Cogent Business & Management

ISSN: 2331-1975 (Online) Journal homepage: www.tandfonline.com/journals/oabm20

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To cite this article: Baraka Israel, Ismail Juma Ismail & Alban Dismas Mchopa (2026) From consortium tendering to SMEs' participation in public procurement markets: do procedural capabilities intervene?, Cogent Business & Management, 13:1, 2687931, DOI: 10.1080/23311975.2026.2687931

To link to this article: https://doi.org/10.1080/23311975.2026.2687931

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Published online: 18 Jun 2026.

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COGENT BUSINESS & MANAGEMENT
2026, VOL. 13, NO. 1, 2687931
https://doi.org/10.1080/23311975.2026.2687931

OPERATIONS MANAGEMENT | RESEARCH ARTICLE

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From consortium tendering to SMEs' participation in public procurement markets: do procedural capabilities intervene?

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ABSTRACT

This study examines the effect of consortium tendering (CST) on the participation of SME in public procurement markets (PPM) with a particular focus on the mediating role of procedural capabilities (PRC). Data collection was done using a structured cross-sectional questionnaire survey that was randomly distributed to 283 SMEs within the context of Tanzania. The proposed model hypotheses were tested using Hayes PROCESS macro. The study results showed a significant positive effect of CST on SME's PRC and their engagement in PPM. Further, PRC revealed a significant positive effect on SME participation in PPM. The notable finding of the study is that PRC serve as a mechanism through which CST influences SME participation in PPM. Accordingly, the study suggests designing digital platforms that can connect SMEs with large companies and their peers, offer specific training and mentorship programmes on the aspect of CST and the procedural nature of PPM. The study makes a novel contribution to literature on public procurement and competitiveness by integrating insights of CST and PRC to explain SMEs' involvement in PPM. The study findings hold relevance for policymakers, oversight authorities and support institutions seeking ways to enhance strategies towards inclusive participation of SMEs in PPM.

ARTICLE HISTORY
Received 20 January 2026
Revised 13 May 2026
Accepted 8 June 2026

KEYWORDS
SMEs; consortium tendering; procedural capabilities; competitiveness; public procurement; public procurement markets

SUBJECTS
Information and communication technology (ICT); Small business management; Production, operations and information management

1. Introduction

The participation of small and medium-sized enterprises (SMEs) in public procurement markets (PPM) is an area of interest in designing policies and development agenda. This is because SMEs are considered the engine of economies. They make a substantive contribution to innovation, employment, gross domestic product (GDP) and economic stability (Hoekman & Taş, 2022; Nemec & Džupka, 2021). In developing economies such as Tanzania, SMEs make up 95% of all formal sector enterprises, an estimated 65% of total employment and contribute about 40% of GDP (United Republic of Tanzania, 2022; World Bank, 2023). To SMEs, participating in PPM can thus present a revenue-raising opportunity, a market-expansion strategy, and a platform for economic growth (Israel & Kazungu, 2019; Patil, 2017). This is attributed to the fact that PPM absorbs a substantial share of government expenditure. As of 2021, global public procurement expenditure stood at US $13 trillion, which translates to 15% of GDP (World Bank, 2021). Eritrea in Africa spends a substantial amount on public procurement, which stood at 33% of GDP. Angola in Africa ranks second after Eritrea, spending 26% of its GDP on public procurement. In Tanzania particular, the government spent up to 70% of the country's annual fiscal budget (Changalima et al., 2023; Siwandeti et al., 2025), equivalent to 6% of GDP (OCP, 2020) on the procurement of goods, works and services.

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