

Do internet marketing capabilities interact with the effect of procedural capabilities for public procurement participation on SMEs' sales performance?

Internet
marketing
capabilities

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Abstract

Purpose – This study aims to examine the influence of procedural capabilities for public procurement participation on small and medium enterprises' (SMEs) sales performance in Tanzania. Also, the study establishes the interaction effect of internet marketing capabilities on the relationship between procedural capabilities and sales performance.

Design/methodology/approach – The authors conducted confirmatory factor analysis and PROCESS macro for simple interaction analysis to analyse cross-sectional data that were obtained through questionnaire from surveyed SMEs' managers. The included SMEs are those that are involved in supplying goods, services and works to public entities in Dodoma, Tanzania.

Findings – The findings reveal that procedural capabilities for participation in public procurement enhance SMEs to improve sales performance. Also, there is a significant and positive relationship between internet marketing capabilities and sales performance. Lastly, internet marketing capabilities strengthen the relationship between procedural capabilities and sales performance.

Social implications – This study is a wake-up call to SMEs to better comprehend public procurement procedures and e-business practices to use the available public procurement opportunities. It is argued that SMEs should invest in technology to market their businesses through social media and online platforms. According to the study, SMEs may benefit from improving their sales performance by fully utilising their internet marketing capabilities and participating in public procurement opportunities.

Originality/value – This study adds to the two main streams of literature that emphasise harnessing public procurement opportunities for SMEs (through public procurement participation) and leveraging internet marketing capabilities for SMEs to improve their sales performance.

Keywords E-business, Small and medium enterprises, Procedural capabilities, Internet marketing capabilities, Sales performance, Public procurement participation, E-procurement, Procurement, Capability development, Buyer-supplier relationships, Small to medium enterprises

Paper type Research paper

1. Introduction

Small and medium-sized enterprises (SMEs) are crucial stakeholders considered by governments when making public procurement decisions, so they play an important role in the public procurement system. SMEs frequently take on the role of suppliers, providing goods and services to public organisations that initiate public procurement processes



(Changalima *et al.*, 2023; Flynn and Harris, 2022; Loader, 2015; Nkunda *et al.*, 2023). Their roles are largely supported by the extent of expenditures by governments on public procurement (Changalima *et al.*, 2021; Hafsa *et al.*, 2021). This may be the reason to why most SMEs rely heavily on public procurement contracts to support their expansion (Israel and Kazungu, 2019; Malacina *et al.*, 2022; Windapo *et al.*, 2020). Therefore, it is critical for SMEs to understand the procedural requirements to meet the buyers' requirements when participating in public procurement opportunities (Flynn and Davis, 2017). However, obtaining public contracts can be difficult for SMEs, especially when competing with larger, well-established firms with specialised expertise and ample financial resources (Aboelazm, 2023; Ismail and Changalima, 2022). Furthermore, the complex procedures involved in public procurement make it difficult for SMEs to participate, resulting in issues such as non-compliant tenders and poorly prepared bids.

This is evidenced by reports indicating that some SMEs (suppliers, contractors and service providers) that participated in Tanzania's public procurement system were not compliant with the public buyers' requirements [National Audit Office of Tanzania (NAOT), 2022]. As a result, the proportion of active participation of SMEs in public procurement opportunities remained to be low (Ismail and Changalima, 2022). The challenges that these enterprises encounter when participating in public procurement can be classified into several categories, including those related to non-compliance in public procurement procedures (Changalima *et al.*, 2022b; Mphela and Shunda, 2018). This calls for their attention to understand the procedural requirements for public procurement. The ability of SMEs to capitalise on opportunities for public procurement participation is implied by procedural capabilities for public procurement participation (Flynn and Davis, 2017). Furthermore, having procedural capabilities allows SMEs to make certain that they adequately meet the requirements of purchasing organisations, which may be important in reducing non-response bids. Despite the obvious benefits of these capabilities in ensuring SMEs' participation in public procurement, evidence on their role in determining SMEs' performance is limited. Therefore, the following research question will be addressed in our study:

RQ1. Do procedural capabilities for public procurement participation influence sales performance of SMEs?

E-business practices have become an appealing option as organisations' reliance on technology for business operations has grown. The public procurement system is currently shifting away from traditional manual and paper-based processes and towards online applications, which has benefited both buying organisations and suppliers (Kit *et al.*, 2021; Maagi and Mwakalobo, 2023; Shatta *et al.*, 2020; Soong *et al.*, 2020). This shift has drawn e-business practices and the use of technologies to assist SMEs in running their operations. In 2020, the Tanzanian government mandated all public organisations (that use public funds in acquiring goods, works and services) to shift from traditional public procurement procedures to e-procurement procedures. The move that motivated eligible suppliers that are able to do business with public organisations to undertake e-business initiatives (Siwandeti *et al.*, 2021). In this case, internet marketing has been increasing in popularity among Tanzanian SMEs, which enables them to develop the tendency of e-business and investing in e-advertising. Internet marketing requires SMEs to adjust themselves to the changing requirements of the e-business environment (Liu *et al.*, 2020; Mathews *et al.*, 2016, 2019; Sun, 2021). Thus, internet marketing capabilities may have the potential to influence their sales performance. These capabilities are expected to boost individual customer sales and attract the attention of prospective public buyers. Furthermore, by increasing their

online visibility, SMEs can differentiate themselves from competitors (Costa and Castro, 2021; Kumar *et al.*, 2021; Tolstoy *et al.*, 2022), increasing their chances of obtaining valuable public procurement contracts. Based on this discussion, the study intends to respond to the following research questions:

RQ2. Do internet marketing capabilities influence sales performance of SMEs?

RQ3. Do internet marketing capabilities interact the relationship between procedural capabilities for public procurement participation and sales performance of SMEs?

RQ3 seeks to ascertain the interaction effect of internet marketing capabilities. The study uses these capabilities to examine the interaction effects when analysing the relationship between procedural capabilities for public procurement participation and SMEs' sales performance. It is expected that SMEs with a high level of internet marketing capabilities will outperform those with a low level of internet marketing capabilities in terms of sales performance through procedural capabilities. Thus, when there is a synergy between procedural capabilities (Flynn and Davis, 2017) and internet marketing capabilities (Liu *et al.*, 2020; Mathews *et al.*, 2019), the SMEs business landscape can be impressive. Businesses that improved their internet marketing capabilities not only became more competitive but also expanded their reach beyond their local markets (Liu *et al.*, 2020; Mathews *et al.*, 2016). In addition, combining procedural capabilities for public procurement participation with internet marketing capabilities may inspire SMEs across the country to embrace digital transformation and create new opportunities for their businesses. However, the interaction effect of internet marketing capabilities on the relationship between procedural capabilities in the context of public procurement and sales performance remain under-researched. Thus, this study attempts to fill this gap by using data that were obtained from SMEs participating in Tanzanian public procurement. To this end, this study has several contributions. Firstly, it focuses on analysing the role those procedural capabilities play for SMEs to improve their sales performance. This is important in understanding the theoretical and empirical contributions of procedural capabilities to high sales performance among SMEs. Secondly, by involving internet marketing capabilities, this study contributes to realising the interaction effect of internet marketing capabilities in the relationship between procedural capabilities and sales performance.

2. Literature review

2.1 Resource-based view (RBV)

The central question that has drawn the researchers' interest in the area of public procurement participation among SMEs is "what illustrates variance in SMEs' sales performance in relation to the procedural capabilities"? In efforts to address this key question, we used the resource-based view (RBV) established in works of Barney (1991) and Wernerfelt (1984). This theory contributes in explaining the link between SMEs' capabilities in terms of marketing capabilities, procedural capabilities for public procurement participation and sales performance. From the RBV, firm performance is an integration of a bundle of its specific and exceptional resources and firm capabilities like human, social and financial resources (Collins, 2021; Gerhart and Feng, 2021; Kazungu and Mbowe, 2021). These resources and capabilities have ability to strengthen SMEs' efficiency and effectiveness and therefore are essential elements for their competitive advantage and sales performance. Essentially, firms' capability is about how firms can be able to exploit their resources to ensure a secured competitive advantage over their rivals. According to RBV, the availability of the resources and capabilities endowment are what differentiate firms'

levels of performance (Barney, 1991). Resources can be categorised into two parts; tangible and intangible resources. A tangible resource is defined by the physical presence of resources, while intangible is explained by the available capabilities enough to use physical resources.

Furthermore, firm capabilities are explained as the firm's ability to coordinate work procedures by using the firm available resources so as to achieve a particular result (Ringo *et al.*, 2023). In this study, it is theorised that procedural capabilities are crucial intangible resources that can increase the extent of SMEs to participate in public procurement (Flynn and Davis, 2017). Consequently, SMEs that have participated because of enough procedural capabilities may tend to have higher possibilities of seeing high sales performance as the outcome of winning public procurement contracts. However, for SMEs to achieve high sales performance, it is theorised that other capabilities must be involved to strengthen the procedural capabilities. As the public procurement process is currently digitalised in almost all activities, having internet market capabilities is considered another important resource for effective participation. This further suggests that while procedural capabilities may lead to sales performance through the effective involvement of SMEs in the public procurement, internet marketing capabilities may strengthen the effect of procedural capacities on sales performance. Thus, SMEs with access to such resources and capabilities can ascertain and use potential procurement opportunities that result into more benefits in term of how well they perform.

2.2 Hypotheses development

2.2.1 Procedural capabilities for public procurement participation and sales performance of small and medium-sized enterprises. Compared to large enterprises, the involvement of SMEs as stakeholders in the public procurement process has proven to be a challenging factor. This means, SMEs are confronted with more difficulties in participating to public procurement markets than large enterprises (Hoekman and Taş, 2022; OECD, 2018). Hence, the main goal of increasing sales performance of SMEs through public procurement as a possible marketing avenue seems to be a nightmare. Although, there are other several factors associated with sales performance among SMEs, assurance of their participation in public procurement is regarded as a readily available market for their product and hence increased sales performance. According to Loader (2015), academia and policy makers are becoming increasingly concerned about the low extent of participation of SMEs in public procurement. Nevertheless, while the problem can be associated with both procuring entities and SMEs, most past studies have based their research on different angles. In the context of public procurement, the literature contends that buying organisations are responsible for reaching out to SMEs by providing bid documents that contain all necessary information required to allow SMEs to respond to the advertised tender (Ismail and Changalima, 2022). This may improve SMEs' chances of obtaining public procurement contracts as well as their sales performance. On the other hand, more competition may result, which is beneficial for government (public organisations) in obtaining reasonable prices for needed goods and services and value for money [Panga, 2023; The United Republic of Tanzania (URT), 2022].

However, focusing on SMEs is a crucial step because some of the specific characteristics of SMEs have the possibility of inhibiting them from effectively bid for public contracts (Hoekman and Taş, 2022). As the success of any firm depends on the capabilities to utilize available resources, procedural capabilities can offer proper ways for SMEs to effectively participate in public procurement processes. Procedural capabilities denote the ability of the SMEs To handle the technical aspects of the bidding process as well as other administrative shocks through having the ability to identify the requirements of the public buyers (Flynn and Davis, 2017).

Specifically, procedural capabilities mean that SMEs can confidently and effectively make participation decisions and manage challenges in public procurement markets for higher sales performance. According to Flynn (2017), procedural capability can help firms to participate in tendering in an efficient manner. This is because, procedural capability provides firms with few challenges in meeting technical and legal requirements provided by public procurement procedures. Also, a study by Flynn and Davis (2017) has suggested that procedural capabilities are potential and significant factors for success rates in procurement participation and competition. This is because these capabilities are associated with handling challenges facing SMEs such as poor bases of professionalism in participating in public procurement, SMEs' resource constraint and bureaucratic tendering procedures (Flynn and Davis, 2017; Loader, 2013). Therefore, based on the importance of procedural capabilities in assisting SMEs to take part in public procurement procedures and the importance of considering public procurement as a potential market for SMEs, which is important in meeting sales' targets, it can be hypothesised that:

H1. Procedural capabilities for public procurement participation significantly influence sales performance of SMEs.

2.2.2 Internet marketing capabilities and sales performance of small and medium-sized enterprises. The use of internet marketing to improve SMEs performance is frequently referred to as making it possible for businesses to improve their access to market information, build customer relationships and reducing management and communication gaps for local and international firms (Liu *et al.*, 2020; Mathews *et al.*, 2019). Consequently, the use of internet marketing enables firms to actively engage their customers and thereby realizing their internationalisation struggles (Tobiassen and Pettersen, 2023). SMEs must be oriented with appropriate technological capabilities to perform well in marketing. To be more specific, the internet marketing capability is a technologically based term that reflects the active usage of the internet in conjunction with particular marketing activities (Mathews *et al.*, 2016). Mathews *et al.* (2016) found that there is a correlation between successful online marketing strategies and market growth. This is because internet marketing capabilities allow businesses to extend their network capabilities and have access to a wider variety of information.

Nevertheless, despite its significance in improving sales performance, there is still a dearth of literature addressing the mechanisms and conditions by which it might improve firm performance (Gregory *et al.*, 2019). This is in line with the argument made by DeSarbo *et al.* (2007) who claimed that despite theoretical and conceptual advancements in technology-related capabilities, surprisingly little empirical studies exist on the link between technological capabilities and marketing efficiencies. Sales management requires different aspects on the side of the sellers (Kazungu *et al.*, 2022). Under typical circumstances, the greater the internet marketing capabilities the SMEs have, the higher the chances of achieving sales performance in e-business environment. The plausible explanation is that technology capabilities such as internet marketing capabilities help SMEs digitalise market information on the internet, hence increasing their chances of gaining access to existing and new markets. Consequently, internet marketing capabilities can help firms to develop customer relationships in which firms can engage their customers more effectively to increase customer bases and achieve faster speed (Rialp-Criado and Rialp-Criado, 2018). They can also aid firms to reduce managerial and communication barriers (Liu *et al.*, 2020). To this end, it can be hypothesised that:

H2. Internet marketing capabilities significantly influence sales performance of SMEs.

2.2.3 Internet market capabilities on the relationship between procedural capabilities and sales performance of small and medium-sized enterprises. For SMEs to be competitive, they must acquire essential digital capabilities that can help them to compete neck to neck with large companies (Tolstoy *et al.*, 2021). Tolstoy *et al.* (2022) opined those digital capabilities are used to develop technical solutions as well as interpret market signals. Given to the current development of marketing discipline, which demands internet application in running business, SMEs that are heavily invested in internet market capabilities are considered to be in a better position to be competitive in the market than those with low investment. As most of activities in business are currently integrated with technologies, it is prudent to perceive those other capabilities can work effectively if related to digital technologies. Thus, internet market capabilities may improve procedural capabilities for high sale performance. The possible explanation is that most of the participation procedures in public procurement are done using online systems.

This means, procedural capabilities are documented to have high chances for increasing rates of public procurement participation among SMEs (Flynn and Davis, 2017). With the current trends of moving from manual procurement procedures towards e-procurement procedures (Maagi and Mwakalobo, 2023; Shatta *et al.*, 2020), one can argue that internet marketing capabilities can possibly strengthen the effects of procedural capabilities for SMEs' participation in public procurement on their sales performance. Thus, by having enough internet marketing capabilities, SMEs may accomplish an added strategic purpose by optimising relationships with procuring entities as customers of their products through internet-based platforms as well as develop new relationships with procuring entities during tendering processes. Based on this discussion, it can be hypothesised that:

H3. Internet market capabilities strengthen the relationship between procedural capabilities and sales performance of SMEs.

3. Methodology

3.1 Study area, research design

A cross-sectional research design was used in the study as it allowed the deployment of a sufficient number of individuals who are not geographically confined in a particular point in time to determine association and pattern between variables (Creswell and Creswell, 2018). The design provided a framework to gather data from the managers of SMEs in Dodoma City, Tanzania. Bryman and Bell (2011) provide that variations and patterns of association can be found when more than one case is looked at, which is what cross-sectional studies do. Since the government movement from the business major city Dar-es-salaam to Dodoma as a capital city, the city has become an emerging market for SMEs who provide goods and services to a number of government entities and agencies (Changalima *et al.*, 2022a).

3.2 Population, unit of inquiry and sample size

In our study, we targeted 459 SMEs (target population) that are registered suppliers from the list published by the Government Procurement Service Agency (GPSA). The Agency in each financial year is required scrutinize potential suppliers and provide a list of selected suppliers under framework agreements that favours the participation of SMEs in the category of goods, works and services. The managers of SMEs were involved as key respondents to provide the required data as they are more involved in the day-to-day activities in response to tendering opportunities made available in public procurement. Yamane's (1967) formula ($n = N/[1 + N(e^2)]$) was applied to determine the needed sample

size based on finite population statistics. The formula allows a study to get a sample size from the population with the level of accuracy expected based on the confidence level (95%) in the statistical test and the margins of error ($e = 0.05$). Therefore, based on the given statistics and a target population of 459, a sample size of this study was 214 SMEs.

3.3 Sampling procedure and data collection

Simple random sampling was used to select 214 from 459 SMEs under which each member of the population had an equal chance of being chosen. (Hair *et al.*, 2020). However, only 197 SMEs were successfully included through their managers and their respective data included in final analysis due to existence of 17 incomplete cases with respect to the main variables. The randomisation procedure ensured that there were no biases in the unit of inquiry selection and each manager at the chosen SME received the structured questionnaire. A self-administered questionnaire was used during data collection as it assures efficiency, economy (inexpensive) and minimised interviewer effects among respondents (Bryman and Bell, 2011).

3.4 Measurements and data analysis

The study adopted the most relevant scales from previous studies to measure all constructs of the study. As presented in Table 1, the construct “procedural capability for public procurement participation” was measured in five scales that were adapted from Flynn and Davis (2017b). Also, four items to measure internet marketing capabilities were obtained from Mathews *et al.* (2019), and five items for measuring sales performance of SMEs were adapted from Chang and Wong (2010).

The study used the confirmatory factor analysis (CFA) and PROCESS macro for interaction analysis to analyse the collected data. CFA is regarded as important analysis for examining the relationship between items their corresponding parent constructs. It is an important step in multivariate analysis for establishing whether data are valid and reliable (Hair *et al.*, 2010; Said *et al.*, 2011). Therefore, CFA was first conducted to ascertain if the data are valid and reliable. To study the hypothesised relationships, we used the PROCESS macro under which it was able to test the interaction effects. Hayes’ PROCESS macro is considered to be a relevant tool for data analysis that enables the test of conditional, mediating and interaction effects through bootstrapping confidence intervals (Hayes, 2022).

4. Results

4.1 Common method variance

Our study used a methodological approach that may pose the likelihood for the existence of common method bias (CMB). Thus, procedural and statistical strategies were adopted to minimize and test the presence of CMB. Procedural strategies such as ensuring clarity of items, promising anonymity and confidentiality and explaining the objective of the study to respondents were used. In addition, in testing the presence of CMB, statistical test using Harman’s one-factor test was used. The findings indicate that single factor explained 42.85% of total variance. Thus, CMB was not the significant concern (Podsakoff *et al.*, 2003).

4.2 Reliability, validity and confirmatory factor analysis results

Results in Table 1 present measurement scales and their related statistics for ascertaining if they are reliable and valid or not. The presented results were obtained after performing the CFA (as presented in Figure 2) in which the fit indices are within the acceptable range as values of CFI, NFI, IFI and TLI were above 0.9, and $\chi^2/df = 1.649$ (which is below 3), SRMR = 0.049 (which is < 0.08), RMSEA = 0.058 (the acceptable level should be less than 0.06) and PClose = 0.238, which is above 0.05 (Hu and Bentler, 1999). Also, all values of Cronbach’s

Variables/items	λ	α	CR	AVE
<i>Procedural capabilities in public procurement (PCPP)</i>				
• Ability to satisfy tender qualification criteria	0.710	0.886	0.887	0.611
• Ability to understand tender evaluation criteria	0.763			
• Ability to effectively respond to tender evaluation criteria	0.822			
• Ability to receive feedback on submitted bids and search contract award notices	0.795			
• Ability to successfully manage an awarded contract	0.812			
<i>Internet marketing capabilities (IMC)</i>				
• Online marketing and advertising	0.816	0.830	0.830	0.552
• Online after sales service and support	0.757			
• Market research	0.736			
• Management of international market	0.653			
<i>Sales performance (SPF)</i>				
• The market share of our products has increased	0.780	0.840	0.843	0.520
• The sales volume of our products has increased	0.787			
• The price of our products has become more flexible	0.731			
• The number of new customers that we are able to acquire has increased	0.647			
• The number of existing customers that we are able to retain has increased	0.649			

Table 1. Measurements, reliability and validity

Notes: The model fit indices are CFI = 0.963; NFI = 0.913; IFI = 0.964; TLI = 0.955; $\chi^2 = 122.013$ and $df = 74$; $\chi^2/df = 1.649$; SRMR = 0.049; RMSEA = 0.058 and PClose = 0.238
Source: Table by authors

alpha coefficients (α) and composite reliability (CR) are above 0.7, indicating that internal consistency reliability was achieved. In addition to that, convergent validity was achieved as a value of 0.6 and above was obtained in all values of standardised factor loadings (λ). Values of average variance extracted (AVE) are above 0.5 (Hair *et al.*, 2010). Lastly, the study checked for discriminant validity by considering the Fornell–Larcker criterion, under which the results in show that all of the values of square root of AVE as shown diagonally in Table 2 surpassed the largest correlation coefficient (Ab Hamid *et al.*, 2017; Fornell and Larcker, 1981).

4.3 Descriptive and correlation results

Descriptive statistics showing the mean and standard deviation (SD) values are presented in Table 3. The results show that PCPP has a mean value of 3.925, with standard deviation

	PCPP	IMC	SPF
PCPP	0.782		
IMC	0.617	0.743	
SPF	0.563	0.476	0.721

Table 2. Discriminant validity

Source: Table by authors

of 0.755. These results suggest that majority of surveyed SMEs' managers slightly agreed that procedural capabilities for public procurement participation were prevailing for them to improve their participation in public procurement opportunities. Also, IMC has a mean score of 3.850 and SD of 0.784, which imply that internet marketing capabilities are prevailing for most of surveyed SMEs, which enable them to run their business operations. Lastly, SPF, which presents the sales performance, was perceived to improve for the SMEs that were included in the study.

Furthermore, the study conducted bivariate correlations, and the results are presented in Table 3. According to Pallant (2020), the value of correlation coefficients above 0.7 indicates existence of multicollinearity between the variables. The results shown in Table 3 indicate that collinearity was not an issue of concern in this study. The results indicate that correlation estimates between IMC and PCPP are significant with ($r = 0.519$ and $p < 0.001$). Also, the correlation estimates between SPF and PCPP are significant with ($r = 0.489$ and $p < 0.001$), and the correlation estimates between SPF and IMC are significant ($r = 0.393$ and $p < 0.001$). Thus, results of correlation estimation between variables suggested medium effects for correlation between SPF and PCPP and between SPF and IMC as their values of correlation coefficients range between 0.30 and 0.49. The correlation between IMC and PCPP is considered to be of a large strength as the value of correlation range is within 0.50 to 1.0 (Cohen, 1988; Pallant, 2020). The above results of correlation estimates permit further analysis for testing proposed hypothesised relationships of the study.

4.4 Structural model and hypotheses testing

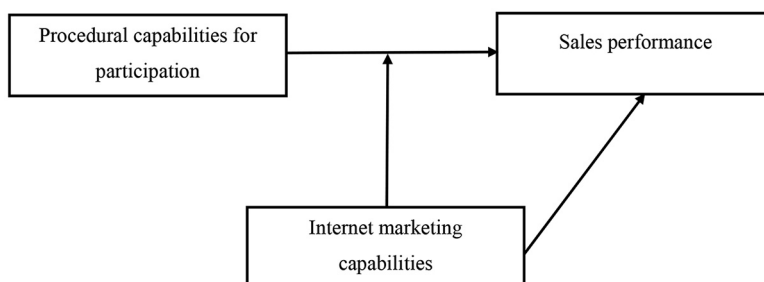
Hayes' PROCESS macro for testing the interaction analysis was conducted to evaluate the proposed model (see Figure 1). The findings from the analytical model are presented in

Variables/statistics	Mean	SD	PCPP	IMC	SPF
PCPP	3.925	0.755	1		
IMC	3.850	0.784	0.519***	1	
SPF	4.081	0.629	0.489***	0.393***	1

Note: ***Denotes $p < 0.001$

Source: Table by authors

Table 3.
Descriptive and correlation results



Source: Figure by authors

Figure 1.
The conceptual framework

Table 4. In general, the results show that the predictor variable (procedural capabilities) and interacting variable (internet marketing capabilities) explain about 28.2% of variance in sales performance of SMEs. Specifically, in H_1 , the study hypothesised that procedural capabilities for public procurement participation significantly influence sales performance of SMEs ($\beta = 0.347$; $t = 5.739$; $p < 0.001$). Also, H_2 states that “internet marketing capabilities significantly influence sales performance of SMEs”. The results show that this hypothesis was confirmed with $\beta = 0.178$, $t = 3.033$ and $p < 0.001$. Therefore, based on the results, all the two study’s hypotheses were accepted as they suggest existence of significant relationships between study’s variables.

Lastly, the study tested for the interaction effect of internet marketing capabilities on the relationship between procedural capabilities and sales performance of SMEs. The results show that there is a significant and positive interaction effect of internet marketing capabilities as the interaction term (IMC*PCPP) has a β value of 0.101, $t = 2.094$, $p = 0.038$ and non-zero values of confidence intervals (LLCI = 0.006 and ULCI = 0.195). Also, the value of R^2 change is 0.016, indicating that the interaction effect significantly contributes to the main relationship of the predictor variable and outcome variable. The results further show levels of internet marketing capabilities with different values of standard deviations (SDs). At low level of internet marketing capabilities, $SD = -0.784$, the effect of procedural capabilities for public procurement participation is weak compared to when internet marketing capabilities are at high level ($SD = 0.784$). These results are in support with H_3 , and hence, internet marketing capabilities strengthen the relationship between procedural capabilities for public procurement participation and sales performance of SMEs. The results in **Figure 3** show that the effect of procedural capabilities for public procurement participation on sales performance of SMEs increases with an increase in internet marketing capabilities and vice versa.

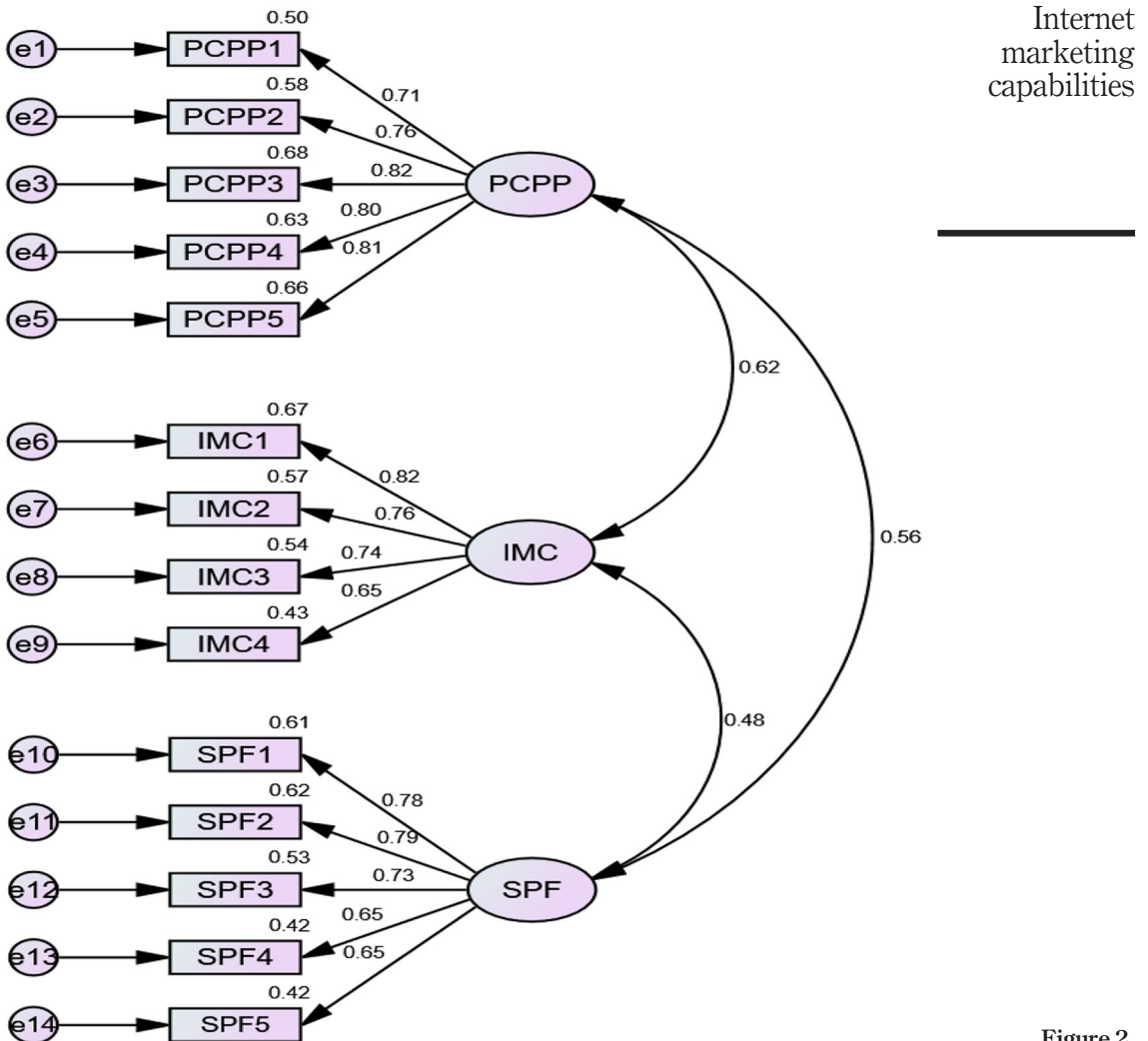
5. Discussion

The study is among the few endeavours to examine how procedural capabilities can enhance sales performance among SMEs. The study responds to the calls from current practitioners and scholars to examine enabling environments that strengthen SMEs’ participation in procurement practices. The study examined the interplay between procedural capabilities for participation, internet marketing capabilities and sales performance among SMEs. The findings suggest that procedural capabilities for participation can increase the chances for SMEs to enhance sales performance. Our findings underscore the need of investing in

Hypothesised relationships	Coeff	SE	<i>t</i>	<i>p</i>	LLCI	ULCI
PCPP → SPF	0.347	0.060	5.739	***	0.227	0.466
IMC → SPF	0.178	0.059	3.033	0.003	0.062	0.293
IMC*PCPP	0.101	0.048	2.094	0.038	0.006	0.195
R^2	0.282			***		
R^2 _change	0.016			0.038		
<i>Conditional effects of the focal predictor (IMC) at values of PCPP</i>						
Low (SD = -0.784)	0.268	0.066	4.082	***	0.138	0.397
Mean (SD = 0.000)	0.347	0.060	5.739	***	0.227	0.466
High (SD = 0.784)	0.425	0.076	5.574	***	0.275	0.576

Table 4.
Hypotheses test results

Note: ***Denotes $p < 0.001$
Source: Table by authors



Internet marketing capabilities

Source: Figure by authors

Figure 2.
The CFA

procedural capabilities for participation among SME suppliers (Flynn and Davis, 2017). These findings are also supported by Flynn (2017) who argues that capabilities influence tendering activity and hence performance among SMEs. In addition, capabilities are important strategic resources for SMEs in their efforts to win contracts, and hence, procedural capabilities may become an important dimension in explaining the contract competition success rates in public procurement involvement (Namagembe et al., 2021).

On the other hand, our findings indicate that, internet marketing capabilities play an important role in determining sales performance of SMEs. This implies that because most of the participation procedures in public procurement are done using online systems, internet

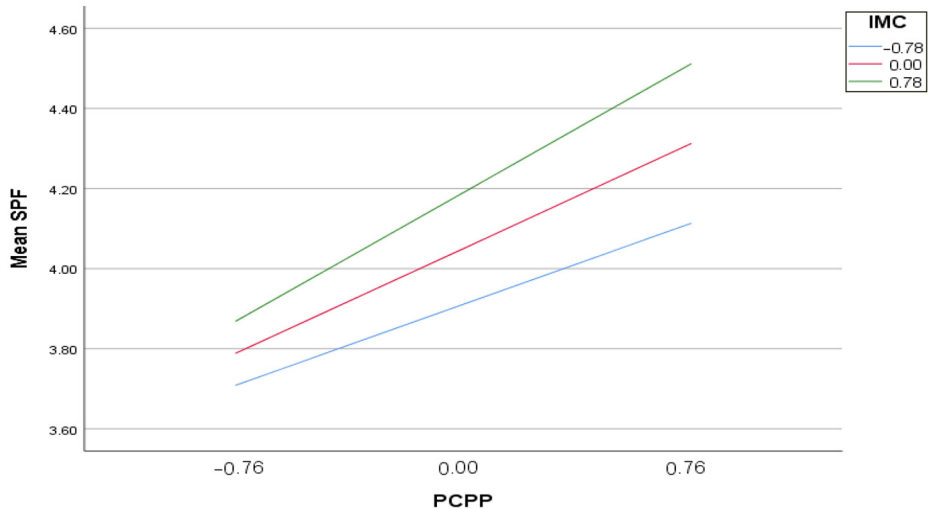


Figure 3.
The slope plotting for
the interaction effect

Source: Figure by authors

marketing capabilities can help SMEs to access market information (Chang and Wong, 2010). In addition, internet marketing capabilities can help SMEs to interpret information accessed through digital platforms. Our findings suggest the interaction role of internet marketing capabilities in the link between procedural capabilities and SMEs' sales performance. This means, internet marketing capabilities strengthen the effect of procedural capabilities on SMEs' sales performance. This is possible as SMEs can enhance their sales performance through investing in internet solutions. In addition, internet marketing capabilities strengthen procedural capabilities for participation, which is very crucial in determining sales performance. These findings suggest that SMEs can improve their level of participation in procurements through investing on internet marketing capabilities. Sánchez-Rodríguez *et al.* (2020) contend that for SMEs to be able to take part in public procurement, it is important for managers to put emphasis on how to address the challenges of information technologies. This means, in digitalised procurement practices, it is very challenging for SMEs to participate fully in procurement practices, and maximise their financial resources without investing in internet capabilities.

6. Conclusions

Based on the RBV, the study examined the relationship between procedural capabilities of SMEs for public procurement participation and sales performance. Also, the study examined the interaction effect of internet marketing capabilities on the link between procedural capabilities and sales performance of SMEs. The study concludes that procedural capabilities for public procurement participation significantly influence sales performance of SMEs. This implies that if suppliers are aware of the public procurement procedures, they will become more competitive by satisfying tender requirements. The study also concludes that internet marketing capabilities significantly influence sales performance of SMEs as nowadays, public procurement opportunities are advertised in the public procurement online gateways. It is further concluded that internet marketing capabilities strengthen the effect of procedural

capabilities for public procurement participation on SMEs' sales performance. Therefore, SMEs' awareness on the procedures and compliance to e-public procurement bidding opportunities in the edge of internet marketing can positively improve the business performance in terms of increasing sales performance of SMEs.

7. Theoretical implications

This study is of novel contribution in the field of SMEs' participation in public sector procurement, marketing capabilities and sales performance. While previous studies address the issues and challenges towards SMEs' participation and access to public procurement opportunities (Hoekman and Taş, 2022; Ismail and Changelima, 2022; Israel and Kazungu, 2019; Kit *et al.*, 2021) and the implementation of e-procurement and marketing system (Kazungu *et al.*, 2015; Shatta *et al.*, 2020; Soong *et al.*, 2020), this study ascertains how the procedural capabilities for SMEs' participation in public procurement enhance sales performance with the interaction role of internet marketing capabilities. The RBV was used to underpin the study's findings. From RBV, it is theorised that procedural capabilities are one of the antecedent resources that are essentially needed in enhancing participation of SMEs in public procurement and sales performance. However, the link between procedural capabilities and sales performance is strengthened by the internet marketing capabilities. It was hypothesised that procedural capabilities for participation in public procurement and internet marketing capabilities significantly influence sales performance of SMEs. This is due to the fact that procedural capabilities are one of the prime drivers for performance as well as the prime criteria for evaluating and selecting potential suppliers for award of contract in public procurement. In line with the assumption of RBV, the results of this research showed that SMEs that comply to public procurement procedures and embrace internet-based marketing are more capable of enhancing their participation in public procurement, which in turn improve sales performance. To this end, SMEs can choose to enhance sales performance and have access to public procurement opportunities by improving their capabilities through application of internet-based marketing system.

8. Managerial implications

The results from this study imply that in the current business environment where public procurement opportunities are advertised and managed through electronic procurement system, suppliers are obliged to invest in implementing e-business operations by making sure they have both human resources and infrastructure that support internet-based business. Therefore, the study acts as a wake-up call for SMEs to devote necessary efforts in understanding the public procurement procedural capabilities as well as electronic business capabilities to harness public procurement opportunities. Some of efforts may include, firstly, involvement in training programmes that are provided by stakeholders in business endeavours such as higher education institutions and individual consultants. Through long- and short-term training, practitioners in SMEs are more likely to gain in their procedural capabilities in enhancing their participation in public procurement opportunities. Secondly, investments in technology through adjusting themselves towards current electronic marketing practices such as use of social media and online platforms to advertise their businesses. As the study established the positive link between internet marketing capabilities and sales performance, the use of online marketing platforms is more likely to enhance SMEs to improve their performance.

9. Limitations and suggestions for future studies

Like any other studies, this study acknowledges few limitations. Primarily, this study provides a holistic overview on the procedural capabilities for SMEs' participation in procurement and sales performance using cross-sectional survey design. Therefore, the study involved only survey questionnaire, and it does not consider other methods of data collection such as interview and focus group discussion. Moreover, other factors that influence participation of SME in public procurement and sales performance other than procedural and internet marketing capabilities were not accounted for. The suggested model is confined to SMEs that are involved in government contracting in Tanzania's context; thus, the findings should not be generalised to other sectors and countries. From the spotted limitations, the authors found a scope for further studies in the domain of SMEs' participation in public procurement and sales performance. Firstly, a longitudinal design can be conducted to ascertain how persistent the procedural capabilities for participation in public procurement and internet marketing capabilities influence and SMEs' sales performance. This is necessary because sales performance and participation of SMEs in public procurement is shaped by dynamic socio-economic, legal and technological forces. Secondly, a comparative study is needed to ascertain the impact of SMEs' participation in public procurement on sales performance, either within or between the groups of SMEs. Lastly, explorative study using qualitative approach is needed to ascertain the relationship pertained to the variables examined in this study across different sectors. These will effectively enrich understanding on how this model replicates in different sectors, from different approaches and perspectives.

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