of current service delivery conditions that could be raised through a new contract. There was clear leadership of the tender decision making process.

No processes to conduct a strategic review of opportunities can be found from interview transcripts with Domiciliary Ltd and the Local Care Company. The expert informant says that opportunity focus and selection

within market positioning is predominantly a larger firm practice where small firms fail to pay attention to the ‘detail’, although this is not the case in FFL. The informant believes that small firms do not in general read through contract documentation, especially the contract, which they don’t realise is legally binding if they win it. Mention of intellectual property and payment scheduling are two areas flagged as ‘trip up’ areas. The informant interview did not refer to use of an incumbency position, alliancing or cues for how to adopt a strategic and selective tendering approach beyond this. Data from FFL, S4U and The Big Carer dispute this, and a conclusion could be made that they represent growth-oriented small firms that have put the liability of smallness to one side and have developed capability as a strategic decision to invest and specialise in tendering. They have the confidence and skills to do so. Opportunity selection, therefore, is structurally affected at sectoral level by whether new public business *can* be won without having to tender and by tender size.

(R4) Alliancing

What Fit for Life Does

Firm leaders employ firm reputational capital for knowledge exchange purposes with at least one larger firm that had derived benefit from including FFL specialist services within a much broader contract opportunity that the large firm wanted to win. Collaboration on a joint tender is actively used by FFL leaders as an opportunity to learn from a bigger company. Entrepreneurial orientation enables rapid imitation of information display routines, representing innovation in how FFL conduct tender construction.

S4U has no experience of tendering in a joint or consortia arrangement but they are just about to do so, and recognise its tactical use as a competitive routine they will benefit from. The Big Carer, despite its narrative on social networking, did not pursue collaborative activity in tendering opportunities:

“You tend to close ranks and don’t speak to anybody because you could be giving away your potential future business.” [Business Development Manager]

Instead, internal social capital acts as a knowledge lever, and as a larger firm they referred to other arms of the business to turn to. The expert

informant, Domiciliary Ltd and The Local Care Company do not refer to alliancing practices. This shows that alliancing is contextually dependent upon marketplace trust and access to wider internal social capital. Not every firm needs this routine to be successful.

(R5) Safeguarding Market Pricing

What Fit for Life Does

Firm reputational capital is invested into marketplace relationships to communicate what constitutes safe and ethical service, not cheap provision. Tenders that offer a lower market rate than is considered ethical and safe are rejected. Ethical capital is a structural property of the firm that demonstrates a quality of service capability. Financial planning skills are put to work to understand fair and competitive market rates for units of service delivery. Pricing is used as a form of agency when re-tendering for less profitable contracts held. Confidence in firm reputation is high to offer an existing customer a higher service price to increase firm profitability.

Like FFL, tenders that S4U considered were ethically or financially unreasonable or unsustainable are rejected. In one case, the firm was asked to tender and enable unlimited software licences. Financial quotes were decided by considering competitor pricing, and this gave confidence to reject the proposal. Safeguarding market pricing did not arise through data as a competitive routine in other case firms and the expert informant interview.

7.3.3 Comparison of interpretive routines

R (6) Individual tender opportunity triage

What Fit for Life Does

FFL conducts a detailed reading of a tender prior to starting to respond to it through the lens of the firms' pre-set opportunity selection criteria. Tender triage is treated as a collective activity, which has increased in formality through repeated efforts. There is a close examination of the technical aspects of service, especially pricing and TUPE. The routine builds understanding of resources required to conduct further research, drawing on financial and analytical skills.

A very informal triage process exists in S4U. No formal triage criteria for selection is in place and the Operations Director admits that they don't scrutinise all of the tender paperwork sent out with the tender specification. Respondents agree that the first task is to check for the potential contract value and the target date for project deliverables, primarily software implementation and training completion dates. After this, respondents would read the specification requirements in some detail. The Operations Director reads every tender. The team start with a simple question, 'Are we capable of winning the business?' Decision making is somewhat devolved away from the senior team to the sales team but is backed up by focused opportunity triage linked to delivery of contract to calculate how much revenue the firm can generate from a tender. Interpretation of tender scoring criteria is equally important to triage as the questions asked within the specification. There is evidence that learning what to do in a tendering context comes from experience accumulation but also through deliberate learning to balance decision making on multiple criteria.

In The Big Carer, respondents look at all the dynamics within the tender to cost it up, plan how they could staff it, and use a whiteboard to produce a visual plan before bringing a team of the right people together. Like FFL, dedicated time and processes have emerged through experience to become efficient and effective at tender review and collegiate decision-making:

"If it's something new we will sit together and discuss is it something we really can do and we look at all the dynamics in it like what do they want." [Business Development Manager]

The Big Carer tendering team verbalise their own checklist of questions, such as *i) Have we got the expertise?, ii) What do they want? iii) Is there anything in it that is new to us or is there anything in there that we don't want to do or we don't currently provide?* It then considers round the table what staff resource is available to start work on it, who can start putting some draft text together, the documents required to substantiate evidence

and then work backwards from the deadline to decide if it is possible to complete a quality submission in the timeframe.

Expert informant opinion was that many business owners make contact for help from an external consultant, stating that they do not understand the specific services procurers are looking for and they do not want to waste their time. Sometimes, firm leaders choose not to submit tenders because documentation is not specific enough about the types of services being procured. In general, small business tender triage skills were considered poor by the informant:

“A lot of the disappointment comes because they will spend their time actually applying for tenders that they stand absolutely no chance of winning.” [Expert Informant]

The Local Care Company does not have a triage process; they refer to doing ‘a quick flick through’ then submitting a tender without first evaluating their chances of success. The owner fails to apply experiential learning because of negative emotion towards the process and this prevents adaptation occurring. Lack of self-confidence blocks this routine. A comparative review indicates that having a competitive routine for tender triage is contextually dependent upon both experience accumulation and team-based decision-making.

R (7) Tender Question Scrutiny

What Fit for Life Does

The Marketing Manager initially completes a detailed reading of each tender question. The purpose of this is to interpret the specific nature of each questions and organise allocation of specific question to specific senior team members. Firm leaders use a method of examining the demands each question in isolation, having learnt through experience that many questions are compound in nature. FFL involve wider workforce staff to gain their perceptions of how to answer specific questions about operational practices or service delivery. A document scrutiny routine decodes compound question requirements.

S4U respondents note quite a few different questions arising between comparable tender specifications. This finding chimes with FFL and

confirms that a structural condition of tendering is a lack of uniformity between public service purchasers. S4U places less effort into consideration of individual questions and start with existing text to fit into the questions asked. This approach may be sufficient for a software purchasing tender because tenders ask more simplistic questions and they tend to be yes/no answers to product features. This approach would be inadequate in FFL because the tenders they receive usually demand answers that can demonstrate service mutability. It is usual practice in S4U for both members of the sales team to read the same tender and verbally discuss the answers that will be constructed. Specialist technical questions are referred to the technical team and legal questions to the MD. However, there is evidence of firm-level environmental learning though repeated experience. Environmental learning has affected the routine because it has semi-formalised it:

“We learnt that it is important to read the whole firm before you even start. There’s no point doing a little bit today, a bit more tomorrow ...then run out of time at question 48 /50 when you need clarification.” [Operations Director, Software4U]

Similar to FFL, the software firm experienced frustration at the lack of clarity. One example is discussed in some detail where ‘every other question’ had to be clarified through the official process with the procurer. Firm respondents feel that the people who had written the tender are not sure themselves. Question clarification is delayed or non-existent. Exercise of agency to walk away from a tender *“if it’s unclear at the start”* is expressed and embedded into ongoing tender triage activities. The Big Carer respondent highlighted a structural condition, saying that tender questions are complex:

“..They are not a simple question, they will ask you five questions in one and then you think what are you really asking me here and I have drafted a response and then passed it to a colleague to proof and they will say, “You’ve not answered that,” and I am convinced that I have, but they

don't just ask a straight forward question." [Business Development Manager]

The researcher found an example of a question in a tender document shared by S4U that asked the bidding firm to *'propose how the service will be structured and staffed and will work with other agencies'*. This indeed can be analysed as three questions; *how* it will be structured, *how* it will be staffed, *how* the firm will work with other agencies. This process demands specialist knowledge. The Director commented that if they were new to reading tenders they would definitely struggle because the tender refers to:

"A lot of government documents you'd have to be familiar with and some of them I am talking 200 pages." [Operations Director]

Knowledge of government legislation places high resource demands, and as such it is a market entry barrier. This company 'knew the field' and had learnt how to analyse questions through a public sector lens. By contrast, expert informant commentary is vocal upon a lack of capability to unpack tender questions and refers to 'unwritten rules' that go around public sector. For example:

"Nobody tells you what constitutes a financially stable organisation for that tender. It is learnt from experience or from learning the tricks of the trade, having spent years doing it with commissioners." [Expert Informant]

The inference is that firms that have never actually held a contract before and so don't have the track record, making the public market a closed shop. Typically, tenders may seek three references for contract awards held with public sector organisations. The informant believes small firm owners lack confidence to persuade public bodies that equivalent private sector contracts act as evidence of competence. Tender complexity and experience accumulation contextually affect utilisation of a tender question scrutiny routine. However, a consistent context for all firms appears to be opaque procurer behaviour.

R (8) Regulatory compliance practices and artefacts

What Fit for Life Does

Firm leaders have created an infrastructure of policies, accreditations and procedures for business and service management that are compliant with public sector regulatory requirements and adaptive to changing demands. Artefacts (firm policies on employee diversity, green credentials) have been developed from prior reflexive interaction with structural properties that exist in a tendering process (i.e. demand for these capability displays). Information decay is recognised as a risk, so resources are customised and renewed to match supplier scoring criteria in tender specifications. Firm accreditation kite-marks, awards and professional body memberships are actively pursued to communicate specialist forms of capability, such as workforce investment.

The S4U Operations Director describes initial experiences of firm tendering as exposing a resource gap that has now been filled. She refers to current policies as “*very formalised*” and explains that many policies and procedures had not existed prior to tendering beyond the legal minimum requirement. Whilst they are actively put to use, there is no reference to policy updating or renewal over time. A pattern was emerging with S4U’s current suppliers or prospective suppliers to tell tendering supply organisations that software supplier and tendering is a way to rationalise their existing supplier base. Regulatory compliance preparation has manifested itself inside the business through investment into a published set of policies are described as making life easier for future tendering. Elements of surprise demand additional work on an ongoing basis. For example, in addition to requesting an equal opportunities policy, the firm was on one occasion asked to submit evidence of how they knew their staff were trustworthy. On another occasion, it was asked to disclose details of LGBTQ staff numbers. This data that was not held by the firm, so it was resource-intensive to evidence. Overall, a review of a recent tender cued up typical sets of resource demands: staff turnover, revenue, who else the firm supplied to, references, internal procedures and policies and data protection.

The Big Carer employs specialist staff to support tendering and, like FFL, they have created internal artefacts to ensure regulatory compliance. They have oriented their whole business proposition to meet public sector service

demand, specifically using public sector language. The policies they have in place are utilised as part of daily business. Conversely, The Local Care Company has a set of policies, that the MD admits are purely for show:

“There’s a certain handful of documents that are absolutely no use to us whatsoever but we do tend to write them purely for tenders.” [MD]

The quote illustrates that the firm has been subject to mimetic coercion and that it has demonstrated concessionary behaviour towards marketplace ‘norms’. However, it has not helped the firm. There is a perception that tendering demands resource investment to formalise firm practices that may or may not exist inside the firm at an informal level. But at least they do see it as a set of documents; each is not re-invented each time. Informality is seen as a more comfortable domain.

The expert informant raised a different concern about small firm understanding of financial compliance in relation to tender opportunities, referring to *unwritten* rules about existing company turnover in relation to the size of an opportunity in sight:

“So you may look at a contract and think, ‘Oh, it’s £100,000. I can easily do that’ but if your turnover is only currently £50,000, £75,000 or £100,000 you’re not going to get it because they’re going to be looking for someone that will typically have a turnover of at least £300,000 a year.” [Expert Informant]

Failure to apply environmental learning about market expectations, despite repeated interactions or a lack of experience, accounts for wasted resources to pursue unreachable tenders. This renders firm turnover another gateway to market entry as a structural condition.

Accreditation acquisition as part of regulatory compliance is interesting by comparison. S4U had recently been awarded Investors in People and were working towards ISO 9001. The Operations Director felt that accreditations were becoming a much more important artefact to demonstrate competency to public sector procurers, again reinforcing mimetic

isomorphism. She recognised them as strategic competitive artefacts. The Sales Managers held a different view, believing that evidence of robust software security is more important than generic forms of business accreditation.

Like FFL, accreditation pursuit is another outcome of a causal effect of how procurers evaluated firm competence. However, the firm deliberately targets potential customers to engage in a product demonstration, either on-line or at a trade fair. The expert informant questioned whether procurers really know how to mark firms fairly that show they can handle complaints extremely well but have not formalised their behaviours into process in place that looks something like an ISO 9001 complaints process, suggesting it is formalisation that demonstrates capability. The Local Care Company MD confirms the firm *“has all the quality marks in place”* but he is unsure of how to utilise these as a resource for tendering, seeing accreditation gain as necessary marketplace catch-up. It did not appear to render an improvement in firm capability display or confidence. The difference between FFL and this company is that FFL use accreditations to appear market leaders and The Local Care Company treat it as a structural condition that places them in market ‘catch up’ mode. Regulatory compliance then is shaped differently in firms by their degree of orientation towards public-sector contracts as a specialist field. Different firms show different levels of commitment to put it to use as an asset for tender completion.

R (9) Tender question answering and document preparation

What Fit for Life Does

Firm leaders do not rely on a cut and paste approach from previous answers to questions in other tenders; every answer is contextualised. Management checklists are developed for large tenders to cross-reference answers to the tender scoring criteria and overall service specification, as well as to address specific question needs. They understand how to structure answers and know how information may have to be repeated in a tender across multiple question to score high or full marks. The senior team sets themselves a standard of achieving high levels of readability for the procurer, and that includes using public sector language to describe their business operations to procurers.

S4U is training up its sales team how to answer tender questions to build more capacity in the firm. Like FFL, they mention that information needs to be repeated between one question and another. In contrast, the expert informant does not see much adaptation capability in relation to firm reflexivity through learning, and appears to describe a state of arrested development in many small firms:

“The thing that I do see that is linked to that is complacency. So if they’ve found, for example, a form of words that worked, they’ll keep regurgitating them without thinking about tailoring it to what’s needed.”[Expert Informant]

Regulatory compliance is often absent in reviewed tender responses; for example, writing ‘not applicable’ to Yes or No answers results in a tender being excluded. Expert informant impressions are that many firms are not thinking about answering each question from the perspective of the evaluator:

“So they’re still trying to almost turn the contract into what they want it to be rather than what it is or they don’t understand the terminology of the question and that seems to happen a lot.” [Expert Informant]

This comment leads on to a wider observation about a general absence of capability to understand tender terminology and its meaning. Perceptual positioning to answer questions from the procurer perspective was generally flawed through misunderstanding or lost in translation. For example, ‘*How do you retain your staff?*’ is a standard question posed in tenders. Typically, firms will state what staff retention levels are in their answer. The informant believes from experience that the public sector seek reassurance of a line management structure, regular performance appraisals and documented development plans. The informant then cued up what capability looks like: attention to detail, a concise writing style and evidence based answers.

In The Big Carer, question answering is compared to doing an essay; answer the question and, where you are allowed, give your supporting information within a word count. Information display is perceived differently in case firms. An S4U respondent explains that their tender answers are

very text based, but they have already identified through attending a procurement workshop that they can improve information display. The Operations Director refers to making a tender response look more personable by including examples from other contracts, with testimony data. Current practice does not utilise an information display routine:

“Unless they’ve asked for diagrams or screenshots then we haven’t done anything visual.” [Operations Director]

The Big Carer does not display endorsing information in a visual way, but recognises its value to procurers and to how tenders are scored. Domiciliary Ltd and The Local Care Company both have credentials they could display, but do not do so. The expert informant refers to the fact that small business leaders either forget or are unaware that tenders are read ‘blind’, meaning that the readers are not given the firm name to refer to when scoring them. Tacit knowledge exists, but it is not deployed through firm processes. Contextual differences between firms in employing a question-answering routine links to levels of document complexity and experience accumulation to recognise where mistakes in answering can occur. Employment of this routine is also associated with higher levels of environmental learning at play inside the firm.

7.3.4 Comparison of cultural routines

(R10) Tender leadership and co-ordination

What Fit for Life Does

The tender completion process is professionally-led, and tender leadership is distinctive from tender question answering; it identifies risks, quality assures individual question responses against the scoring criteria including, when deemed necessary by the MD, mobilising external consultancy support. Tender leadership demonstrates mature knowledge of resource investments required that might involve research activities in order to contribute bespoke content into tender questions. The MD leads tenders with an infectious confidence in firm capability to win, yet recognised that continual engagement in environmental learning to accrue relevant knowledge and discard ‘old ways’ of doing things is required.

S4U respondents explain that they don't have a defined process of how they get tenders completed but they are starting to put together checklists. Tendering activity resides with the sales team rather than with senior management. The Operations Director relies on internal knowledge transfer to build capacity:

"We've never resourced external support for tenders. Maybe, again, it's something we need to do in future but it's not something that we've ever considered doing. As they become more popular it might be something that we need to do." [Operations Director]

The Operations Director trains the sales team to interpret public sector demands. She has attempted to ensure consistency of answers between tenders by encouraging the sales team to refer back to and re-purpose sections from previously completed tenders. A key difference between S4U and FFL tenders is the size and scale of tenders received. The largest tender in the software firm is under £50,000, a figure that is below the bottom end of FFL's lowest value tenders. A comparative review of specifications by the researcher implied that lower value tender specifications sometimes are less complex and demanding.

The Big Carer uses an effective model for tender leadership. A director leads on asking people for information, distributing the drafting of particular sections, looking at the finances and then she pulls it together as well as doing some of the work. Typically, this includes looking where the gaps are overall within the tender and how answers to questions are evidence-based. A tender is treated as a discrete project that draws upon wider research:

"You look to the field for the best practice. I might read documents that tell me a service is similar in London so I might have to contact them and say I have read this article in the journal and you do this, how much does that cost, is that feasible, have you had any problems, just to see what the best practice is there." [Operations Director]

The Local Care Company displays a lack of leadership, starting with a decision to submit a tender response or not. The MD expressed frustration of procurement processes and demands. Frustration affects the quality and breadth of resources invested into tender response efforts. In this case, the MD delegates tender completion to one person and described tender completion as a 'form filling' exercise. The approach to resource enactment was influenced by fear of failure and negative emotion. This interview was very emotional. The firm was at severe risk because of their failure to breakthrough into tendering and they felt helpless, exploited and angry. This gives insight into the tender demands and their inability to apply entrepreneurial capital or, indeed, sufficient human or social capital, to writing a tender. The liability of scale seems to be very strong. Negative emotion blocks the application of capital, especially entrepreneurial capital that mobilises human and social capital.

The expert informant observes, with notable exceptions, an absence of organised attention to planning and applying learning to problem solving. The point is illustrated by reactions such as "*I don't understand what they are looking for*", poor data management or even complacency to thoughtlessly re-use pre-existing answers from previous tenders. The informant refers to *tricks of the trade* and the need for *tacit understanding* that she believes are undermined by a complacent attitude or a failure to focus on and invest in time, thoughtful exploitation of human and social capital and other resources to get the job done. Expert informant opinion is that most small firms do not have any recognisable routine for leading tender completion, with some advice given to small firms:

"A good firm owner would sit down and work out their win themes. They set aside the correct amount of time and think about who's going to answer which question. Certainly the very good ones do that because they've learned by experience. The more common one is the one where one person, usually the owner of the business, leaves it 'til the last minute and has a go and it's very hit and miss." [Expert Informant]

The informant further observed that the best completed tenders in small firms are usually led by the owner with clear allocation of specific questions to specific people. However, an absence of commitment to resource in many small firms leads to tender completion being 'passed down' to employees who answer questions without an appreciation of context. Mistakes are frequently made; for example, the registered address is not always the trading address, or cut and paste text from other tenders lack specificity to answer a question.

Domiciliary Ltd uses an external consultancy firm to write tenders on its behalf. Despite a portfolio of contracts gained under a past commissioning regime, the MD feels personally ill equipped to compete through a formal procurement process and brought in external human capital in the form of a bid-writing consultant:

"We are not trained as tender writers..." [MD, Domiciliary Ltd]

Domiciliary Ltd's MD associates internal resource enactment for tender construction as riskier than bringing in an external bid writer to *"talk the language"* for them. This is interesting – a person he commissioned in a recent tender was not a specialist in the technical area but *"understood how councils think"*. The MD refers to his lack of a formal higher education qualification to validate his lack of confidence in tender writing. He does not involve other members of staff in tender submissions apart from for financial calculations. There is a fear about interpreting jargon and how to answer questions such as 'value for money' and 'sustainability'; terms that are common to bids but not directly used in the company's day-to-day business operations. Leadership of tenders is contextually dependent on firm levels of human capital, which varies between firms. Also, lower-value tenders require less leadership effort.

R (11) Teamwork

What Fit for Life Does

Teamwork is a strong routine applied to tender fulfilment. The division of labour through teamwork links to company culture and motivation. Teamwork is mobilised through effective tender leadership. Anxiety about risks of resource effort versus return are reduced through open channels of communication between the MD and senior team.

S4U is similar to FFL in its capacity to have built a high performing team for tendering. The firm culture encourages and rewards shared task and responsibility. Whilst tender completion is described as a “*last minute dash*”, the lack of structure around formal planning is overcome by effective team working and informal communication exchange mechanisms between sales team members to fit tender completion around other tasks. The firm is considering future recruitment of sales staff with practical experience of tendering because it is becoming a more frequent activity and condition of winning work from existing clients.

Teamwork in The Big Carer is also an established routine for tender completion. For each tendering episode, the tender leader brings together a mix of staff from the frontline, managers, and administrators to capture multiple perspectives from which to construct answers and propose solutions. The wider team do not consider the technicalities of the tendering process; rather, the focus is upon addressing how to interpret and meet procurer and customer needs.

The expert informant discusses teamwork in the context of tender presentations, emphasising that it is critical for whichever individuals attend to appear to be a team, rather than a collection of individuals who don't really gel together. However, what was more typical, and the most common reason why firms fail to win tenders in her opinion, is a poor choice of team for the presentation. Typically, the firm is not represented by somebody senior enough “*so it doesn't look like they're that interested*” or a senior leader “*hasn't bothered to read the bid and starts to answers questions that*

don't actually match what's in the proposal". This behaviour shows a business doesn't have a team culture, and implies they're not enthusiastic:

"That's the bit; it's the only bit where you get to bring your personality and your passion into the picture" [Expert Informant]

A teamwork culture was not detectable in The Local Care Company or in Domiciliary Ltd. So, case firms differ in using teamwork as a routine. This could be attributed to firm size, culture or both.

7.3.5 Comparison of data mining routines

R (12) Systematising tender information retrieval

What Fit for Life Does

The firm has systematic processes in place to store, retrieve and develop performance data to apply to tender writing. It uses specialist contract management to service data for existing contract performance and the system is used to generate example of data presentation in tenders as part of capability display.

S4U stores and repurposes completed tenders to assist with future performance attempts. They also manage data on reasons why tenders and other sales activities are won and lost. S4U shows evidence of adaptive practices, and have started to apply using their tendering experiences to other forms of selling their capabilities in the market-place which is an expression of environmental learning. They have begun to build a template of the answers they receive about what potential customers look for and have converted it into a question and answer sheet. By doing so, they have created an expanded data-set about firm and product strengths.

The Big Carer also maintains a library of past tenders. Firm leaders take a wider perspective on storing data that can be used to showcase reputational capital, not just answers to tender questions. For example, details about a recent kitemark, Investors in Volunteers, were stored for incorporation into future tenders, recognising that data management is a

dynamic process. The Local Care Company and Domiciliary Ltd do not systematically store and retrieve data for tenders. Systematisation of data between case firms is variable by its strategic commitment to win public contracts that unlocks resource commitment. This routine does not require specialist knowledge.

R (13) Exploitation of existing contract performance

What Fit for Life Does

Firm leaders use existing contract performance as a reputational resource to deploy into competing for more business through tendering. For example, service user quotes and third party evaluation report extracts feature in tender response questions to validate aspects of service quality and reliability.

S4U has experienced an increased demand from tender questions to communicate through tenders other public bodies with which they hold a contract. The firm is aware that its current portfolio can be leveraged as reputational capital and commented that word of mouth 'spread' interest between software purchasers. However, it does not go beyond mentioning current contracts in the way FFL does through user quotes or third-party evaluation reports. Like FFL, the firm has been approached to assist with creating a tender specification on the basis of its current contract portfolio. The Big Carer demonstrated a sophisticated approach to leveraging existing contract performance to employ as a reputational asset. The respondent describes high standards it uses for pro-active relationship management in tender answers. Domiciliary Care Ltd and The Local Carer do have reputational resources they could deploy, but they don't recognise them as assets. Exploitation of assets is lower in firms that possess lower entrepreneurial orientation and environmental learning levels.

7.3.6 Comparison of transformational routines

(R 14) Environmental Learning

What Fit or Life Does

FFL executive team members display team-level cognition to continually apply new learning to adapt routines. Environmental learning is enabled by a team culture and entrepreneurial orientation. Learning draws in external knowledge and creates internal knowledge through use of reflective practice. Learning is put to use after assimilation by active transfer into routines. It has led to new routines being created, such as tender question answering and documentation scrutiny. Other routines have been adapted through environmental learning, such as the formalisation of tender triage and tender question scrutiny.

S4U's team culture creates opportunities for wider assimilation of learning and, to some extent, adaptation of routines. It displays forensic curiosity in its limited market competitors and has adapted sales force activity to accommodate tender writing as a business building strategy. In particular, application of environmental learning has led to increased resource investment into accreditations as strategic competitive artefacts, suggesting formalisation is an outcome of environmental learning. However, learning is instinctive over proceduralised. It is a routine that is applied with limited scope, partly explained through context; the competition base and sector is more nascent and less innovation is required to win business through tenders than in FFL. Tendering is an increasing firm activity where formal staff development (to go on tendering courses) is beginning to emerge. S4U has not yet experienced procedural shock of losing an existing contract through a retender exercise, and they do not face staff losses through TUPE if that situation occurred because they offer a product not a service.

The Big Carer has learnt that market-place learning is resource intensive, and it invests significantly in building and exploiting its social capital for discovering innovation practices and market gaps. It has learnt that tender completion is a collective activity, and that productivity and quality increase

through investment into routines that serve comprehensive tender triage and question answering. Tender leadership and co-ordination is a routine formed and adapted through environmental learning. The Local Care Company appears to be closed to environmental learning, blocked by negative emotion and a general mistrust of tendering as a contract award process. Domiciliary Ltd use an external consultant to write their tender response, yet fail to learn from that expertise, which resides outside the business. The expert informant alluded to knowledge atrophy, where firms would repeat previous tendering performances without stopping to think about applying new knowledge.

(R 15) Entrepreneurial Orientation (EO)

What Fit for Life Does

FFL displays a collective capability to access privileged knowledge and opportunities through its extensive appetite towards innovation, risk taking and self-efficacy (the three dimensions of EO). Firm leaders apply extensive human and social capital to shape market opportunities to their advantage, wherever possible. Firm leaders are not intimidated by larger competitors; they use them as strategic alliance partners and as a source of learning. EO is dependent upon environmental learning and vice-versa.

EO, like environmental learning, is a routine that changes routines, using *innovation, risk taking* and *self-efficacy*. S4U displays innovation in its route towards being invited for tender submissions. It has learnt that persuading a public institution to pilot their software leads to a direct invitation to tender, by which time the procurer has direct experience of S4U software. A team culture and team-working support self-efficacy, where firm members are not afraid to risk turn down invitations to tender that are considered less worthwhile.

The Big Carer behaves more bureaucratically in its approach to opportunity discovery. Unlike all the other cases, it employs specialist business development personnel who have job descriptions with opportunity discovery as an embedded responsibility. This means they rely less on self-

efficacy and create capability through a strategic national infrastructure. The expert informant believes that most small firms lack proactivity to search for tender advertisements and also to think innovately about how to respond.

EO is endowed within a firm's human capital, usually in its leader, as in FFL and S4U. It is mobilised in FFL across all routines to offer agile creation and adaptation of firm practices, observable in practices such as alliancing. In other cases, its lack of application to tendering does not mean that the firm lacks EO – it is simply not deployed in tendering. S4U has EO, but it is used much less in acts of tendering and much more in other forms of business building.

7.3.7 Summary of routine presence and utilisation in comparative cases

Chapter seven has employed a comparative case framework to routines within FFL. Table 7.1 below offers a comparison as to where routines exist and where they do not. No comparative firm demonstrates fifteen routines like FFL. The larger and highly experienced firm The Big Carer possess fourteen similar processes and no additional ones, with S4U exhibiting thirteen of the same routines but no additional ones. Results show most firms orient resources into tender completion but some neglect investment into situating capabilities that aid the ability to tender at all. Table 7.1 examines to what extent comparative cases engage with the routines used within FFL. Comparative case study analysis is particularly useful to understand and explain how context variation influences the mechanisms that are triggered inside a firm and the outcomes this generates, whether successful or otherwise. This presents a challenge about how better to tailor the design of a capability framework intervention when dealing with different firms that operate in different markets.

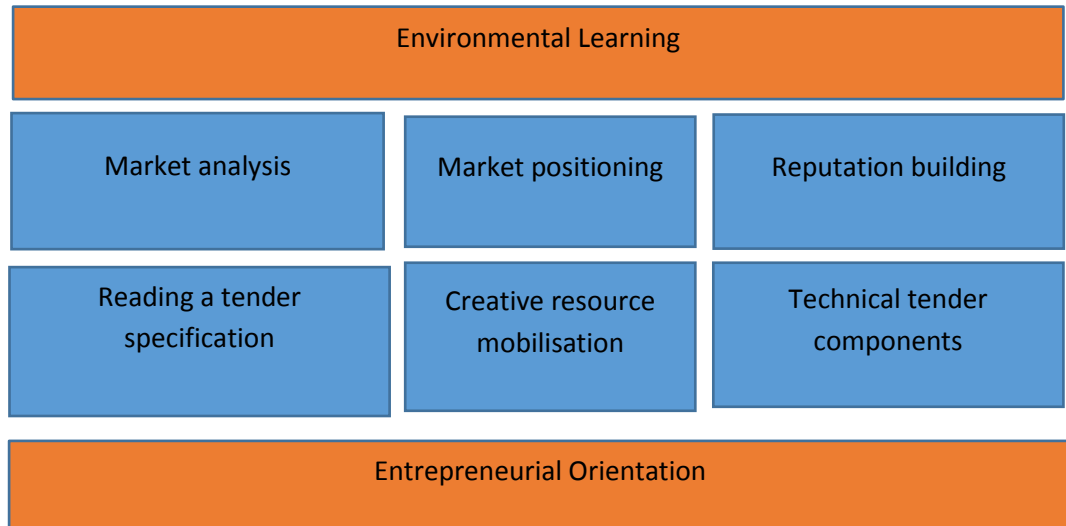
Table 7.1 A summary of routine presence in comparative firms

Routines types present in Fit for Life	S4U	The Big Carer	Domiciliary Ltd	The Local Care Co	Expert opinion
Information seeking					
Information Gathering	Y	Y	N	N	N
Competitor Surveillance	Y	Y	N	N	N
Strategic					
Criteria for opportunity selection and review	N	Y	N	N	N
Alliancing	N	N	N	N	N
Safeguarding Market pricing	Y	N	N	N	N
Interpretive					
Individual tender opportunity triage	Y	Y	N	N	N
Tender specification and question scrutiny	Y	Y	N	N	N
Tender specification question answering and document presentation	Y	Y	N	N	N
Cultural					
Tender leadership and co-ordination	N	Y	N	N	N
Team work	Y	Y	N	N	N
Data Mining					
Systematising tender information retrieval	Y	Y	N	N	N
Exploitation of Contract performance	Y	Y	N	N	N
Transformational					
Environmental Learning	Y	Y	N	N	N
Entrepreneurial orientation	Y	Y	N	N	N

7.4 Comparison of capability expression in comparative cases

In FFL, capability is critiqued as a framework, shown again below in Figure 7.1. This section compares FFL's capability components (which are themselves generative mechanisms) to other cases.

Figure 7.1: FFL's capability framework for public sector tendering



7.4.1 Market analysis capability

Table 7.2 Comparative routine use in market analysis

Routine	FFL	S4U	The Big Carer	Domiciliary Ltd	Local Care Co.	Expert opinion
Market information gathering	Y	Y	Y	N	N	N
Competitor surveillance	Y	Y	Y	N	N	N
<i>Environmental learning</i>	Y	Y	Y	N	N	N
<i>Entrepreneurial orientation</i>	Y	Y	N	N	N	N

FFL and S4U both display entrepreneurial orientation, but in different ways. FFL has an enhanced market analysis capability through high levels of absorptive capacity that enable environmental learning. This is in contrast to S4U which relies more upon its EO to find public business. Whereas FFL anticipate opportunities that do not yet exist, S4U sell IT pilot licences to find a way in to new customers, pre-tender. *Both are successful.* The Big

Carer has a comprehensive infrastructure to collect market and competitor intelligence, but its approach appears to be more procedural than reflexive as it relies upon having people in post with job descriptions rather than individual self-efficacy. This indicates continual resource investment for market analysis over spiked resource assembly at times of tendering like in Domiciliary Ltd and The Local Care company. Whilst FFL seem to heed expert informant advice, mechanisms such as learning from competitors and market intelligence to assimilate useful ideas are often not triggered to act. The difference may be explained through several contextual factors: a track record of failing, a different sector, dissimilar leadership and a self-fulfilling prophecy that they don't stand a chance.

Whilst all firms claim to want to maintain current business and seek profitable new business through tendering, specialist knowledge of market funding and future trends is present in S4U and The Big Carer but lacking in The Local Care Company and Domiciliary Ltd. S4U can analyse where market opportunities arise; however, in their sectoral context, the Operations Director does not use a micro-routine to register the firm on tender portals. Their market is niche and operates on a more informal word of mouth basis. Competitor surveillance is strong in S4U and The Big Carer where staff react to threats of unexpected competition entering the market, but non-existent in Domiciliary Ltd and The Local Care Company. This difference can be explained through a lack of contrivance and motivation to learn.

7.4.2 Market positioning capability

7.3 Comparative routine use in market positioning

Routine	FFL	S4U	The Big Carer	Domiciliary Ltd	The Local Care Co.	Expert opinion
Setting criteria for opportunity selection	Y	N	Y	N	N	N
Safeguarding market pricing	Y	N	N	N	N	N
Alliancing	Y	N	N	N	N	N
<i>Environmental learning</i>	Y	Y	N	N	N	N
<i>Entrepreneurial orientation</i>	Y	Y	N	N	N	N

A comparative analysis shows that specialist forms of human capital (strategic tender selection and sense-making) are rare and not easily open to imitation between firms. It also illustrates the role of firm reputation in being able to safeguard market prices and to secure joint partnerships for tendering. The Big Carer, a much bigger firm with 200 employees, uses collective agency to critique firm position in relation to advertised tenders. S4U does not, but does not need to, as it operates in a smaller and more bounded market for its software. The routines in use in FFL emerge as a result of learning how to do things better and in The Big Carer out of having better resources and scale. They may not be applicable for many small companies.

Certainly, FFL and The Big Carer leaders identify with a market, which requires specialising in tendering; the other firms lean towards identification with discrete opportunities. This makes a marketing positioning capability a distinctive attribute in a small firm like FFL, driven by high levels of social capital invested into marketplace relationships. In FFL, market positioning is demonstrated through an alliancing routine, and in S4U it emerges partly

through a contextual marketplace advantage of being one of only several software suppliers, so less competition. Small firm market positioning is however irreducible to its individual members and needs to take account of context too. S4U operates in a moderately conducive marketspace, with few competitors and a growing market. All the other case firms operate in a crowded marketspace, and on occasion in hostile environments with pricing pressures. FFL applies *boundary spanning*, defined as connecting external knowledge of market opportunities and developments to firm participation (and collaboration) in tender competitions. It is also contingent upon firm having high levels of social capital, human capital and assimilation of absorptive capacity. So, market positioning could be a capability form related to scale that medium but typically not small-sized firms have confidence to develop.

7.4.3 Reputation building capability

7.4 Comparative routine use in reputation building

Routine	FFL	S4U	The Big Carer	Domiciliary Ltd	The Local Care Co.	Expert informant
Regulatory compliance artefacts and practices	Y	Y	Y	Y	N	Y
Exploitation of contract performance	Y	Y	Y	N	N	N
<i>Environmental learning</i>	Y	Y	Y	N	N	N
<i>Entrepreneurial orientation</i>	Y	Y	N	N	Y	N

Variance of routine use linked to firm reputation building is explained in part through whether the two transformational routines are enacted inside a firm. It is interesting that *all* case firms prioritise concessionary behaviour towards regulatory compliance by earning kite-marks and creating written policies. Performance variation occurs when there is a lack of environmental learning and entrepreneurial orientation to put those resources to productive use. Reputation building is an exercise that needs

to attract stakeholder attention to hold or increase a firm's market value. Simply having the resources inside the firm is insufficient; they require market display. The Local Care Company does show entrepreneurial orientation towards reputation building in that it has offered to pilot new ways of working for local councils, demonstrating innovation and pro-activity. However, when the service is tendered for, lack of other capabilities, particularly creative resource mobilisation and environmental learning, render the firm uncompetitive.

7.4.4 Capability to read a tender specification

7.5 Comparative routine use to read a tender specification

Routine	FFL	S4U	The Big Carer	Domiciliary Ltd	The Local Care Co	Expert opinion
Individual tender opportunity triage	Y	Y	Y	N	N	N
Tender specification and question scrutiny	Y	Y	Y	N	N	N
<i>Environmental learning</i>	Y			N	N	N
<i>Entrepreneurial orientation</i>	Y	Y	Y	N	N	N

This study leaves us in no doubt that reading and understanding a tender specification calls upon highly specialist knowledge. Tenders are written in codified language with complex contractual and legal data, and understanding procurement 'terms' is knowledge typically built through experience accumulation. Even successful firms like S4U admit to not reading through all of a tender specification before they start to respond to it. Capability to read a tender operates 'hand in glove' with a capability for market positioning. It is also inextricably linked to environmental learning.

7.4.5 Creative resource mobilisation capability

Table 7.6 Comparative routine use in creative resource mobilisation

Routine	FFL	S4U	The Big Carer	Domiciliary Ltd	The Local Care Co.	Expert opinion
Tender leadership and co-ordination	Y	Y	Y	N	N	N
Teamwork	Y	Y	Y	N	N	N
Systematising tender information retrieval	Y	Y	Y	N	N	N
<i>Environmental learning</i>	Y	Y	Y	N	N	N
<i>Entrepreneurial orientation</i>	Y	Y	Y	N	N	N

Resource poverty is generally attributed to small firms in a tendering context. Yet what we see through this study is how successful firms (FFL, S4U and The Big Carer) use routines to *increase* productivity. They also adopt an end-to-end processual perspective to resource assembly that is made possible through cultural routines, tender leadership and teamwork. Systematising tender information retrieval is an outcome of environmental learning through experience accumulation. Yet FFL does not solely rely on stocks of information to answer tender questions. It employs entrepreneurial capital to introduce innovation via further research and bespoke contextualisation of each answer. FFL requires higher levels of absorptive capacity to acquire, assimilate and apply market knowledge than is needed in S4U. Lack of success in creative resource mobilisation in Domiciliary Ltd and The Local Care company is partly attributable to operating in a sector with high knowledge levels that require learning routines to be in position.

7.4.6 Capability to complete the technical aspects of a tender specification

Table 7.7 Comparative routine use in technical tender components

Routine	FFL	S4U	The Big Carer	Domiciliary Ltd	The Local Care Co.	Expert opinion
Market information gathering	Y	Y	Y	N	N	N
Tender specification question answering	Y	Y	Y	N	N	N
<i>Environmental learning</i>	Y	Y	Y	N	N	N
<i>Entrepreneurial orientation</i>	Y	Y	Y	N	N	N

It is in this capability where firm competitive practice is most diverse. Domiciliary Ltd's MD outsources tender writing and does not believe the firm has sufficient capability to learn and adapt to tender requirements. There is a direct link between creative resource assembly and completing the technical aspects of a tender. Successful firms like FFL asks for feedback on how their questions were scored to apply the learning into future tender submissions. Formalisation and a procedural approach to question answering is enacted through tender leadership and teamwork. Exercise of agency overcomes structural effects of regulation for FFL, S4U and The Big Carer that all invest in formalisation to learn the rules and effectively using a market orientation capability to exploit their assets. Unsuccessful firms may be entrepreneurial but fail to apply environmental learning to *know how* to encase their service offer in market terms and language. So, lack of success at technical tender components is contextually dependent upon a firm's environmental learning.

7.4.7 The role of dynamic capabilities as routines

Each dynamic capability affects the execution and transformation of other routines. The following routines are observed to be *most* adapted through entrepreneurial orientation, which is defined in this study as a competency for improvised resource construction to sense and seize opportunities,

including opportunities that may appear potentially out of reach (e.g. because of firm size).

- *Market information gathering*
- *Competitor surveillance*
- *Strategic opportunity selection and review*
- *Alliancing*
- *Safeguarding market pricing*
- *Tender leadership and co-ordination*
- *Teamwork*

Organisational improvisation is enabled through entrepreneurial orientation. FFL is an exemplar case of application of entrepreneurial orientation to tendering practice, demonstrating the known attributes of risk taking, deliberate practice self-efficacy (Wiklund and Shepherd, 2003; Rauch *et al*, 2009). Rapid resource configuration is repeatedly observed. For example, it is able to create opportunities using prediction that it bases upon market information gathering. An example of confidence or self-efficacy was evident from firm experience of winning an out of area contract:

*“I saw the opportunity and said, “Why don’t we go for it?”
She said, “We can’t operate it in [city] , we’re in [city].
You’d have to open an office” and it was worth a significant
amount of money so we said okay, we’ll do it.” [HR Director]*

That experience leveraged a new opportunity flow, and FFL used the experience to repeat the pattern again and a further office was opened up in another city. It demonstrated deliberate action and risk-taking behaviour:

*So we just threw everything at it, big, big tender process, and
we won it. It was like, “Right, wow!” [HR Director].*

S4U, like FFL, displays entrepreneurial orientation in how they promote their software, which has led to effective routines associated with market positioning. Tenders operate on a much smaller scale in this business and without the presence of TUPE, so in this sense they do not operate as a strategic influence upon overall business operations. By contrast, Domiciliary Ltd and The Local Care Company do not display any of these routines associated with entrepreneurial orientation. Expert informant

opinion that offered a generalised perception of small firm behaviour also did not indicate these associated routines as commonly present in SMEs.

Similarly, the following routines are observed to be adapted through environmental learning, which is defined as the firm's ability to reposition itself in the market through active engagement in learning, cognitive reflection and transformation of firm routines and operational capabilities.

- *Regulatory compliance and artefacts*
- *Accreditation acquisition*
- *Exploitation of existing contract performance*
- *Tender question scrutiny*
- *Tender triage*
- *Data management*
- *Question answering and document presentation*
- *Display of firm credentials*

FFL continually demonstrates co-ordinated reconfiguration of its structural assets. An environmental learning capability drove action to change resource combinations into routines by formalising firm systems, building firm-level absorptive capacity, seeking and applying procurer feedback, and challenging procurer decision making. Expectations differ between firms: FFL and S4U are purposive cases selected on the basis of being successful in their field at tendering. From pilot case firms and the expert informant, only The Big Carer has set itself an internal some quality threshold to meet for tender responses, so enacting all of the routines that are seen to relate to environmental learning. No data suggests that comparative firms use imitation as a form of experiential learning like FFL. Low resilience levels prevent small firm leaders persevering, with a tendency to give up if they do not secure early success in tenders, making cumulative capability building impossible. Instead, capability building becomes constrained through cognitive inertia, avoidance of formal and informal learning opportunities, failure to exploit networks for knowledge and lack of engagement of the right people.

7.5 Chapter summary

This chapter has compared fifteen routines and a capability framework FFL employs to other cases. The fifteen tendering routines discovered in the primary successful case, FFL, and compared in this chapter, are categorised in Table 7.8 under six types; i) information seeking; ii) strategic; iii) interpretive; iv) cultural; v) data mining; and, vi) transformational (otherwise known as dynamic capabilities).

Table 7.8: A typology of competitive tendering routines that drive patterns of behaviour

<u>Information seeking routines</u> Market information gathering Competitor surveillance	<u>Strategic routines</u> Safeguarding market pricing Setting criteria for opportunity selection Alliancing
<u>Interpretive routines</u> Individual tender opportunity triage Tender specification and question scrutiny Regulatory compliance practices and artefacts Tender specification question answering and document presentation	<u>Data mining routines</u> Systematising tender information retrieval Exploitation of existing contract performance
<u>Transformational routines</u> Environmental learning Entrepreneurial orientation	<u>Cultural routines</u> Tender leadership and co-ordination Team-working

A crucial point is that capabilities and routines are often absent. This is because some contexts make some capabilities and routines more important than others. Emergence of capabilities and routines relates both to *structural conditions of context* and *firm agency and resources*, of which comparative findings show that learning and entrepreneurial orientation are critical.

The structural conditions of context are both omnibus and discrete. This study identifies discrete contextual factors of each case, below, as well as acknowledging and describing more generalised conditions, referred to as omnibus contexts. Case study findings and extant literature portray public sector tendering environments as a transparent but changing regulatory and policy environment with limited time allowance for assimilation of knowledge, rendering existing knowledge stocks and practices soon

obsolete or incomplete. There are also high entry barriers to understanding tendering processes and evidence demands in responses to questions. That said, different sectors will experience different levels of competition turbulence. S4U respond to tenders that do not appear to be as complex in nature as tenders submitted by FFL. This could be because of S4U submits lower value tenders (which may not be as complex) or it could be a sectoral issue where less technical question answering is used in tender appraisal.

There also appears to be *discrete conditions* between these two firms for the competitive intensity and size/shape of each firm's competitor base. FFL occupies a discrete context as the incumbent supplier to one contract discussed, which offers them information privileges. Case findings show that operating contexts have a positive, a neutralising or a negative effect upon firm competitiveness. The criteria for competitiveness or capability depends very much on the nature of the market institution in terms of competition and procurer behaviour. This study has opened up the black box to look inside small firms and connect their actions with the broader social mechanisms at work in society.

Structural constraints of complexity can successfully dampen active agency attempts where entrepreneurial orientation is not demonstrated. The expert informant on tendering believes that many small firm owners fail to learn about operating in tendering environments and a lack willingness to invest in doing so. In FFL and The Big Carer, sector tenders are by nature much larger in scope and scale, so entry barriers are higher through demands for increased financial indemnity levels and evidence of existing turnover threshold levels. Case observation reveals that larger value tenders can show increased complexity in structure and response demands. For example, extended use of compound questions with word counts and repetition of information across different questions is distinctive in larger tenders.

Discrete contexts exist inside firms too. Case firms exhibit different growth intentions and commitment from leaders towards the company and to their own tendering performances. Every case firm has its own unique

experience of tendering but that can result in unequal levels of knowledge accumulation. The Local Carer owner is used to failure, conditioned to expect it, and this is reflected in the low resource stocks oriented towards tender fulfilment. Larger tenders completed frequently involve TUPE, whereby staff associated with service delivery can be retained, lost or acquired from another company upon successful tender award. TUPE is a structural condition that is applied to public sector tendering but not to every type of tender; not for example to software purchase. A conclusion that can be drawn from an examination of context then is that by looking beyond institutional contextual constraints and enablers, small firm capability can only really be understood in temporal and episodic contexts. Discrete contextual factors apply to each firm when they consider a tender response: historical performance, sectoral competition, tender complexity demands, procurer socio-economic goals. Different forms of market 'legitimacy' exist within any particular tender situation (for example, formal accreditations, turnover, financial indemnity cover) and this creates flaws in 'like for like' firm comparisons.

Comparative findings confirm that tendering demands *specific resources* and forms of capital to fulfil operational capabilities, and this requires considerable exercise of agency. FFL, S4U and The Big Carer use knowledge of how to discover appropriate procurement advertisements. FFL and The Big Carer invest significant time into reading and interpreting specification data, award criteria and legal clauses in tender documents in order to make decisions on their viability. This is a routine that S4U has identified it lacks, but it is not a barrier to their success as the tenders are more straightforward.

All case firms have previously won public contracts, so have a basic ability to comply with rigid procurement rules encased within the offer. However, Domiciliary Ltd and The Local Care company are more challenged by intermittent mobilisation of resources inside alongside 'business as usual' than the other firms, but they significantly lack competence to express their company offer through the written word in standardised response formats.

This has a negative impact upon their success. Conversely, FFL excels at positioning itself in public governance conditions, displaying specialist technical skills outside of the core product or service offer that articulate sustainability, innovation and equal opportunities. Capability to use reflection advantages firms like FFL which applies learning from their tendering experiences to harness market knowledge and expectations. Exercise of agency varies between firms under different social conditions, as firm-level learning is self-regulated. Mechanisms to acquire and absorb knowledge into firms are variable between cases.

All firms appear to face a similar social condition of increasing technical demands of tendering. To some extent, they all adopt a degree of formalisation by introducing policy statements and seeking accreditations. FFL goes a step further by codifying their decisions and rules into artefacts such as a tendering strategy. So, degrees of formalisation can build or maintain efficient and effective technical practices, but this alone does not create capability. For example, The Local Care Company has invested resources into policy writing but it does not sufficiently mobilise them as an organisational asset in tender submissions. FFL describes a social condition they faced as being an incumbent provider under threat from a retendering exercise. Fearful of losing a tender, it employed defensive and opportunistic modes by using TUPE as a form of protection to deter competitors from their incumbent contracts. Defensive behaviour was used less constructively in The Big Carer who rejected partnership invitations to tender (for fear of knowledge exchange) and in The Local Care Company that limited its resources and time to certain tender completions, predicated on a belief that the tendering system would disadvantage them against bigger firms.

Case observation reveals that larger value tenders can show increased complexity in structure and response demands. For example, extended use of compound questions with word counts and repetition of information across different questions is distinctive in larger tenders. This does mean that tender demands are always proportionate to the scale of the contract.

Discrete contexts exist inside firms too. Case firms exhibit different growth intentions and commitment from leaders towards the company and to their own tendering performances. Every case firm had its own unique experience of tendering but that has still resulted in unequal levels of knowledge accumulation. This asks the question of whether experience accumulation equates to knowledge acquisition, and case observation indicates that it is not. *Deliberate practice is required to learn.*

Case findings show multiple forms of acting across tendering episodes. *Resource assembly*, defined as a mechanism to connect the regulatory social conditions of tendering to firm action that can locate and arrange firm resources. It is contingent upon firm-level knowledge command of tendering requirements, which relies on a firm having high levels of social capital, human capital and absorptive capacity. *Resource assembly* connects the regulatory social conditions of tendering to firm action that can locate and arrange firm resources. It is contingent upon firm-level knowledge command of tendering requirements, which relies on a firm having high levels of social capital, human capital and absorptive capacity.

In summary, tendering needs more than a commitment of resources or a set of routines to be competitive. A capability is built from resources and combinations of routines *plus* agency, expressed through firm culture. This leads to consideration of what this means for understanding causes. The next chapter discusses case findings at a theoretical level that can contingently serve to explain firm heterogeneity in tendering performances.

Chapter Eight: Discussion and conclusions

8.1 Introduction

In this thesis, the researcher has conducted an empirical exploration of *successful tendering routines* within one small firm, and a comparative case investigation of these same routines and capabilities in other firms. Findings have delivered a conceptualisation of small firm capability to competitively tender for public sector contracts, meeting the aim to develop a *core set of ideas* of what this capability can comprise. This chapter discusses the implications of case findings. It also offers a higher level of contribution through an interpretation of tendering as a laminated social structure, where structure and agency interact in contextually contingent ways.

This chapter is in twelve sections. Section two is a summary statement of the contribution made to date in the thesis through chapters one to seven. It harmonises the state of existing knowledge with construction of a novel conceptual framework used in this thesis to identify firm resources, routines and capabilities in case firms. Section three critiques the theoretical framework utility. Institutional theory interprets firm tendering as contingent upon context, whilst capability and absorptive capacity theories account for capability building and renewal challenges. Section four offers a structural analysis of context. Tendering regulations and rules enforce or prohibit firm action. Firms need to *adapt* their behaviour to localised structural conditions, and this thesis shows how a capability framework is a generative mechanism to do so. Section five discusses *why*, within any given set of structural conditions, the exercise of firm-level agency interaction produces different performance effects. Section six reflects upon the extended use of a critical realist ontology to conceptualise tendering as a morphogenetic cycle that operates within a laminated context. Section seven posits a generative mechanisms-based account of tendering capability before section eight summarises the successful tendering routines that encase capability and section nine considers the implications of research on theory, practice and policy. Section ten suggests implications for the direction of future study. Section eleven

highlights the limitations of findings and section twelve is a set of concluding remarks.

8.2 Statement of contribution from this thesis

Chapter one of this thesis set out the operating context for small firms to win public sector work, and how tendering operates as a complex, regulatory and competitive market mechanism. As EU tendering law and governmental policies fluctuate, lessons learned about how small firms struggle to keep up to date with core competencies needed to develop superior responses for tendering remain obscure. This renders a focus on tendering resources worthwhile, and yet it also begs the question if competitive tendering can be pushed down to a matter of resource ownership. Firm tendering capability is not an accident, a static process or even a single capability; it is a creative and purposeful endeavour built upon an interplay between business routines, building up knowledge of tendering inside a firm and the contextual environments where activity takes place.

A review of empirical studies to date in chapter two between 1989 and 2017 shows the limitations of knowledge from a capability-led approach to tendering, or explorations of the relationship between a firm's tendering behaviour and its external operating environment. Existing literature cannot explain tendering capability at micro-foundational level, in terms of everyday routines that firms put to work. Prior studies are also generally locked into presenting a deterministic view of tendering (Freshminds, 2008; Loader, 2013). Several recent studies attempt partial conceptualisations of elements of capability, but without considering tendering as an *end-to-end process* (Woldesenbet *et al*, 2011; Reijonen *et al*, Tammi *et al*, 2014; Flynn and Davis, 2016). This study goes further. It headlines the function of firm agential power, and shows how capability is contingent on mobilising certain resources, like a manager skilled in networking. It is under particular conditions, and with particular management, that smaller firms *can* develop capability.

The few inductive studies published are inconclusive on the micro-foundations of what tendering capability is, or how it is built and maintained. Literature generally agrees that tendering is both resource intensive and demands specialist forms of knowledge and skills, but stops short of explaining a relationship between resources, resource mobilisation to configure routines, and the role of routines to underpin capability. This is because a lack of clarity exists between the relationship between the capacity or potential for firm actions (agency) to unlock resources and the discrete contextual conditions that remain unique to every firm and indeed to every tendering episode. Chapter two, then, shows that the current state of knowledge on small firm tendering lacks a solid theoretical foundation. The constructed theoretical framework in chapter three re-conceptualises tendering capability. It enables us to study emergence, simplified as *what changes* when firm agency interacts with public sector tendering as a social institution, its recursive relationship with knowledge acquisition and how it can reconfigure its tendering assets for competitive acts.

Chapter three examines three theoretical perspectives that serve to answer three research questions, as set out in Figure 8.1 below:

Figure 8.1 Theoretical framework to study small firm tendering capability in relation to research questions (restated from chapter three)

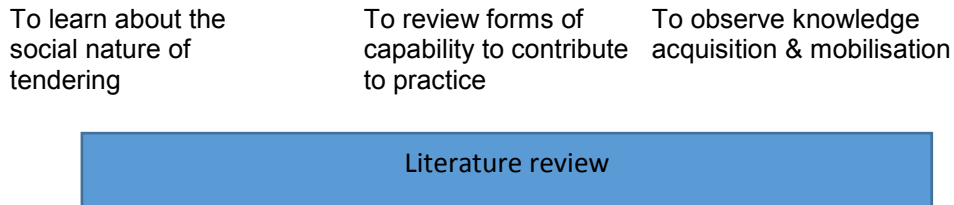


Figure 3.1: Theoretical framework to study small firm tendering capability

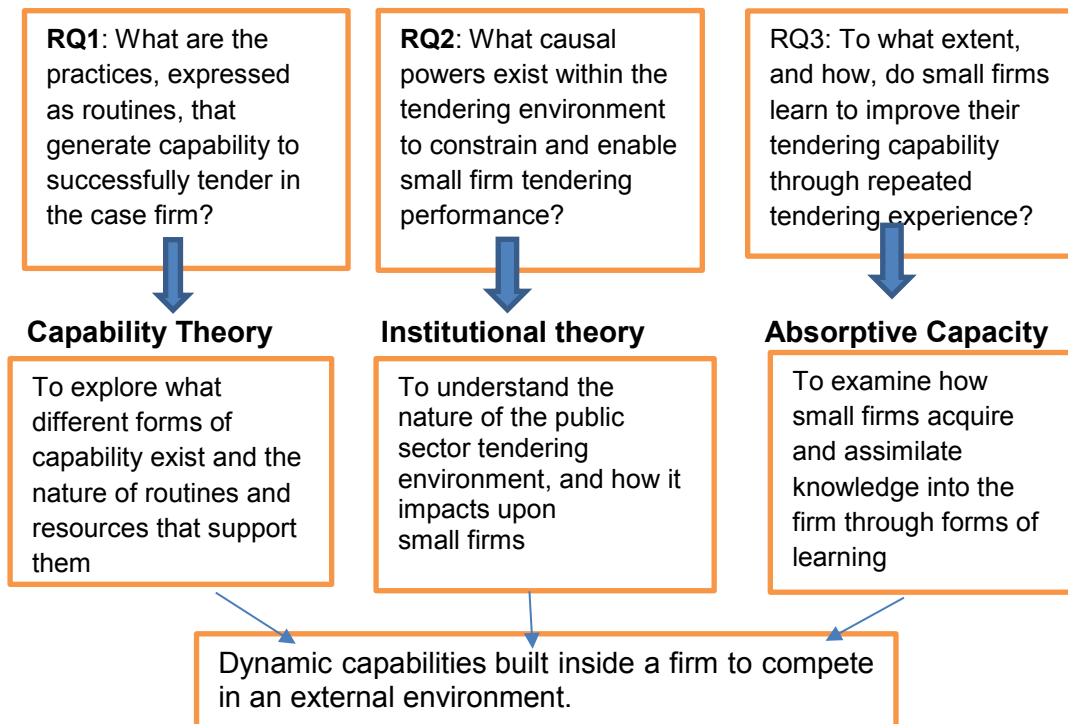


Figure 8.1 illustrates the alignment of research objectives to identified research questions that were identified in chapter three. The research framework has examined firm leaders as situated learners (Cope, 2003). The application of this novel theoretical framework to evaluate empirical findings is itself a contribution to knowledge. Research findings make bold claims in relation to existing literature. They outline a theoretical model that can explain the role of agency in developing capability to craft capability, whilst acknowledging the complexity of the tendering environment with its set of structural conditions. More specifically, it is capability to respond to that context and set of conditions.

Chapter four re-conceptualises tendering as a social institution. The implications of studying firm capability as institutional inhabitants of a complex, laminated system, where firm performance attempts are continuously calibrated through resource reconfiguration and renewal through firm-level learning, is discussed in section 8.2.1.

Chapter five demonstrates the utility of a qualitative research strategy to adopt a micro-foundational approach to a comparative case method. It explores how and why a critical realist research design is suitable to explore the interaction of structures, events, human agency and contexts. A retroductive methodology, explained in chapter four, is applied to case data.

Chapters six and seven portray case findings about firm resources and routines as a codified knowledge system. They illustrate how routines, as building blocks of capability (Dosi *et al*, 2000), can combine into a dynamic framework of capability domains. The capability framework contributes to a processual understanding of tendering capability. The contribution of the theoretical components of the framework are discussed next in terms of its utility to highlight firm tendering capability, starting with institutional theory.

8.3 Utility of the theoretical framework

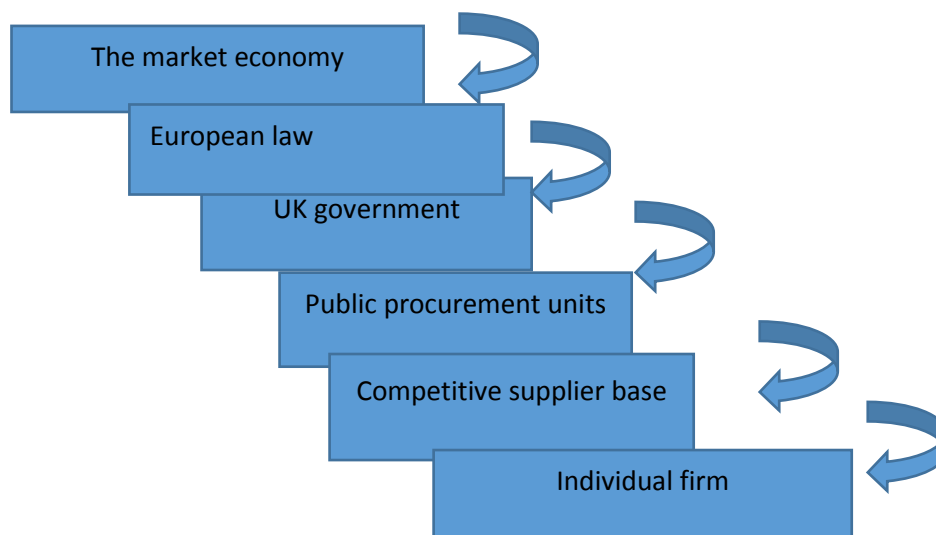
8.3.1 Tendering capability from an institutional theory perspective

This thesis has attempted to highlight both the structural and agential relationships that exist within one particular social system for small firms, public tendering. Causal powers or demi regularities (Lawson, 1997) are explained as potential or actualised processes that become embedded within public sector tendering structures through time. Institutional theory has contributed to a structural analysis of context to study tendering capability. It has been applied to regulation (Kitching *et al*, 2015) but not previously to tendering. Its application in this thesis has been to interpret small firms as inhabitants of a much wider social institution that has a laminated power structure with downward causal effects. From this standpoint, a micro-foundational analysis of case firm actions offered a rich

study of the conditions and contexts within which firm leaders exercise agency.

Tendering is a context-specific performance, and the application of a stratified ontology enables tendering to be presented as a laminated structure, as shown in Figure 8.2 below. Laminated structures make up the tendering environment. The presentation of tendering as a laminated context in chapter four emphasises the stratified nature of reality and the two-way nature of interaction, whereby entities shape and become modified themselves by other forms of agential and structural power. What is important is recognising the need to understand institutional context to be in a position to respond and develop routines and capabilities that can match tender complexity. Institutional structures govern resource availability, and firms must make their resources appear relevant to the public market to gain legitimacy. Firms have different access to resources through their social positioning.

Figure 8.2: A laminated structure of public sector tendering(restated from chapter four)



Application of institutional theory to explore the environmental pressures that exist within the social structure of tendering enables an observation of the inter-connectivity between structure, agency and emergence, forming a morphogenetic cycle (Archer, 1995). Agency effects reproduce, neutralise or challenge social effects over time as a morphogenetic cycle. The morphogenetic cycle can be applied at the level of society Archer (2003)

and applying the it to the tendering environment affords an examination the roles of the different entities within the overall public procurement system. It has temporarily separated what happens in a morphogenetic cycle of tendering. Table 8.1 offers three illustrative examples from case data.

Table 8.1 FFL case data illustration of the morphogenetic cycle of tendering

Social conditions (structure) observed in case firms	T2 –T3 actions observed in case firms	T4 elaborative structural changes observed in societal conditions
Increasing and dynamic societal technical demands of tendering Coercive and mimetic market pressures are exerted upon supply chain firms to homogenise their capability display	Agential focus on building or maintaining efficient and effective and competitive technical practices Agential focus on gaining accreditations to display legitimacy	Resource stocks are raised in FFL to ‘keep up’ with tender scoring criteria; accreditation hallmark value of quality is diluted as a competitive edge
Contract sizes under tender are increased or aggregated in size in line with public efficiency/ austerity measures		FFL grow their resources (and size) to compete; “ <i>The bigger players are getting bigger. So, we are getting bigger</i> ” [Marketing Manager

The stratified nature of the social interaction observed is such that the public institutions shape the context for action for opportunistic firms in the supply chain. Yet agency within firms *can*, and *does*, create problems that public institutions do not expect. Structure and agency play a significant role in public tendering systems, and adopting a morphogenetic approach to understand structure and agency interaction has helped to understand how small firms might affect, and be affected by, tendering interactions. Small firm competitive tendering practices become conditioned through ubiquitous and discrete contexts that have a temporal effect. The study moves tendering literature on from a static description of performance attempts towards an analysis of a spatio-temporal process with generative mechanisms. It is evidence that tendering can be captured in a causal model as an emergent process from context.

8.3.2 Tendering from a capability theory perspective

Capability theory extends understanding of the forms capability can take. The thesis draws upon prior work in strategic management literature. It

assimilates components of the RBV (Penrose, 1959; Barney, 2001) by highlighting firm investments *into* and control *of* human, social, financial, operational and entrepreneurial resources. One FFL routine, safeguarding market pricing, is an example of a routine that is considered rare and inimitable in the VRIN framework (Barney, 1991). The KBV (Grant, 1991) places knowledge as the primary productive firm resource, and its utility resides in helping to identify where knowledge resides in tacit and codified forms. It theoretically distinguishes between routines (Miner, 1991; Makadok, 2001; Feldman and Pentland, 2003), ordinary capabilities (Barney, 1991; Winter, 2000; Helfat and Peteraf, 2003) and dynamic capabilities (Teece *et al*, 1997; Eisenhardt and Martin, 2000). Generic literature on routines broadly defines them as 'patterns' (Becker, 2004). Literature also identifies them as assets to (re) configure opportunities (Pfeffer and Salancik, 1978) formed through experience (Woldesenbat *et al*, 2011) have an intended purpose (Amit and Schoemaker, 1993) and can be operational or dynamic (Helfat *et al*, 2007). However, there have been few empirical attempts to study processes through which routines are created.

Dynamic capability theory (Teece *et al*, 1997; Teece, 2007) has been put to work in this study to explain resource renewal and forms of agential behaviour. Dynamic capabilities operate through specific mechanisms (Teece, 2000) and optimise small firm tendering capability in study findings. They create firm-level competitive advantage. Helfat *et al* (2007) refer to them as calibrating capabilities, meaning a firm's technical fitness to get a job done *and* evolutionary fitness to shape the environment in which the task is performed. This study has isolated two dynamic capabilities that add clarity and knowledge to what can specifically influence capability in small firms. It is the dynamic capabilities link the conceptual framework and empirical data. Environmental learning builds capacity for social cognitive skills to understand the viewpoint of others. For example, environmental learning in FFL prevents information decay and builds defences to competition.

Findings show routines are temporal and require re-investment. Whilst procurement practice is itself amenable in part to rationalisation, operational routines in themselves do not create sustainable competitiveness. It is dynamic capabilities that lead to the composition, configuration and renewal of competitive routines. In this way, firms can acquire the distinguishing characteristics of expert performers through being a collective cognitive actor (Peteraf and Shanley, 1997). This involves adapting to unstable contexts and goes beyond displaying cognitive efficiency; self-reflective and other-reflective behaviour is also necessary (Feldman and Pentland, 2003). Findings suggest that capabilities may not always be composed of routines (Dosi *et al*, 2000) and that an action can be both a routine and a capability. Field data shows that not every routine deployed towards tendering increases capability. For example, case firms S4U and Domiciliary Ltd earn accreditations to build their reputational capital, with public procurers but fail to capitalise on doing so in tender responses. Tendering knowledge accumulation is by its episodic nature incremental, but even so, not all capabilities can improve with experience. The successful case firms use interacting routines that include critical and self-reflective behaviour. For example, FFL invests time into peer to peer review of how each other have answered tender questions, suggesting team-working is a cultural attribute that drives quality and learning. Knowledge deposited only in individuals can remain in a tacit state until it is socialised. This requires a firm to have adequate ability to codify knowledge inside the firm. What is apparent using capability theory is that routines can emerge in many different ways and from diverse sources.

8.3.3 Absorptive capacity as a theoretical explanation for capability renewal

The impact of absorptive capacity on the effectiveness of tendering capability offers a theoretical explanation for knowledge acquisition, assimilation and codification inside the primary case firm. Absorptive capacity, defined as the *“firm’s ability to identify, assimilate and exploit knowledge from the environment”* (Cohen and Levinthal, 1989, p.569-570)

is a theoretical construct that has served to investigate how a firm locates competitive ideas and learns to apply them. There is a direct link between absorptive capacity and the dynamic capability for environmental learning. Few studies have examined the internal processes of absorptive capacity (Jansen *et al*, 2005), yet adaptability is contingent on the ability to learn effectively. This study has been able to identify examples of internal and external practices for absorptive capacity. FFL, S4U and The Big Carer demonstrate multiple modes of internal learning practices, with several techniques in common: team-based discussions about tenders, tender coordination, appointing a tender production team with episodic learning outputs and building a database to store knowledge for tendering episodes. FFL employs some specialist methods not seen in other cases, such as developing internal artefacts to store procedural memory. The Big Carer and FFL both accelerated firm learning about tendering through intentionally recruiting staff with experience and investing specialist resources into detailed reading and interpretation of tender specifications. Findings show some case firms are effective at putting agency to work inside the firm to increase firm learning to tender. How behaviours like this emerge is encased in context. FFL drew upon seeking procurer feedback after a tender has been won or lost, conducting a competitor analysis, networking, imitation of market practices and learning from an expert as ways to harness external absorptive capacity. S4U did, nor do not need to use all these mechanisms, but they did attend a training course on tendering. External absorptive capacity methods like these were not visible in unsuccessful case firms Domiciliary Ltd and The Local Care company.

This study presents evidence that firm learning about tendering cannot only be explained by experience accumulation. Existing literature makes claims to learning through experience (Erridge *et al*, 1999; Blackburn and Smallbone, 2008) and it also states that unsuccessful performance attempts reduce learning capacity (Smallbone, 2009), yet it is not able to articulate what is encased within the black box of internal firm tendering performance attempts. Existing empirical studies show that prior experience is valuable as an initial form of human capital (Blackburn and

Smalbone, 2008) but does not offer an explanation of its utility. Similarly, social capital *through* network belonging is alluded to but not explored. This thesis contributes a novel application of absorptive capacity (AC) to explore small firm tendering capability.

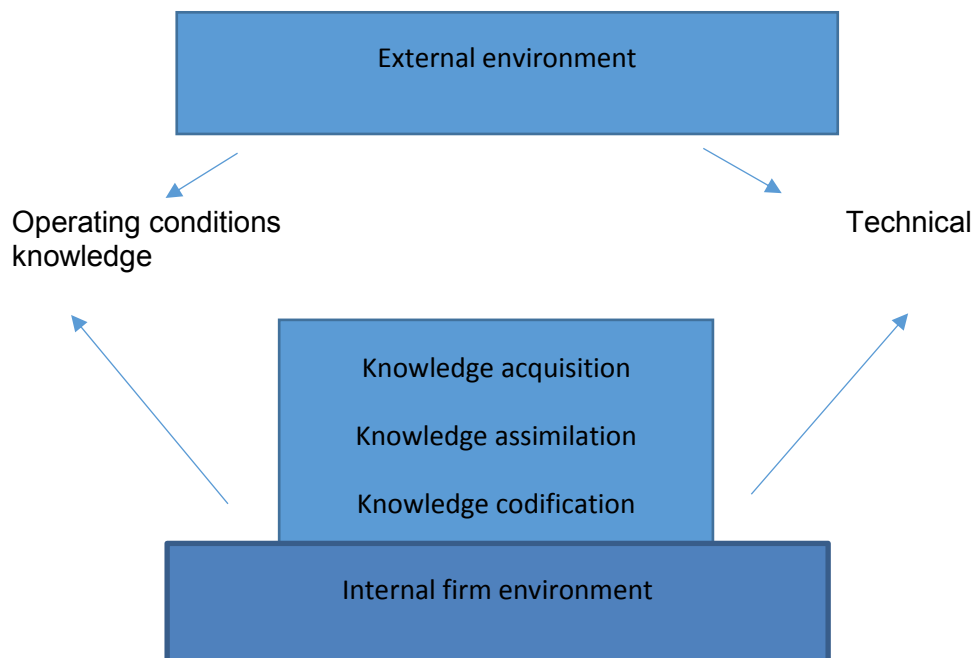
A key contribution has been to apply specific components of a firm's stocks of AC and to show how they are deliberately acquired *and* amenable to change. The conditions under which AC can provide value can also be explained. Previously, the utility of AC has been described as a capacity to learn and solve problems (Kim, 1998). This study has located routines within which stocks of AC can reside and be increased or constrained within a firm as a result of environmental and internal structural conditions which places AC into a *potential* or *realised* state. To date, no studies can be found that explain a process for assimilating and modifying imported knowledge into firm tendering routines. It supports the argument that small firm tendering capability can be agentially developed through firm level ability to value, assimilate and apply new knowledge (Cohen and Levinthal, 1990).

The study has highlighted how it is possible to empirically evaluate the role absorptive capacity plays in small firm tendering capability, even if case firms do not recognise tendering episodes as a learning environment. It is shown that the same routines in different firms have different dimensions of capability, whether it is just to get the job done or to do so more competitively than others. Absorptive capacity per se demonstrates complex ways how routines can be learnt, imitated, adapted or made redundant. A fundamental difference between cases is the innate ability to create new ideas to improve tendering performances and put them into practice; in other words, the firm level of absorptive capacity to acquire knowledge from internal and external environments. Whilst Domiciliary Care Ltd and The Local Carer stay in transmission mode, similarities exist between The Big Carer, S4U and FFL in regarding tendering performances as a series of staged processes of interpretation, execution and review with a set of learning outcomes. Each of these firms deliberately build and then

exploit reputational capital. Co-ordination capabilities are known to enhance a firm' potential absorptive capacity (Jansen *et al*, 2005), whereas systems capabilities such as formalization strengthens realised absorptive capacity. Figure 8.3 is a conceptual model for the assimilation of small firm tendering episodes. It illustrates the way knowledge enters a firm and the stages inside the firm post acquisition that convert it into use.

Absorptive capacity exists as a potential or a realised force (Zahra and George, 2002). It can exist potentially through knowledge acquisition and assimilation processes but it remains unrealised until it is put to work inside the firm by transforming practices in such way that can deliver new results. Absorptive capacity is variable between case firms. A low modality indicates a firm that cannot assimilate knowledge and does not invest much effort into learning processes. A medium modality describes moderate internal learning. High modality shows strong connections to external forms of knowledge and understands how to draw it in and exploit it.

Figure 8.3 Conceptual model for the assimilation of small firm tendering learning episodes.



A strong connection is made in this study between absorptive capacity levels and dynamic capabilities. Entrepreneurial orientation and environmental learning are dynamic capabilities that fuel knowledge

acquisition, assimilation and codification. FFL changes existing practices into better ones for themselves, initiating endogenous change often without the effects of external stimuli to demand a process change, which can be attributed to entrepreneurial orientation. Equally, firms must be innovative to put forward the amount of resources into tendering. To do this competitively, they must be able to spot and interpret signals from the environment to support decision-making about resource investment, and this function relies upon environmental learning.

8.4 A structural analysis of context

Emergence of tendering capability is constrained or facilitated for different firms in different contexts by causal mechanisms operating at a number of inter-dependent levels. Every firm has its own way of approaching tendering, and there is not one right model which could describe capability in such a way that it would be right for every company or context. This is because every firm will occupy a discrete set of contextual conditions. Starting with an appreciation of context, all case firms operate under different conditions, and it is under different conditions that varying routines can emerge and change. *Procurement capability is therefore a combination of context and firm response to these conditions.* Context carries different structural conditions; sometimes structural conditions can be similar but still deliver different agency responses. No one tendering episode observed is the same as the next and firm perception of an event is always partial and fallible. This makes it necessary to know the social and cultural conditions necessary for change mechanisms to operate.

The context of organisations requires knowledge of both omnibus and discrete contexts (Nielsen and Miraglia, 2017). In existing literature, findings generally only refer to context at a ubiquitous level, without examination of individual tender and firm situation. Examples of ubiquitous context include, for example, high entry barriers, formal language and regulation complexity or the liability of smallness compared to large firms.

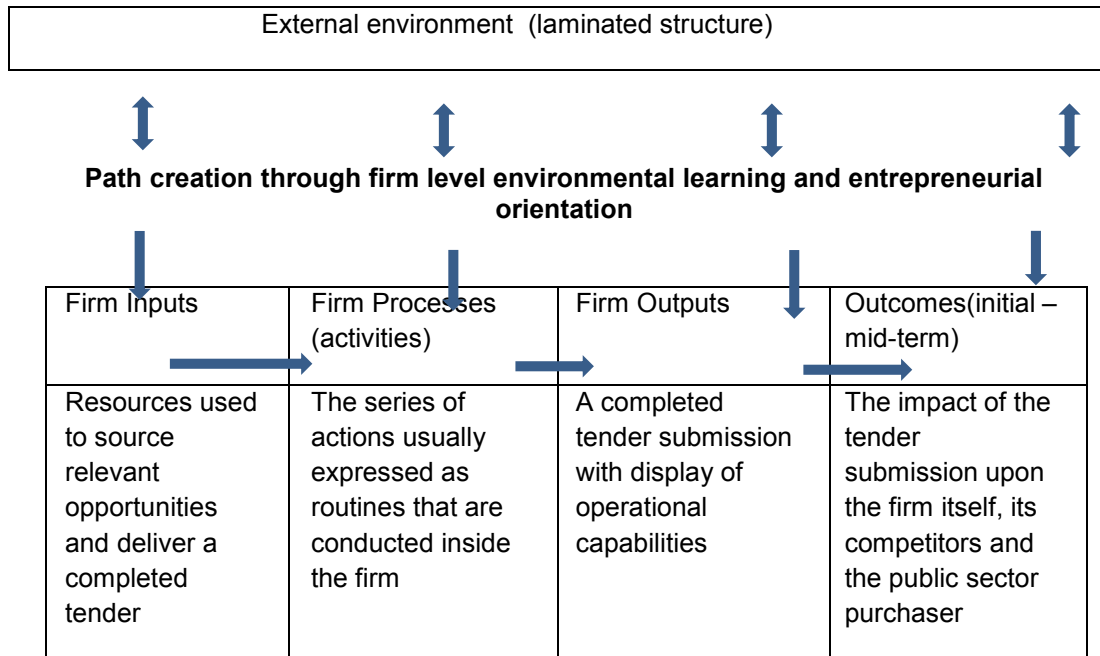
Structure is created by institutions that express rules (either implicitly or explicitly) that qualify tendering practices as legitimate or illegitimate, desirable or undesirable, allowed or prohibited, etc. Therefore, participant roles in different entities become more or less defined behaviourally and through process participation. The structural conditions of tendering, that is, the everyday contextual conditions that interact with a small firm have not previously been subject to empirical study using a micro-foundational approach to identify resources and routines that underpin capability. The selection of two successful firms as primary and secondary purposive cases affords an examination of the role of learning as a capability at firm level: what triggers it to emerge and how it is sustained is novel.

Given the emphasis in literature upon macro-micro effects of tendering, there is scant evidence that the institution of public sector tendering is *agent sensitive* in its approach to suppliers (Hodgkinson, 2006). Formalised policy development in FFL and S4U, for example, is predicted on pleasing public sector procurement processes rather than firm need for formalisation, although the software company does shape its opportunities through product demonstrations. Therefore, at micro-level formalisation, there is a clear ubiquitous effect on small firms. Whilst it can make claims to enabling knowledge transformation (Justin *et al*, 2005), there is also an argument that it can constrain exploration efforts and restricts a full view of the contextual environment (Weick, 2015).

Lack of formalisation of firm processes is not an inhibitor to firm competitiveness – perhaps this is contextually dependent. Tendering in Fit for Life and The Big Carer is a mid-term strategic activity, whilst in S4U, equally as successful in its own market, it is performed as a short-term product sale. Superficially, tendering interaction may look like activity follows a trodden trail of path dependency (Ebbinghaus, 2000) with an undesired effect where there is an institutionally defined pattern of behaviour. In some cases like Domiciliary Ltd, this may apply, but in the primary case of FFL, deliberate practice places the firm more squarely in a path creation context.

FFL exemplifies a path-creation approach to its emergent knowledge routines, to achieve superior performance levels, as illustrated in the figure below.

Figure 8.4 A path creation approach to designing firm capability to tender



Deliberate learning can be construed as path creation and is evidence of the effects of agency as well as broader social mechanisms that operate through every case. The notion of generative mechanisms as routines offers a better explanation of the social phenomena of tendering. They exercise power but cannot always be directly observed – they are detectable through reductive discovery of empirical observation and describe agency.

8.5 What case firms exercise through agency

Agency best describes the capacity for people to transform things. This study has compared findings across multiple organisational settings. It is challenging, as actors take decisions and mount performance attempts under different contexts. The units of tender production in each case differ, and not all participants in firms will share the same understanding of the tendering process. Active agency in firms is continually responding to

contextual factors and dynamic external and internal conditions. Agency effects can explain routine emergence, change and obsolescence. Internally for example, a firm may have greater or lesser confidence in their ability to tender. Low toleration thresholds for uncertainty suggest a lack of entrepreneurial orientation to solve problems associated with tendering practice in The Local Carer and Domiciliary Ltd. FFL enacts multiple micro-level effects, especially formalisation of routines and their adaptation through a combination of repeated use plus application of new knowledge. Applying knowledge to sense-making processes is tacit, not explicit (Weick 1995).

Existing literature has, more or less, a one sided view of tendering as a disadvantaging sales mechanism for small firms. This is not disputed in the thesis. What is highlighted in the study is that firms are socially-positioned, and resource assembly is an historical process that is assisted through experience accumulation, deliberate learning and improvisation. What a comparative case study shows is that knowledge combines with tangible resources (such as financial means, premises or technical equipment) and slack manager development time to create dynamic capabilities (McKelvie and Davidsson, 2009). It appears to be a good practice for all firms to create a tendering strategy, or certainly those that have enough reputation to pick up the bigger contracts. The fact that FFL has criteria for opportunity selection at all is a new discovery, and that having this process avoids wasted resources when *jumping in and pulling out* of tender writing.

It is clear that firms do use resources to compete, but in practice fieldwork has shown that firm leaders are not skilled at identifying what resources exist and how they can contribute towards capability. Some resources like knowledge can only earn temporary profits unless they are continually replenished. FFL is a good example of a firm that has a mature resource base that is hard to imitate. For example, its exercise of agency to create economic deterrence from other firms is achieved by paying its staff above market rate, making FFL under TUPE an expensive undertaking for another firm to acquire. Many routines, such as the assembly of existing contracts

as a sales asset is hidden or must be built cumulatively. Therefore, routine imitability is *not* straightforward and adding or upgrading firm resources for tendering is *in addition to* a firm's focus on its product or service development. Fieldwork is also a reminder that opportunity selection is spatial. The transferability of data from tender to tender is useful but limited. Adaptation of resources is resource-dependent upon firm learning, whether it is just from experience accumulation or from other forms of absorptive capacity driven by agency such as competitor surveillance, imitation, blocking or by a firm culture that invests in and values reflection on and commitment to practice development. Dynamic capabilities, however, create direct costs in explorative and exploitative learning and build new routines that often have high capability levels, representing 'sunk' investments in order to survive (Helfat and Winter, 2011).

8.6 Extended use of a critical realist ontology to explore tendering capability

The current state of theory building in the field of small firm tendering capability does not address how to understand causal relationships between the structural components of the tendering environment and the exercise of resources and agency within a firm. To understand tendering capability is to recognise that relationships exist in an open, complex and dynamic environment. This study offers innovation in being the first empirical study of firm tendering to use a critical realist ontology.

It is a framework to dissect causal powers to abduct a novel theory to aid a better explanation of broader social mechanisms overlooked in extant literature. As a result, hidden data information has been uncovered that can inform a set of general requirements for tendering capability. It has separated observable events described in empirical data from the role of social structures that are embedded, culturally and politically, within public sector tendering. It has enabled theoretical arguments to make sense of empirical data. The use of mechanisms-based research has demonstrated its potential to assist with theory-building about tendering capability, and it

also carries potential to assist with theory-building in a broader sense about, for example, the effects of other forms of regulation and capability building in small firms. Discussion in this chapter shows primary importance to structural conditions that shape the capabilities small firms can accrue. Context cannot be treated as a static concept, and a firm's tendering capability cannot be fully observed in isolation from its temporal environment.

A critical realist methodology described in chapter four has enabled equal prominence to be given to forms of structure and agency. It has helped to explore a number of issues that challenge the way society thinks about tendering as a public institution. Critical realism is a theory that engages with an explanation of the social world as a structured, open system with embedded actors who can behave reflexively. Existing empirical studies do not engage in this way to understand and explain relationship construction, emergence and constraints between actors at different levels within the laminated structure of society. The role of agency is under-explored in existing studies; a realist analysis has enabled a fuller conceptualisation of the social processes that operate under the visibility radar in everyday tendering exchanges. Using the realist concepts of embeddedness, context and mechanisms, and the acceptance of a stratified ontology to conduct a stratified examination of cases, hidden data information has been uncovered that can inform a set of general requirements for tendering capability.

Critical realist theory develops and tests reality in three domains; the real, actual, and empirical (Bhaskar, 2008). The *real* domain includes generative mechanisms. Generative mechanisms identified in this thesis explicitly link empirical data to causal reality, creating generative causation. Through a structural analysis of firm context, the study has located how routines are the generative mechanisms that activate firm capability. Kitching *et al* (2015) uses a critical realist approach to explain regulation as a dynamic force with enabling and constraining effects on firm performance through

institutional operation of regulatory powers. Such effects arise as firms adapt through interactive experiences. This study offers a micro-foundational scale, with the structural conditions of tendering seen as one such form of regulation and its causal power. Theoretical understanding of small firm tendering capability has emerged through the processes of abduction and retroduction. This has achieved a novel explanation about tendering capability emergence in a small firm and how it is constrained or facilitated for different firms in different contexts by causal mechanisms operating at a number of inter-dependent levels. A principal aim of this thesis has been to develop a theoretical representation of a tendering. Critical realism as a meta-theory places context centre stage to consider what works for whom and under what circumstances (Tilly, 2015). As tendering is part of an open and complex social system it relies upon interpretation through context, making standard advice difficult to give to small firms. However, the identification of generative mechanisms as demi-regularities provide a platform of sensitising concepts upon which to build experimental practice and monitor effects in small firms.

8.7 A generative mechanisms-based account of tendering capability

Chapter four introduced the concept of generative mechanisms as mid-range theory (Merton, 1957) to account for an explanation of tendering capability. Case studies in this study provide empirical instances in which generative mechanisms can be partially isolated; looked for in the attitudes of interviewees, in their actions and by their interaction with the social system of tendering. This gives a *way in* to analyse structure as they draw out human reflexivity. An abductive approach offers a GM based account to conceptualise capability as a configuration of mechanisms (Smith and Seward, 2005). By doing so, the thesis can propose that different combinations of the mechanisms can contingently account for competitive performance variation between case firms. Generative mechanisms located in firm-level agency carry high levels of explanatory power for interpretation of what causes empirical events. It shows the ability to

connect multiple tender demands to an end-to-end set of routines that increases the compliance, quality and level of innovation demonstrated in a tender response. It is contingent upon a firm having a focused and expert tender leadership capability, a teamwork culture and application of absorptive capacity. Understanding the nature of causality is a core part of this research thesis. GMs are powers that are possessed, exercised or simply remain as potential. What is clear is that service skills alone cannot create contract growth.

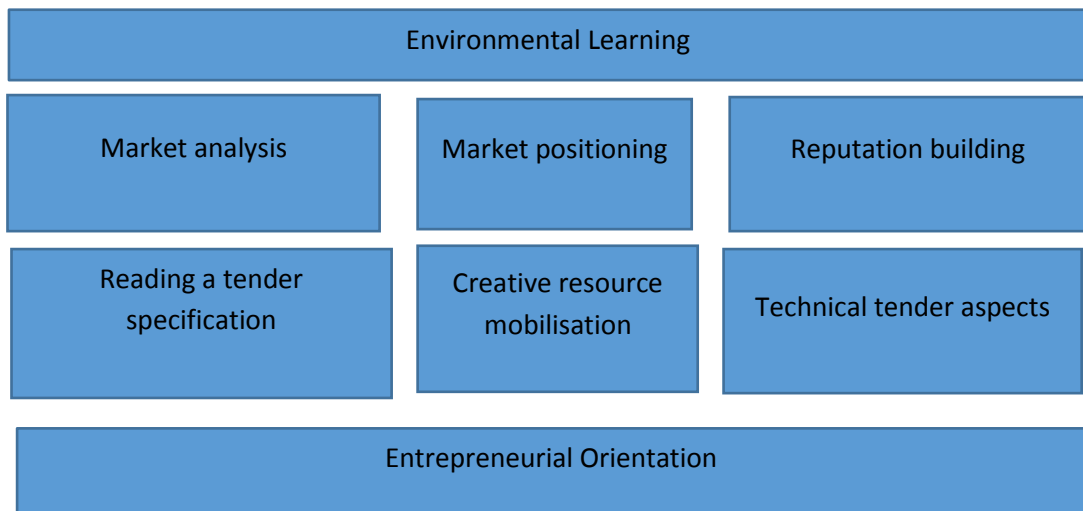
The documentation of capabilities and routines and their effects is important for improving the ongoing design and modification of public sector tendering. Additionally, as findings indicate that separate cases can share a common mechanism, it increases the generalisability and external validity of findings. Knowledge of GMs and conditions that stimulate or constrain competitive effects can also help to ensure (or avoid) their reproduction. Case firms like The Local Care Company that does not exercise market positioning routines tend to have weaker relations with their tendering environment. This limits market information and market positioning capabilities. Domiciliary Ltd uses a resource assembly mechanism for tender completion by hiring an external consultant, but its execution is unusual and with limited effects; a lack of market positioning and productivity mechanisms block firm capacity to acquire knowledge that is necessary to create and reconfigure tender routines, seen in other cases.

Generative mechanisms are sensitive to different contexts, where many social factors exist; existing tendering experience and contract knowledge of an arising opportunity, the firm relationship to the tendered contract, such as being the incumbent provider, procurer behaviour or competitor behaviour. So, the outcome of a mechanism is always contextual. It is also dependent on other mechanisms, meaning that it has contingent causality (Edwards *et al*, 2014). Mechanisms can explain better what is happening in the real world, but not necessarily to predict it. To explain what happens inside a firm to tender, we *cannot* merely rely on observation.

8.8 Successful tendering routines that encase capability

Firm tendering knowledge is encased inside routines that are constructed from resources and experience. Some firms however have unexercised causal powers, where resource profits fail to reach a firm's tendering capability. This is seen in the findings where some firms possess accreditations and public sector experience but it is not exploited as a form of knowledge or social capital to win more public sector business. Tendering capability is costly as it also a continuum, and resources, especially knowledge, can quickly depreciate. Tendering is understood as an inter-dependent flow of processes, where routines interlock into recipes for creating forms of capability. Further, by studying routines, it has been possible to offer a fuller explanation of thematic forms of capabilities, as shown in Figure 8. 5 below.

Figure 8.5 A dynamic capability framework for public sector tendering



Whilst from a critical realist perspective you cannot have rules about what (always) works, it is possible to recognise a framework of sensitising concepts i.e. what the market tends to look like, and what kinds of responses tend to build competitiveness. This is a *core set of capabilities* that *tend to* create sustainable competitive advantage in relation to public sector tenders. A cross-case analysis enabled us to engage with the question of how the routines and capabilities identified in the primary case

relate to other cases: *Can they be considered rules of success, best practice, ways of exploring uncertainty and building novel organisational artefacts etc.? Are they likely to succeed if transferred to other (inevitably different) situations? What are dangers of them being hardened as rules/heuristics even within the historic development of this firm?*

Cross-case analysis shows that not all firms recognise a need to have a set of capabilities underpinned by routines to become or stay successful at tendering. There are different interpretations of a routine across firms and similar routines operate with different resource endowments, so different results are achieved. With regard to existing literature and capabilities, entrepreneurial and dynamic capability theory has previously been used to explore capability for strategic choice, product market, competition and perceived capabilities, all from the small firm perspective. Four capability themes are known about that facilitate capability to sell to large organisations, but not necessarily to public procurers (Woldesenbat *et al*, 2011). These are (1) entrepreneurial capability to identify and act upon opportunities; (2) networking and bridging capability to influence resource configuration and relationship building through effective communication (3) resource integrating capability to build minimum stock resource levels and to re-assess resource acquisition, and development; and (4) strategic service delivery capabilities; unique processes and routines to deliver and to differentiate firm position in the marketplace. Aside from that, literature endorses experience accumulation as a general mechanism to generate capability (Blackburn and Smallbone, 2008).

The capabilities identified in this study are complex, shaped through firm routines, inter-related and contextually shaped. Tendering creates a specialist market and small firms who choose to become expert in it can survive in it, dependent upon their resources and routines. It demands forms of capital quite detached from the service they are tendering for. Findings show that across-firm structural conditioning capabilities and tender completion capabilities routines possess both operational and dynamic properties. It had capacity for innovative responses to tender

situations in the face of contextual constraints. Knowledge comes from individual and firm level tendering practice at the interface with procurers. Knowledge is then codified into firm level routines and then often into artefacts such as tender completion checklists and a written tendering strategy. Some routines arise and change as a direct result of external demand, others through firm learning; doing, imitating, experimenting and strategic reflexivity. Routines are created, deployed, reproduced and adapted through environmental learning and entrepreneurial orientation, created by firm-level agency as a response to dynamic context. Dynamic capabilities in the firm co-evolve in harmony with the case firm's operating environment. With regard to agency, it is significantly endowed in firm culture as well as in its routines, particularly with regard to resource mobilisation.

As designers of competitive practices, small firm leaders in case data have produced unexpected solutions to tendering instances. They have been seen to fulfil tender requirements with incomplete information and to tolerate uncertainty in dynamic external conditions. The knowledge they display in developing a set of routines is emergent, not expert, and requires knowledge of processes that are complex, contextual and continually changing. This does not mean that any case is necessarily perfect or that FFL is more competitive than S4U; what can be induced is that a design process exists for each firm, where tendering renders firms more or less capable to respond to a given public procurement context, through the effects of agency and resources.

8.9 Implications of the research for theory, policy and practice

This thesis is significant and highly relevant, both practically and academically, and it represents an important contribution to small firm and to capability literatures.

8.9.1 Implications for small firms tendering practice

Small firms can learn to build and renew their tendering capability using three ideas from this thesis. The ideas are: i) to introduce or formalise routines for different stages of a tendering process; ii) to use the notion of context as core to their tendering approach; and, iii) to investigate where and when firm-level learning about tendering can occur and be put to work.

First, thesis findings show that capability building goes beyond experience. Knowledge accumulated inside a firm can be codified into routines. Routines act as 'knowledge deposit boxes' that can achieve distributed memory and improve informed decision-taking inside a firm. Successful firms use specific routines for specific purposes; for example, to investigate markets and competitors, or to understand what is required from a tender specification by interpreting difficult questions. This finding is a major step forward in helping SMEs to understand the rules of participation. The isolation of fifteen routines adds clarity and knowledge to what can specifically influence capability in small firms. Not all firms need all routines, and it is possible to see routines in a hierarchical order, with basic operational routines at the bottom such as searching for tenders, and more sophisticated ones at the top aimed at inimitability, including market blocking for competitors. Some routines for tendering are more important than others. Firms need processes to adhere to, and keep abreast of, regulatory protocols. They require access to, if not ownership of, specialist resources to meet legal and regulatory requirements that then require intelligent mobilisation. Barriers to entry can be high, so specialist knowledge of how to build competitive routines that capture knowledge requirements is a novel idea for tendering.

Even so, this thesis shows that competitive routines are by nature temporal and require re-investment. Whilst procurement practice is itself amenable in part to rationalisation, operational routines in themselves do not create sustainable competitiveness. Two routines, termed dynamic capabilities,

enable firms to change their routines to stay competitive. Thesis findings show that a dynamic capability for environmental learning enables a small firm to build new routines; for example, to read tender questions and answer them, and to adapt existing routines such as adopting a distributed approach to tender opportunity selection and fulfilment. An entrepreneurial orientation dynamic capability has shown how it has enabled a case firm to take calculated risks, develop self-efficacy to manipulate market practices and to set a tendering strategy that inhibited competitor growth in targeted spatial areas. Small firms can reflect on if they have or should have each of these dynamic capabilities.

Second, small firms can use the notion of context to construct competitive behaviours. Thesis findings about small firm capability reveal that it holds a contingent and temporal relationship with its external environment. This is because tendering capability centres around market understanding and interpretation. As such, small firms not only need to think about what resources and routines are required to know what 'tendering capability' looks like inside their firm. They also have to consider competitive practice in relation to selling their product or service to the public sector in changing, contextual conditions. Tendering takes place in a dynamically competitive environment that requires constant recalibration to build defences to competition, shape specifications, orchestrate firm assets through managerial cognition and reconfigure firm routines through reflexive learning. Competitive dynamism varies across sector, location and product or service supplied. This is about looking beyond ubiquitous contexts of tendering encased in regulatory protocols to recognising discrete temporal, sectoral, geographic, market and other conditions that apply to the firm for each tendering episode. It is important that small firms place themselves in the wider contextual environment. In this way, firms can acquire the distinguishing characteristics of expert performers though being a collective cognitive actor (Peteraf and Shanley, 1997). This involves adapting to unstable contexts that goes beyond displaying cognitive efficiency; self-reflective and other-reflective behaviour is also necessary (Feldman and Pentland, 2003).

Third, tenders are cooperative structures to allow firm participants pursue their ends, subject to regulatory and policy rules. Yet the social system cannot be neutral in impact, and firms must make their resources appear relevant to the public market, and to do this they need to learn continuously. It is not enough to consider only their product or service, and create a firm culture that can build and sustain high levels of absorptive capacity capable of instigating endogenous change.

Firm level learning is self-regulated, so small firm owners can be made aware of their knowledge acquisition and retention culture. It is important to recognise mechanisms that exist to acquire and absorb knowledge into the firm *and* between individuals within the firm. Resource investment resides in these processes and getting people to adapt routines and use existing ones requires the presence of cognitive antecedents and motivational antecedents. Cognitive antecedents include using the framework as a process for knowledge acquisition using human capital investment. Motivational antecedents include leadership to co-ordinate and mobilise resources. This makes environmental learning a critical dynamic capability in small firms to achieve sustainable tendering success; mechanisms to perpetuate knowledge acquisition over time may vary from firm to firm but are necessary to construct and critique tendering performance attempts.

Finally, and despite firm heterogeneity and societal positioning, it is good practice for all small firms to consider developing a set of sensitising concepts that consolidate the utility of routines, an appreciation of context *and* firm-level learning. This thesis shows that it can include having: an effective tendering production unit, specialist knowledge of tendering systems and procurement language to interpret a tender specification and complete a compliant and competitive response; the ability to continuously draw in learning and integrate it into the firm to build longer term market access; market compliance, relevance and market legitimacy credentials; formalised artefacts for legitimacy, e.g. policies, financial indemnity cover; co-ordinating mechanisms for tender finding, selection and completion; knowledge acquisition and retention procedures; effective deliberation and decision making; resource

mobilisation and co-ordination and ensuring designated responsibility for keeping knowledge current.

8.9.2 Implications of research for theory

This thesis makes a valuable contribution to literature. First, it applies a critical realist ontology and epistemology to explore small firm tendering capability. Critical realism has offered a useful set of social theory concepts to explore the nature of small firm capability (structure and agency, the notion of generative mechanisms with tendencies, a stratified view of reality to define public sector tendering and firm capability within a wider morphogenetic cycle) to examine the interaction of practice with context.

The concept of laminated structure is useful to show how *power is held by, and exists between* entities, where small firms are one entity within a much wider social system. The powers are hidden mechanisms with tendencies, and both the literature review and empirical data collected for this thesis has clearly identified generative mechanisms with tendencies that affect small firm capability. For example, policy makers cause procurement teams to increase the breadth and depth of questions built into tenders, and in one case observed, significantly change scoring criteria. In turn, firms need to acquire knowledge to interpret and respond to raised resource requirements that increases tendering costs. Small firm agency is also shown as a generative mechanism, explained through two dynamic capabilities, entrepreneurial orientation and environmental learning, because they create different performance levels between firms. Research findings then make bold claims in relation to existing literature by providing a theoretical model that can explain the role of agency in developing capability to craft whilst acknowledging the complexity of the tendering environment with its set of structural conditions.

Generative mechanisms in this thesis are found to be firm agency at firm level, and embodied within the structural powers of entities in a laminated tendering institution. The documentation of mechanisms and their effects is important for improving the ongoing design and modification of public sector tendering. Additionally, as findings indicate that separate cases can share a common

mechanism it increases the generalisability and external validity of findings. Knowledge of generative mechanisms and conditions that stimulate or constrain competitive effects can also help to ensure (or avoid) their reproduction.

The thesis shows how firms access an interpretation of reality through their individual exploration of social mechanisms and their effects. Case data shows that not all firms will experience the same effects as they invariably hold different positions within social structures. It therefore alerts researchers to the primary importance of exploring structural conditions that shape the capabilities small firms can accrue. Findings allows the researcher to claim that context cannot be treated as a static concept, and a firm's tendering capability cannot be fully observed in isolation from its temporal environment. Tendering then is a context-specific performance, and the application of a stratified ontology enables tendering to be presented as a laminated structure. This emphasises the stratified nature of reality and the two-way nature of interaction, whereby entities shape and become modified themselves by other forms of agential power. This thesis has attempted to highlight both the structural and agential relationships that exist within one particular social system for small firms, public tendering.

The concept of emergence is a powerful critical realist tool for explaining how change takes place in small firm capability through a continuous cycle of interaction between firms and their social environment (Elder-Vass, 2007). Exploring small firm tendering capability to tender from a social theory perspective and adoption of the morphogenetic approach (Archer, 1995) as an analytical tool has elaborated understanding of the social context within which tendering firms find themselves. This thesis applies a morphogenetic approach at the level of society Archer (2013) and in a tendering environment affords an examination the roles of the different entities within the overall public procurement system.

Second, this study presents an empirical evaluation of the role of absorptive capacity in small firm tendering. Researchers are given data about firm learning which suggests that tendering cannot be explained by experience

accumulation alone. Existing literature makes claims to learning through experience (Erridge et al, 1999; Blackburn and Smallbone, 2008) and it also states that unsuccessful performance attempts reduce learning capacity (Smallbone, 2009), yet it is not able to articulate what is encased within the black box of internal firm tendering performance attempts. Existing empirical studies show that prior experience is valuable as an initial form of human capital (Blackburn and Smallbone, 2008) Similarly, social capital through network belonging is alluded to but not explored. This thesis contributes a novel application of absorptive capacity (AC) to explore small firm tendering capability. Specific components of a firm's stocks of AC have been identified, explained and shown how they are deliberately acquired and amenable to change.

The conditions under which AC can provide value can also be explained. Previously, the utility of AC has been described as a capacity to learn and solve problems (Kim, 1998). This study has located routines within which stocks of AC can reside. AC has been found to increase through the presence of environmental learning as a dynamic capability. Environmental and internal structural conditions place AC into a potential or realised state, and thesis findings show that a firm's capacity to use learning is contingent upon a combination of routines to mobilise knowledge.

To date, no studies can be found that explain a process for assimilating and modifying imported knowledge into firm tendering routines. It supports the argument that small firm tendering capability can be agentially controlled through firm level ability to value, assimilate and apply new knowledge (Cohen and Levinthal, 1990). This study has highlighted how it is possible to empirically evaluate the role absorptive capacity plays in small firm tendering capability, even if case firms do not recognise tendering episodes as a learning environment. It is shown that the same routines in different firms have different dimensions of capability, whether it is just to get the job done or to do so more competitively than others.

The theoretical framework developed through this thesis is a whole new way of thinking about small firm capability to procure for public sector tenders. From a novel critical realist perspective, it demonstrates that small firm procurement capability is more complex than stated in existing literature as it is contingent upon pre-existing structural conditions that precede firm action. The thesis approaches the subject from an entirely new perspective; the perspective of successful small firms' patterns of behaviour, encased in combinations of their routines and associated resources. To date, routines literature has adopted a more static and closed position to their utility. By adding a contextual dimension to their identification and role, it is possible to realise why some contexts make some capabilities and routines more important than others. The new conceptualisation of how to consider how small firms can become successful tenderers sites capability as a core component, but only one of three components; capability, learning and institutional context, that can be theoretically explored. By explaining tendering as a specific regulatory capability in a wider social context, performance attempts are framed within specific institutional environmental episodes. The combined theoretical model can be tested by other researchers of small firms.

8.9.3 Implications of research for policy makers

Small firms' policy remains a central plank of the UK government's Industrial Strategy (UK Government Green Paper, 2017), with procurement access for small firms awarded an entire chapter in the 2017 Government Green Paper. Research findings from this thesis can shape inclusive policy development at national and regional levels. The theoretical chapter discussed the notion of agent sensitivity and insensitivity (Hodgson, 2006). Research findings offer examples of agent insensitivity, the most significant being the pace of change. Other examples given in chapters six and seven include use of unclear and compound question, poor quality feedback given by a procurers on tender performance attempts to case firms and insufficient deployment of expertise to deal with small firm information requests, including one example relating to erroneous TUPE data that caused a case firm to involve legal experts. The thesis then offers clues about how policy makers can encourage

agent sensitivity in procurers. The British government should reflect on the current institutional framework to which small firms must respond to compete. This means analysing not only the demands made through procurement but also the rate of change in this process and the demands this place on learning and innovation. Policy makers may also wish to reflect on the likelihood that – in responding to this context – small firms will have limited resources to development other modes of business development. Asking small firms and social enterprises to both become more commercial and to succeed in tendering may well be naïve.

At the level of tender procurement, policy professionals can set standards that they encourage procurement teams to follow. Examples include better explanations to how to use regulatory language and terms, by asking straightforward questions that require less interpretive effort, signalling clues where information requires repetition between questions and using examples that are relatable to small firm practices. Procurers could also be asked to offer transparent guidance with their tender specification. Public bodies could use the findings of this thesis to develop better guidelines for tender feedback to help small firms reflect on their context and their capabilities and to improve. There is no reason why a policy cannot be put in place that provides more in-depth summative feedback to firms under a certain threshold size or turnover, or to provide formative guidance about how to build routines. There is significant value in any form of policy instrument that helps small firms to think about the detailed capabilities and routines in this thesis that have worked for other successful small firms. At a time of Brexit, the theoretical framework can assist with modelling future challenges, risks and opportunities as European regulation applied to tendering is scrutinised for its ongoing utility in a post Brexit UK.

8.10 Implications for the direction of future study

Reflecting on this study suggests a number of implications with regard to further research. Firstly, future research could explore the question of how tendering regulation shapes firm behaviour as a longitudinal study. The

comparative case study is based on two successful firms and data from three other firms that were selected on the basis of tendering participation, not success. In this sense, the re-use of pilot data sets offered limited inference. A natural further question to be posed is whether there is variation across different kinds of companies and representing different stages of company life cycle. These issues, together with the project life cycle dynamics for the capability domains, should be studied further. Secondly, the proposed fifteen routines, organised into capability domains, could be evaluated through a wider survey for empirical corroboration. A different method, or the same method with a different sample of firms, may have shown different results. It is possible to identify further generative mechanisms from the data at micro-level and so no claim is made to a full discovery of generative mechanisms as sensitising concepts. Nevertheless, the methodology was rigorously followed, albeit that a longer time-frame may have identified new patterns or themes.

Thirdly, further research could increase the utility of the explorative model of routines and capability to increase small firm productivity in areas other than tendering, such as navigating tax regulations. In this sense, it could act as a framework to develop practitioner capabilities in different areas of small firm management.

Fourthly, the thesis opened with mention of the UK 2016 Brexit decision, which has significant implications for how EU law may be repealed in relation to public sector tendering. The effects of Brexit upon this research topic open up an invitation for further research to explore if it can enable, not frustrate, small firm productivity building in delivering more products and services into the public sector. Therefore, a study of Brexit or a different institutional environment such as the United States would add to contextual knowledge of tendering practice in small firms literature.

8.11 Study limitations

This study has some limitations that suggest a number of directions for future research. The first limitation is caused by a lack of existing empirical data in the research field about small firm tendering capability from the firm's perspective. The in-depth focus to develop a typology of routines and a capability framework lacks broader comparison beyond four other cases. Applying the capability framework identified in chapter six to other firms would widen the generalisations of findings across wider contexts. A stronger evidence base is required before bold claims can be made. A more comprehensive analysis of the context might also highlight other routines and structural conditions that enable or constrain capability emergence.

A second limitation relates to limitations of time to observe how routines emerge and how the same routine in a firm can differ over time between tendering episodes. How and why routines change would contribute to understanding micro-foundations of firm behaviour across successful and unsuccessful events. These limitations suggest possible directions for further research.

8.12 Concluding remarks

This thesis demonstrates the limits of an agency perspective on small firm tendering capability in existing literature, and it offers a micro-foundational approach of the agency perspective through a small, exploratory study. It has suggested how capability can be conceptualised into a framework that is contingent on combinations of resources into routines, and yet it also points out that routines do not in themselves constitute capability.

Firm action has been expressed through a comparative case discussion of resource command in fifteen routines, upon which capability is built. In doing so it has emphasised the multi-dimensional resource and capability requirements demanded from public sector tendering character.

The thesis illustrates the complexity of understanding small firm tendering capability. Tendering is a carousel of opportunities and decision-making,

where the enactment of identified routines can be strategic, reactive, deliberate or the result of unintended consequences, shaped by exercise of firm-level agency. It has asked novel research questions and presented core ideas that add cogency to understanding tendering capability beyond case firms studied in this thesis.

Firstly, capability is a continuous generative mechanism, exercised through agency. Agency exists at firm level, and this may itself be an institution. Capability is socially conditioned, and it can take hidden forms. Tendering capability has historically been treated as a structural process that largely ignores the influence of human agency. This study has *reconceptualised tendering as an agential exercise*.

Existing literature implicates resource poverty as a primary causal factor in SME under-representation in public sector contract awards. Resource poverty *can* contingently impact on small firm tendering capability but it does not need to exist for active agency to occur. Firms can occupy a strong capability to deliver a particular service, but they also need a set of specialist capabilities to sell this to public procurers.

Secondly, tendering is defined in the thesis as a social institution that has a laminated structure, giving firms different access to resources through their social positioning. Findings in chapters six and seven show that small firms do not experience social structures uniformly; they inhabit the tendering institution in different ways. The social practice of tendering is dependent upon a firm having resources, but cannot be reduced to just the existence of resources. Tendering capability is amenable to causal analysis. Consideration of the structural conditions as well as firm agency *matters* to explaining small form tendering performance.

Thirdly, this thesis has shown that *tendering is amenable to routinisation*, where combinations of resources and routines exist that support firm tendering capabilities. These core ideas are useful for firms to consider, whilst not a prescription for success, as markets and market competition remains volatile.

The study began by asking three research questions, using a depth ontology to explain the relationship between firm tendering capability and contexts for capability execution.

The first research question asked, *'What are the practices, expressed as routines that generate capability to successfully tender in the case firm?'*

A set of fifteen inter-linked tendering routines, built from resources that possess operational and dynamic properties, has been identified. Dynamic capabilities and agency create operational capabilities. Their existence leverages capacity to mount innovative responses to tender situations in the face of contextual constraints. By doing so, the study *extends knowledge of the nature and composition of tendering routines*. It shows tendering activity is amenable to routinisation that can be situated in regular patterns of knowledge, skills and action. This discovery fulfils an omission in existing literature about how tendering routines are subject to active modification, both incremental and transformational, through deliberate exercise of agency in small firms. It offers a better understanding of the structural antecedents of routine emergence and adaptation, whether that is incremental or transformational in nature. This is a missing micro-foundation in extant work on routines and capabilities, which in turn has led to a lack of work on the origins of organisational routines and capabilities that underpin small firm tendering capability.

The second question asked, *'What causal powers exist within the tendering environment to constrain and enable small firm tendering performance?'* Tendering as a social system is mutually reliant upon the choice of individuals within firms to participate in tendering exercises and their creation by public procurers. Tendering remains an experimental process, and adverse market conditions can reverse capability in small firms because they are more vulnerable to market turbulence.

However, the thesis has shown how firm agency can co-determine the outcome of a tendering performance, enacted through its routines. This makes the emergence of social uniformity highly conditional upon its

causal mechanisms. Therefore, the comparative nature of this study has been to identify and explain forms of capability as generative mechanisms and their display through routines to show a novel presence or an absence of regularity. By doing so, routines can explain tendering as operational and dynamic modes of capability action. Prior to this study, a relationship did not exist in the literature between capability enactment and the structural conditions of a firm's operating environment. It now does, and the thesis adds to contemporary debates about small firm capability construction.

The third research question, *'To what extent, and how, do small firms learn to improve their tendering capability through repeated tendering experiences?'* is answered by case findings. Data reveal that service skills cannot create contract growth without knowing about tendering capability. It tells us that managerial skills are required to organise resources around an opportunity to complete a successful tender and to draw learning from it. Also, that as firm behaviour is strongly influenced by the purchasing environment, then absorptive capacity is a relevant theory to explain 'how to know.' The research question enquires into how small firms acquire, assimilate and apply knowledge to tendering performances. Comparative case findings show that tendering performance is more than just doing it repeatedly. Firm learning is itself a generative mechanism for marketplace sustainability. Case firms such as The Local Carer and Domiciliary Ltd clearly stay in a state of arrested development. As such, DCs ameliorate the chances of routines becoming redundant.

This thesis has delivered three forms of knowledge to extant literature: i) a theoretical methodological contribution; ii) an empirical contribution, and; iii) implications for policy and practice. There are no other empirical examples that explicitly attempt to trace the formation and development of small firm routines to enact a tendering episode, and none other known about that studies successful routines *or* uses a critical realist interpretation of firm action. The distinctive nature of the contribution from this thesis is its micro-

foundational process perspective on firm level actions and behaviours through use of a qualitative case study approach. The study proposes a novel theoretical framework to explain small firm tendering and a set of thinking tools for small firms to use; a good practice arising from critical realist ontology. Critical realists cannot give a prescription for capability, but the suggestion of sensitising concepts in a capability framework is a useful place to start the conversation.

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