



# The upcoming rise of SMEs in cross-border public procurement: is it a matter of networking capabilities?

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## Abstract

The participation of SMEs in public procurement is a recurring theme in recent academic literature. However, little attention has been paid to its influence in cross-border procurement. To participate in this market, SMEs must overcome barriers that make the task difficult and minimise their chances of winning contracts. Within this context, dynamic capabilities in general, and networking ones in particular, are crucial to overcome barriers and boost performance. This article presents an abductive qualitative research study of multiple cases using CAQDAS to analyse which networking capabilities prepare SMEs for cross-border public procurement processes. The results show not only how these capabilities have enabled SMEs to perform well in this environment but also which barriers have helped them to overcome each phase of the procurement process. The article also provides recommendations for both SMEs that decide to enter this market and the administrations that wish to support them.

**Keywords** Dynamic networking capabilities · Cross-border public procurement · SMEs · Barriers

## Resumen

La participación de las SME en licitaciones públicas es un tema recurrente en la literatura académica reciente, sin embargo, se ha prestado poca atención a la participación de las PYME en licitaciones internacionales o transfronterizas. Las SME que quieren participar en una licitación pública internacional debe superar barreras internas y externas que dificultan la tarea y minimizan las posibilidades de que le sea concedida la licitación. En este contexto, las capacidades dinámicas son fundamentales para que las PYME puedan enfrentarse y resolver dichas barreras en el contexto

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internacional. Especialmente son las capacidades de establecer redes las que pueden hacer que las PYME aumenten su desempeño en el ámbito de las licitaciones internacionales. Este artículo presenta una investigación cualitativa de casos múltiples, de corte abductivo apoyada por un CAQDAS, que aborda en qué medida las capacidades de establecer redes preparan a la PYME a enfrentarse y tener éxito en los procesos de licitación pública internacional. Los resultados muestran no sólo como estas capacidades han facilitado a las PYME desempeñarse bien en este complejo entorno, sino también qué barreras han contribuido a superar en cada fase de la licitación internacional. También aporta recomendaciones tanto para las PYME que decidan entrar en este mercado como para las administraciones públicas que deseen apoyarlas.

**Palabras clave** Capacidades dinámicas de networking · Licitaciones públicas internacionales · PYME · barreras

### Summary highlights

*Contributions:* This paper contributes to the literature by opening a new line integrating two research areas: the problems facing SMEs in cross-border public procurement processes and dynamic networking capabilities.

*Research questions/purpose:* To understand how dynamic networking capabilities help SMEs to overcome the barriers they encounter in the different phases of international public tenders.

*Basic methods and information/data:* Qualitative research supported by a CAQDAS based on in-depth interviews with SMEs with experience in international public tenders.

*Results/findings:* Twenty-one (21) barriers were identified, of which 14 can be overcome thanks to dynamic networking capabilities.

*Limitations:* Due to its qualitative nature, the study is exploratory and the data were collected from firms from a single EU country.

*Theoretical implications and recommendations for future research:* SMEs consider that each international public tender presents very different challenges, hence the need for more theory-based studies.

*Practical implications for management and recommendations:* A list of the dynamic networking capabilities that SMEs must develop to overcome each barrier in each phase of a cross-border international procurement is provided.

*Policy implications and recommendations:* Policies should be implemented by public administrations to support the development of dynamic networking capabilities between SMEs and all stakeholders involved in the international tender

market; among these policies, the development of Public Procurement 4.0 is urgently required.

*Suggestions for future research avenues:* We propose a longitudinal quantitative research at EU level encompassing sectors, countries, and bidding and financing bodies on the essential dynamic capabilities to be developed by SMEs.

## Introduction

From the perspective of SMEs, the cross-border public procurement (CBPP) market is complex and largely unknown. However, it represents an interesting alternative for approaching international expansion. The role of SMEs in the EU has traditionally been crucial for economic growth (Albano et al 2015). Despite the lack of specific integrated statistics on the worldwide scope of cross-border procurement for SMEs (Muñoz-García & Vila, 2019), the size of the public procurement market is around 12% of the GDP of OECD countries (OECD, 2019), although some authors consider that this percentage likely misrepresents the true size of public procurement (Hafsa et al., 2021). In the EU, the public purchase of goods and services accounts for approximately 16% of GDP (European Commission, 2017). Despite the fact that 99% of EU corporations are SMEs, they only obtained one third of the value of public procurement contracts in the EU (de Bas et al., 2020).

SMEs that internationalise through CBPP obtain advantages as this form of entering foreign markets does not require financing the buyer, it has a low risk of non-payment and demand is normally predetermined (Muro, 2012). However, it also poses a specific set of problems. Although there are very rigorous academic studies analysing CBPP (Kutlina-Dimitrova and Lakatos, 2016), over the last 15 years, the topic has gradually begun to attract more interest, and important contributions have been made in identifying the barriers that affect SMEs when it comes to approaching the public procurement market (Loader, 2005; Karjalainen and Kempainen, 2008; Albano et al., 2015). The reduction of barriers has been studied from the perspective of knowledge management (e.g. Saastamoinen et al., 2018), relational and procedural (e.g. Flynn and Davis, 2017b; Reijonen et al., 2022) and learning (e.g. Calderón et al., 2018) capabilities. However, most studies have not considered its cross-border aspects.

There is also a gap in the literature relating to the performance of SMEs in public contracts in general (Tammi et al., 2016), and although there has been a recent proliferation of very interesting research focusing on SME participation in national or local contracts (e.g. Flynn 2017; 2018; Flynn and Davis, 2016; 2017a, b; Saastamoinen et al., 2017; 2018; Reijonen et al., 2022; Namagembe et al., 2021), research on the participation of SMEs in international public procurement is virtually non-existent.

Cross-border public procurement takes place in a dynamic and complex environment where dynamic capabilities acquire significance. Analysing the literature, it is clear that dynamic capabilities exist in international companies (Frasquet et al.,

2013), as in these environments the effect of their application is more notable (Pehrsson et al., 2015) due to their complexity, dynamism and the entrepreneurial approach that is prevalent in such processes (Frasquet et al., 2018).

As Flynn (2017a, p. 991) confirms, “firm size is positively associated with tendering resources and capabilities. Resources and capabilities, in turn, influence tendering activity and performance”, so capabilities are important for winning contracts.

Within the context of cross-border public procurement, literature (e.g. Peck and Cabras, 2010; Mckevitt and Davis, 2013) suggests that one important dynamic capability SMEs must possess are networking capabilities. The central proposition of this paper is that SMEs aspiring to perform well in direct cross-border public procurement and overcome the barriers inherent to it must develop these network dynamic capabilities. Given the gap in the literature in this field and the need to use qualitative research approaches capable of identifying the nuances of the relationships (Flynn and Davis, 2017a; p. 364), this study aimed to understand how dynamic networking capabilities help Spanish SMEs to overcome internal or external barriers in the international public procurement market. With this objective in mind, the following sub-objectives were set: (a) identify networking capabilities developed at each phase of the procurement, and (b) determine the relationship between the developed networking capabilities and the barriers overcome. Spanish SMEs—the scope of this study—are on average smaller than European ones, and in the 2011–2016 period, only 317 SMEs won cross-border contracts. Therefore, analysing this collective within the Spanish context is especially important (Muñoz-García and Vila, 2019).

## Literature review

### Cross-border public procurement and SMEs

Procurement is a formal and competitive procedure through which offers for the acquisition of goods, works or services are requested, received and evaluated and the contract is awarded to the tenderer offering the most advantageous proposal. Procurement can be public or private, and public procurement can be cross-border or local. In cross-border procurement, there are different types of public buyers: national governments and their different levels of administration (regional, local, etc.), non-financial international institutions (Europeaid, EDF, UN, etc.), and financial institutions (WB, IDB, EIB, etc.). Governments are the largest consumers of goods and services, and they represent a significant market opportunity for all businesses given that they are an attractive, reliable and prestigious client (Loader, 2005). Recently some authors (e.g. Loosemore et al., 2021) have called for the incorporation and study of a responsible social approach in the field of public tenders.

Cross-border procurement is an important form of internationalisation for companies (Muñoz-García and Vila, 2019). In some regards, this market has great similarities with traditional export markets, such as the need for enterprises to establish sales strategies (approach to and preparation of bids), accredit references and/or have prior experience, the importance of local support networks, the need to perform marketing activities and the importance of establishing a policy of partnerships

(Muro, 2012). Nevertheless, globalisation has not achieved the same efficiency in cross-border public procurement as in the private international commercial sphere (Clear et al., 2020), and Herz and Varela-Irima (2020) quantified that local companies are 900 times more likely to win contracts than foreign firms.

Bearing in mind the specific influence of SMEs within the global economic context of any country, they are under-represented as suppliers in the public sector (McKevitt and Davis 2013; Flynn and Davis 2016). The reasons reported in academic literature are contradictory. Loader (2013) states that SMEs encounter significant barriers and difficulties partly due to the complexity of the processes; Kutlina-Dimitrova and Lakatos (2016) state that in international procurement, the propensity to contract foreign companies will be greater, among other factors, in contracts valued at more than one million euros, which is detrimental to SMEs. However, Glas and Ebig (2018) have claimed that SMEs do not win more contracts the smaller the size of the tender. Instead, other factors influence SME success, such as the type of public procurement procedure, the number of participating companies and the overall tender volume. For Spanish SMEs, Muñoz-García and Vila (2019) have shown that there is a “cross-border size bias conjecture” whereby the proportion of SMEs that win direct cross-border contracts is smaller than those that win domestic tenders.

However, despite the drawbacks SME face from the outset, Flynn and Davis (2017b) state that SMEs can be “genuine contenders for public contracts provided they are given the opportunity to compete”, and although administrations will consider the best price-quality ratio to select and choose the best bid, at present, public procurement processes are sometimes a strategic instrument for administrations pursuing additional objectives (Schapper et al., 2006), e.g. to support SMEs (OECD, 2019; Loader, 2018).

It seems clear, given the differences between SMEs and large companies, that the size parameter is crucial to finding and resolving potential barriers that may exist in public procurement. Calderón et al. (2018) synthesised the results of the most relevant studies into the barriers for accessing the international public procurement market, distinguishing between internal barriers (deriving from the characteristics and activity of the company) and external barriers (those caused by the environment), and within each type differentiating according to the source of the barrier. At a third level, the barriers were sub-categorised in accordance with Karjalainen and Kempainen (2008), who differentiated according to the source of the problem. Based on our review of the literature, a constant factor seems to be that many of the obstacles reported by companies when approaching the public procurement market stem from the sphere of the administration and, to a large extent, from the procurement systems and procedures. While there is a certain degree of consensus, some authors attach more importance to certain barriers over others depending on the reality of the country, sector or size of the company, and even on the position of the SME in the supply chain (Karjalainen and Kempainen, 2008; Cabras, 2011; Flynn et al., 2013).

## **Dynamic capabilities of SMEs in the cross-border procurement market**

Dynamic capabilities are “the inimitable capability to design, redesign, configure and reconfigure the company’s asset base in order to respond to changing environments

and technologies” (Augier and Teece, 2007, p. 179). Dynamic capabilities have been widely used to study internationalisation processes as not only is the international environment unstable by nature (Pehrsson et al., 2015), when a company operates in many markets with different cultures and institutions it is necessary to assimilate knowledge and incorporate it into the strategy and operations of that company (Pitelis and Teece, 2010), and the more diverse and higher the level of change in the business environment, the more critical these capabilities become (Augier and Teece, 2007). Moreover, Fang and Zou (2009) showed that the more dynamic the environment, the more pronounced the effect of dynamic capabilities on performance. Therefore, we believe that dynamic capabilities may be relevant in the study of international procurement, not only because this market occupies an international sphere that is different to local contexts and unstable by nature but also because each procurement process takes place in a different market to the one the company is accustomed to operating in.

With regard to the types of dynamic capabilities in internationalisation process, literature describes a variety of capabilities, most notably networking capability (Luo, 2002; Knight and Cavusgil, 2004; Weerawardena et al., 2007; Morgan et al., 2018). Given the characteristics and barriers that SMEs face, and as Flynn and Davis (2017a, p.337) state, “relational capabilities are significant in accounting for success rates in contract competitions and commercial orientation towards the public sector”. Therefore, networking capabilities seem to be especially significant in cross-border procurement procedures.

### **Networking capabilities of SMEs in the cross-border procurement market**

Mitrega et al., (2012, p.739) define networking capability as “the complex organizational capability oriented towards managing business relationships along all their main development stages”. Networking capability is especially important for SMEs due to the lack of resources and knowledge necessary to operate in international markets (Gilmore et al., 2006; Pinho and Prange, 2016), by reducing risk, creating value and enabling the development of complementary resources (Nerkar and Paruchuri, 2005; Selnes and Sallis, 2003; Weerawardena et al., 2007) thanks to the availability and skill of management to establish relationships that enable them to access existing knowledge, both outside and within the company, in order to achieve strategic objectives (Nieves, 2014). According to Blyler and Coff (2003), networking not only enables the transmission of complex knowledge, it also creates new resources. Additionally, network ties have a significant influence on firms’ internationalisation (Blyler and Coff, 2003; Ciravegna et al., 2014; Ellis and Pecotich, 2001; Ellis, 2011; Fernhaber and Li, 2013) as they provide paths to entry into international markets, help screen and evaluate potential partners, and reduce exchange risks through the creation of mutual trust (Larson, 1992). Therefore, building and maintaining relevant, superior and effective networks is an integral part of a successful internationalisation process (Liesch et al., 2002).

From the perspective of cross-border procurement, Peck and Cabras (2010) outlined an existing trend among SMEs to participate in procurement processes and more formal and complex contracts, operating through networking as a need to tackle certain types of barriers that arise in this process. This model of participation

allows them to gather resources and capabilities with a partner that acts as a leader and resolves the problems arising from the low level of experience of the other companies (McKevitt and Davis, 2013).

Different reasons justify the need for SMEs to develop networking capabilities, as argued by Muro (2012) who claim that building partnerships to submit joint procurement bids allows such enterprises to gain a partner and avoid a competitor, while Gilmore (2011) claims that it is necessary to obtain useful business information. Operators without prior experience in other contracts should create consortia, or bodies, preferably of different nationalities, and if possible they should include local operators (McKevitt and Davis 2013), since local bidders are more likely to be successful than foreign ones (Clear et al., 2020; Herz and Varela-Irimia, 2020). Given that establishing agreements between companies is not without difficulties (Quayle, 2002; Morrissey and Pittaway, 2004), public administrations created “SME-friendly” policies, which are actions designed to encourage companies to participate as part of a consortium (Flynn and Davis, 2016).

By analysing networking capabilities from a dynamic relationship perspective, following Mitrega et al. (2012) and Mu (2014), we propose grouping these capabilities into three phases (Table 1).

As Loader (2015) indicates, four (4) stages can be distinguished in a procurement process: identification of the procurement process; preparation and presentation; implementation; and the end of the process. Thus, in order to research the networking relationships of SMEs in cross-border procurement procedures, we propose a dynamic approach integrating the phases of the relationship, as well as the phases of the procurement process (Table 2).

## Methods

### Research context and design

Spanish companies participate in cross-border procurement contracts either directly or through consortia with local or third country companies. In 2019, these contracts were valued at 52,225 million euros (Secretaría de Estado de Comercio, 2021). In 2020, Spain, a country where 99.7% of companies are SMEs (Dirección General

**Table 1** Network capability from a dynamic perspective of the relationship

Phases of the relationship	Mitrega et al. (2012)	Mu (2014)
1	Capability to establish the relationship - Search - Selection - Negotiation	Finding network partners - Identifying and selecting the suitable partner
2	Capability during the relationship - Management of the business relationship - Management of the personal relationship - Conflict management	Manage network relationships Relationship skills in order to efficiently and effectively manage the relationship - Establish management mechanisms
3	End of the relationship	

**Table 2** Integrative approach between the phases of the relationship and the stages of the procurement

Phases of the procurement		Phases of the relationship	
		Phase of the main relationship	Scope of the relationship
Phase 1: Identification of potential procurement processes	Phases of the procurement	Relationships before the emergence of the procurement	Identification of potential procurement processes Management
Phase 2: Preparation and presentation of the selected procurement process		Creation of the relationship for a specific procurement process	Preparation and presentation of the selected procurement process
Phase 3: Implementation of the procurement		Relationships during the procurement	Implementation of the procurement Identification selection
Phase 4: End of the procurement		End of the relationship and its continuation	End of the procurement

Source: Prepared by the authors integrating the proposals of Mirrega et al. (2012), Mu (2014) and Loader (2015)



de Industria y de la Pequeña y Mediana Empresas, 2020), ranked as the first non-borrowing country to be awarded the most contracts by the Inter-American Development Bank. Spanish companies have won 1929 international tenders in Latin America, valued at more than 1,943 million euros (LICIREDA, 2021).

Given the absence of prior academic studies, we used the qualitative case-based method to identify and analyse the networking capabilities developed by SMEs to handle the problems that CBPPs pose in each phase of procurement. This was the appropriate methodology due to the exploratory nature of our objectives given that, as reported by Pratt (2009), this methodology is flexible and allows unexpected findings to emerge. This method has been shown to be useful when approaching questions such as the how and why (Yin, 2014), both within the field of dynamic capabilities (Eriksson, 2014; Frassetto et al., 2018), in the study of networks in the field of SMEs (Masiello et al., 2013), and in research into cross-border procurement (Calderón et al., 2018). The qualitative research process was adapted to the progressive focusing model proposed by Sinkovics and Alfoldi (2012) which employs an abductive model (Nordquist et al., 2009) combining deduction and induction. This method was used by McGrath et al. (2019) to study networking capabilities as it facilitates the understanding of the complex nature of relationships and networks (Hanna and Walsh, 2008; Jack et al., 2015; Leppäaho et al., 2018). The information collection method used was semi-structured in-depth individual interviews.

Since this research focused on SMEs, instead of adopting a single case study approach in line with Johnsson and Foss (2011), a multiple firm approach was adopted following Yin (2014) and Leppäaho et al., (2018). For the selection of the number of companies, the recommendation of Eisenhardt (1989) was considered, which establishes a number of between four and ten cases to be analysed in qualitative multiple case analysis. We applied the principle of purposeful rather than random sampling following Patton (2002). Thus, in order to be considered in the study, the companies had to satisfy the requirements of being SMEs, and having bid for and having won direct cross-border procurement contracts. Additionally, the representativeness and chance to learn from the case was taken into consideration, together with accessibility to the company. In order to identify companies, their websites and existing reports, and other secondary information were analysed in order to overcome the limitation of the qualitative method by obtaining different points of view on the same phenomenon (Eisenhardt and Graebner, 2007) and enabling the triangulation of information. Access was gained to six companies that met the requirements, and a public promotion entity was also included, given its relevance in this field, as not only had it won cross-border contracts in its sphere of activity, it also had a department to help SMEs win cross-border contracts, thus allowing us to obtain cross-sectoral knowledge. The interviewees were management staff responsible for cross-border procurement (Table 3).

## Data collection and analysis

With regard to the method of analysing the content of the information, recurrent or central themes were sought, based on initial codes using the literature,

**Table 3** Characteristics of companies and people interviewed

Company code	Sector	Size	Interview code	Responsibility of the interviewee	Years of experience in CBPP	CBPP value (000 €)	Geographic areas of experience
Company EPS1	Nuclear maintenance and cleaning services	Small	EPS11	Responsible for Project Support	9	22.000	France, México, Panama and Italy
Company EPS2	Software development	Small	EPS12	Director of Operations			
Company EPB1	Printing services	Small	EPS20	Manager – Founding Partner	12	400	Brazil, Hungary, Norway
Company EPS3	Training services	Small	EPB10	Assistant Manager	3	200	Switzerland
Company EMS1	Training services	Medium	EPS30	Manager	4	120	Costa Rica, Poland
			EMS10	International Department Director	6	7.000	Central America, South America & Balkans (Croatia & Serbia)
Company EMS2	Food industry technology	Medium	EMS20	International Unit Director	20	1.500	South America (Peru, Chile, Argentina, Colombia, Ecuador, Uruguay), México, Egypt, Tunisia, Guinea, Lebanon, Israel, Canada, Germany, Italy, Hungary, Japan, China, Mongolia, India, Indonesia, Malaysia, Singapore
Organisation EMB1	Institute of Regional Promotion	Medium	EMB10	Executive responsible international procurement	10	150	Ecuador, El Salvador, Brazil and Azerbaijan

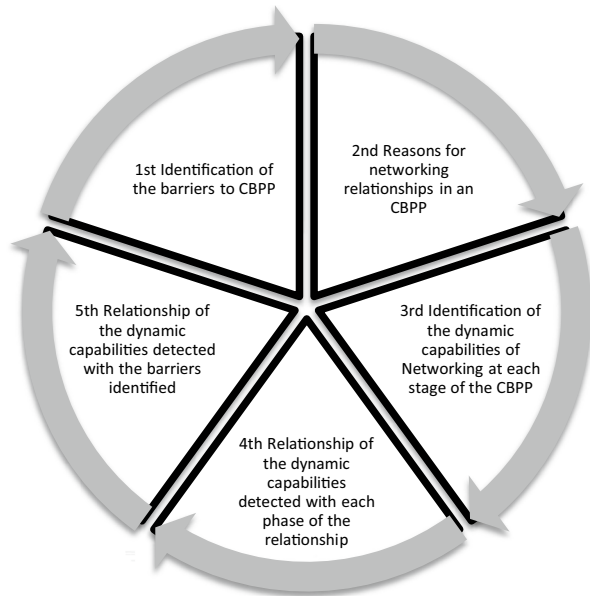
as advised by Patton (2002), initially in each case individually and subsequently with cross-case analysis (Yin, 2003) in order to study differences and similarities. Triangulation was also carried out in the content analysis phase; three researchers participated in the process of coding the content of the interviews, as suggested by Huberman et al (2014) in an inductivedeductiveinductive circular process, first individually and then collectively, for the discussion of new topics and codes absent from prior literature. Following the model proposed in the literature review, 18 barriers were identified and coded (9 internal and 9 external). However, from the analysis of the content of the interviews, three new specific barriers were identified (two external and one internal) that had not been specifically and previously contrasted in the literature. New codes were therefore assigned to these barriers (BEFTP, BERPS and BIFEP). The 21 barriers are shown in Table 4 together with the percentage of times out of the total in which they were mentioned by the companies.

The thematic analysis sequence followed is outlined in Fig. 1. Decisive findings were summarised in tables and figures following Eisenhardt and Graebner (2007), and the authors quoted directly from the interviews to illustrate certain findings.

**Table 4** Frequency of barriers referenced in the interviews carried out

Code	Description of the barrier	% on total references
BECRQ	Compliance requirements	15%
BENOR	Compliance with administrative and regulatory standards in the international market of destination	8%
BECPR	Procedural complexity	7%
BEFEX	The need to demonstrate experience and a prior track record (risk aversion by the administration)	7%
BIERA	Scarcity of administrative and management resources	7%
BIFHI	Lack of language skills within companies	7%
BIERF	Shortage of financial resources	6%
BIFIL	Lack of information about tender announcements	6%
BIFHG	Lack of management skills	6%
BIFIM	Lack of market knowledge	5%
BEFTP	Short deadlines for bid preparation	5%
BERPS	Political and Security Risks in the international market of destination	4%
BIFCR	Lack of knowledge about the usual compliance requirements	3%
BITCS	Size of contracts and delivery capability	3%
BEFCA	Lack of communication between management and provider	2%
BEFRP	Lack of final, expected return on contracts	2%
BIFRL	Lack of legal resources	2%
BECUL	Cultural differences with international partners	2%
BEERA	Excessive delays in administration	2%
BEFCM	Currency fluctuations (exchange)	2%
BIFEP	Lack of experience among staff in international travel	1%

**Fig. 1** Thematic analysis sequence followed



## Findings

### Barriers identified

Table 4 shows the barriers that the SMEs interviewed had faced in their procurement processes. Additionally, we identified these barriers as internal (IB) or external (EB), and also incorporated the percentage of quotations over the total number into the table.

It is interesting to observe that, of the five barriers mentioned most by the companies interviewed, four were external barriers: compliance with requirements (BECRQ), compliance with administrative and regulatory standards in the international market of destination (BENOR), the complexity of the procedures (BECPR) and the need to demonstrate experience and a prior track record (risk aversion on the part of the administration) (BEFEX). The most noteworthy internal barriers were the lack of resources, both administrative and managerial (BIERA), as well as financial (BIERF), along with the lack of skills, information and knowledge.

### Networking capabilities developed in each phase of a CBPP

The main reasons for creating networking relationships in order to gain an international contract are as follows: (a) the obligation or need to team up with local and/or international partners for public procurement bids; (b) the need to have external professionals and specialist technicians that make it possible to complement and enhance the technical level of the bid presented and subsequently the

implementation of the projects; (c) the need to have guidance and the support of consultants, professionals and public entities in order to detect the procurement process, look for partners, seek information about the markets covered by the procurement, design and submit bids, and obtain economic support for the management of securities and guarantees.

EMS10: “Our consortia were almost always with foreign partners. Why? Because multilateral institutions are usually created to bring together the synergies of entities that come from different countries and with different experiences.”

The cross-case analysis did not reveal noteworthy differences in terms of the dynamic networking capabilities highlighted by the different companies—and all of them identified at least five—not even when differentiating between small and medium-sized companies. Therefore, the analysis and discussion of the networking capabilities was carried out by grouping them according to the phase of procurement in which they are required. Thus, in the prior phase (phase 0), “Identification of potential procurement processes”, the companies developed the capacity to establish relationships, both in their country of origin and in the destination country, e.g. by meeting and subsequently taking care of and maintaining contact with local officials that visited the country on trade missions, or in the destination country through contacts with the purchasing managers of projects, law firms and different types of contacts with the actual bodies that are expected to provide some kind of procurement process.

In phase 1 of the procurement, “Preparation and presentation of the selected procurement process”, establishing relationships includes the development of search, selection and negotiation capabilities, given that this phase will result in an agreement (Mitrega et al., 2012). In the case of cross-border procurement, we identified four different types of networking capabilities. We considered these capabilities to be dynamic as each procurement process takes place not only with a different time but also with a different contractor, country and characteristics.

Firstly, the capability to recognise one’s own shortcomings and detail the complementary profile to seek, and consequently the criteria that potential partners need to fulfil, requires deep and critical analysis of the tender specifications, the country in which it will take place, and the company’s own capabilities or shortcomings.

EMS20: “Most cross-border contracts require a group or some partners who group together and are able to attain the first - shall we say - milestone, in other words, ‘To have a good consortium that covers all the areas of the procurement in the best way possible, with the best chance of success’, that is the first challenge.”

Other capabilities developed in this phase are those relating to the search for a partner, where to find them (e.g. in congresses, symposia) and how to look for and obtain the right partner. The companies show the capability to select the correct partner from all potential candidates, valuing those that best complement them and suit the requirements of each contract, and subsequently convince them to participate.

The second phase is the “implementation of the procurement”, the phase in which business management, personal relationship building and conflict management capabilities are considered (Duarte and Davies, 2003). Business management and personal relationship building capabilities are closely linked to the integration of the resources of the different participants, so sometimes protocols are developed which are considered a source of innovation in the improvement of relationships:

EPS30: “When it comes to also integrating those external protocols into the internal working protocols of the company (...) we have had to be agile and flexible in terms of incorporating these new procedures, and have subsequently incorporated each of them because they have been useful.”

The interviewed companies develop conflict management capabilities, both with the tenderer and among the partners with whom they submitted the bid.

EPS12: “I can give you the example of an important partner that has quality and purchase procedures that are exactly the same for building a nuclear power station as they are for purchasing a screw in a hardware store. We are much more flexible, more reactive and that creates problems, which on the other hand is also good, because they take care of the entire administrative report part, so we could say that they are balanced.”

Lastly, the fact that the project is implemented in a different country with foreign rules and legislation implies that it requires procurement management capabilities in the destination, for which purpose local relationships must be established. We also consider these capabilities to be dynamic as the company gradually adjusts and adapts to both the development of the relationship and the changing national, local and international environment in which it is carried out.

EPS11: “And all of that is quite difficult, because every country functions differently. How do we resolve these issues? We use consultancies which advise us on how to do it”.

As regards the last phase (phase 3—“end of the procurement”), given that the end takes place because there is a pre-established deadline and not due to other factors related to the relationship, it was not considered relevant to examine the networking relationships in greater depth, although the companies may have been interested in maintaining contact for future projects.

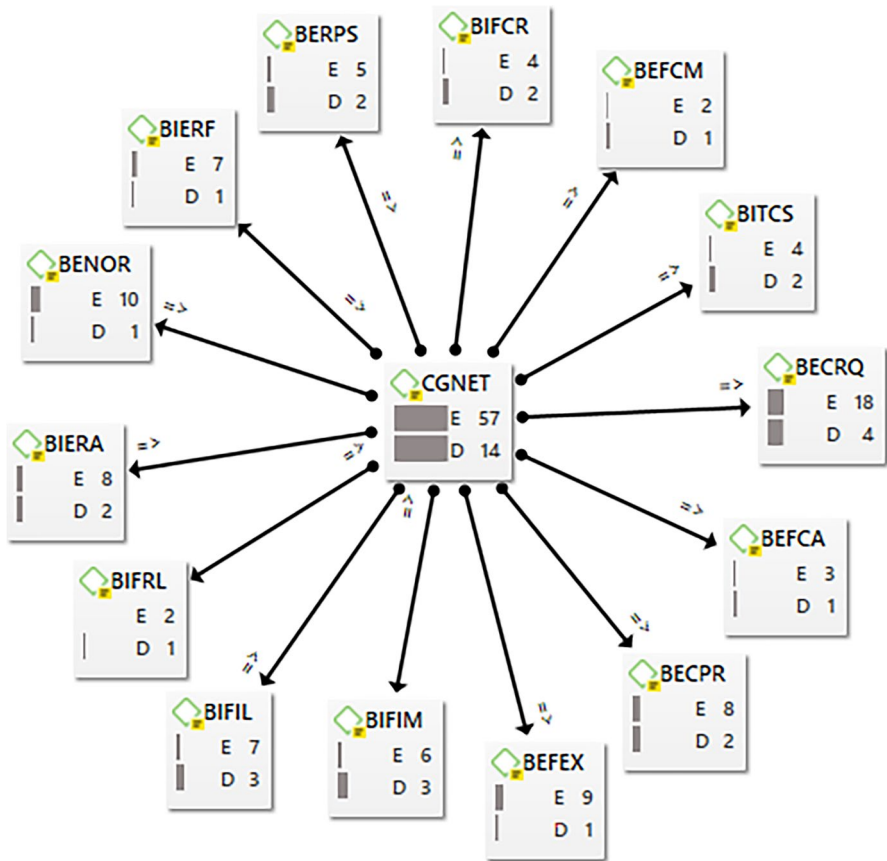
By way of a summary, Table 5 outlines the networking capabilities identified considering both the dynamics of the relationship over time as proposed by Mitrega et al. (2012) and the procurement phases proposed by Loader (2015).

### **Relationship between networking capabilities and barriers identified**

Having reviewed the networking capabilities developed by the companies interviewed, we will now analyse how they enable the companies to overcome the different external and internal barriers in the CBPP market. Figure 2, created based on the concurrency testing carried out with ATLAS.Ti 8 software, shows that the

**Table 5** Main dynamic networking capabilities developed by the SMEs in each phase of the procurement and the relationship

Phases of the procurement	Phases of the relationship		Networking capabilities developed
	Phase of the main relationship	Scope of the relationship	
Phase 0 Identification of potential procurement processes	Relationships before the emergence of the procurement	Identification, selection Management	<ul style="list-style-type: none"> <li>→ Establishing contacts with locals in the country of the potential procurement</li> <li>→ Establishing contacts with locals in the country of the bidding company</li> <li>→ Contract follow-up</li> </ul>
Phase 1 Preparation and presentation of the selected procurement process	Creation of the relationship for a specific procurement process	Identification, selection, negotiation	<ul style="list-style-type: none"> <li>→ Identify and analyse shortcomings of the company</li> <li>→ Define the profile of the partner(s) to look for</li> <li>→ Identification and management of relationships for the search of partners</li> <li>→ Comparison, selection and negotiation with the selected partner</li> </ul>
Phase 2 Implementation of the procurement	Relationships during the procurement	Management Identification, selection	<ul style="list-style-type: none"> <li>→ Management of the business and personal relationship integrating resources and development protocols</li> <li>→ Conflict management with tenderer</li> <li>→ Conflict management with partner</li> <li>→ Establish additional local relationships</li> </ul>
Phase 3 End of the procurement	End of the relationship and its continuation	Management	<ul style="list-style-type: none"> <li>→ Networking capabilities developed for the establishment of future projects</li> </ul>



**Fig. 2** Barriers overcome thanks to dynamic networking capabilities. Within the tables that appear in the figure, two values are observed {E-D}, E (Enumeration) indicates the total number of times firms refer to the barrier/dynamic networking capabilities during the interviews. D (Density) indicates the total number of links identified between the codes corresponding to the barriers and the dynamic networking capabilities

creation of close partnerships with partners, consultancies, advisory bodies and local or international public institutions allow the companies to overcome a significant number of external and internal barriers. Specifically, networking capabilities enable these firms to break down 14 of the 21 barriers identified.

Additionally, Table 6 outlines the barrier-networking capabilities concurrent in each phase of the CBPP process. These capabilities are analysed below.

The barrier that contributes most to overcoming dynamic networking capabilities is the one relating to the fulfilment of requirements (BEQRQ). By developing dynamic networking capabilities, companies manage to fulfil the requirements (geographic experience, reputation, technical and financial solvency, etc.) imposed in international procurement processes. The partners with which the



**Table 6** External and internal barriers minimized by the development of networking capabilities in the different phases of the procurement

Code	Description of the barrier	% times referenced	% accumulated		
			0	1	2
<b>External barriers</b>					
BECRQ	Compliance requirements	19.15%			53.19%
BENOR	Compliance with administrative and regulatory standards in the international market of destination	12.77%			
BEFEX	The need to demonstrate experience and a prior track record (Risk aversion by the administration)	10.64%			
BECPR	Procedural complexity	4.26%			
BERPS	Political risks and security in the destination market of the procurement	2.13%			
BEFCA	Lack of communication between administration and supplier	2.13%			
BEFCM	Exchange rate fluctuations (currency)	2.13%			
<b>Internal barriers</b>					
BIFIL	Lack of information about the announcement of procurement processes	14.89%			44.81%
BIFIM	Lack of market knowledge	12.77%			
BIERF	Lack of financial resources	6.38%			
BIFRL	Lack of legal resources	4.26%			
BITCS	Size of the contracts. Supply capacity	4.26%			
BIERA	Lack of administrative and management resources	2.13%			
BIFCR	Lack of knowledge about the standard requirements to fulfil	2.13%			

companies participate in procurement processes allow them to complement their capabilities and thus present bids that comply with the minimum requirements:

EMS20: “I have a good consortium that covers all the areas of the procurement process in the best way possible, with the best chance of success”, that is the first challenge (...) imagine there are three components, for example, and we know how to do two, but there is one that we are unable to do; if we are unable to find the company that knows how to do the third part, we do not participate.

Compliance with administrative and regulatory standards in the international market of destination (BENOR) is another barrier that can be eliminated through the development of dynamic networking capabilities. The bodies that support internationalisation by providing guidance and training to SMEs are especially relevant in this regard:

EMB10: “There is a part of knowledge of procedures and internal organization, that is to say, there is an administrative part that the companies that have bid a lot here do indeed master but the companies that have to apply this to other countries, and other types of legislations have a lot of difficulties. That is why we are there to offer training for that.”

A link may be established between the barrier relating to the often referenced need to demonstrate experience and a prior track record (BEFEX) on the one hand, and dynamic networking capabilities on the other, as one way in which companies comply with the requirement of certifying prior experience in relation to the purpose of the procurement is by submitting joint bids with other companies that do possess this experience:

EPS11: “... The counterpart, the complementary entity, that is to say, when a procurement process requires you to have experience in 3 areas and you just have one, you seek a partner that has the other two or another two partners who each have one.”

Procedural complexity (BECPR) is another barrier that dynamic networking capabilities help to overcome. The relationship with larger companies, local partners and consultants helps companies to understand and overcome the complexity of procurement procedures and the entire implicit administrative burden.

Companies develop and manage new relationships with partners, contacts, consultants and even support bodies in the origin and destination countries in order to obtain relevant information in good time about the procurement opportunities that may arise, thus overcoming the main internal barrier identified regarding the lack of information on cross-border procurement (BIFIL).

The same applies with the lack of global knowledge of the market barrier (BIFIM). The relationship with partners and bodies helps enterprises to find out about the market where the company plans to carry out the procurement, enabling it to reduce uncertainty, and boosting its chances of making better bids and thus obtaining better results:

EMB10: “(...) ultimately, if you don’t have knowledge of this market, the ideal thing is to be part of a consortium”

In general, the lack of legal resources (BIFRL) is one of the most common barriers faced by SMEs, and in the CBPP market. It is more efficient for companies to have external collaborators in the destination country than maintain internal legal structures:

EPS11: “...each country has a different legislation... It is quite difficult, but it resolved externally, always locally.”

The size of contracts (BITCS) is another barrier that can be resolved through collaboration with partners. The way to approach a CBPP that is larger than what the company is qualified for is by forming a partnership or consortium with one or more companies.

EPS30: “Due to the limitation of resources and the issue of securities, (...) we cannot go for very large projects, we always have to group together with more people.”

Other barriers overcome via networking capabilities that have been reported, albeit less frequently, are those relating to the lack of administrative and management resources (BIERA), and the lack of knowledge about the standard requirements to fulfil (BIFCR).

By way of summary, and complementing the prior analysis, Table 7 proposes the networking capabilities to be developed by SMEs in each procurement phase to overcome each barrier identified in this market.

## Discussion and conclusions

While existing literature is clear on the existence of barriers for SMEs in the procurement market, the academics challenged us to go further. For this reason, we adopted a more specific scope in our research by focusing on direct cross-border public procurement and also approached this topic from the perspective of dynamic networking capabilities. Thus, we integrated two areas in an exploratory way, opening up a new line of research. We added a structure in phases to the study, identifying the dynamic networking capabilities to be developed in each phase of the procurement process and relationship in order to overcome each barrier, and also formally incorporated the study of a new phase prior to the proposals of the scholars who have written about networking.

In response to the question posed in the title of this paper, the results of our study suggest that in the case of Spanish SMEs, their upcoming rise in cross-border public procurement is indeed largely a matter of networking capabilities. Furthermore, the research carried out clearly reveals that dynamic networking capabilities were frequently and clearly referenced by all the companies interviewed, offering ample evidence of their existence and how they have enabled companies to achieve success in the cross-border public procurement market. In other words, not only have we

**Table 7** Networking capabilities to be building by SMEs in cross-border international procurement

Type of barrier	Code	Description of the barrier	Bid phase	Networking capabilities developed by the bidding companies
Internal	BIFIL	Lack of information about the announcement of procurement processes	0	Establishing contacts with locals in the country of the potential procurement Establishing contacts with locals in the country of the bidding company Follow-up of contacts
	BIFIM	Lack of market knowledge	1	Identify and analyse shortcomings of the company Define the profile of the partner(s) to look for
	BIERF	Lack of financial resources	1	Define the criteria that possible partners need to fulfil
	BIFRL	Lack of legal resources	1	Identification and management of relationships for the search of partners
	BITCS	Size of the contracts. Supply capacity	1	Selection of the person that will look for/select the partner Comparison, selection and negotiation with the selected partner
	BIERA	Lack of administrative and management resources	1	
	BIFCR	Lack of knowledge about the standard requirements to fulfil	1	
External	BECRQ	Compliance requirements	1	Identify and analyse shortcomings of the company Define the profile of the partner(s) to look for Define the criteria that possible partners need to fulfil Identification and management of relationships for the search of partners Selection of the person that will look for/select the partner Comparison, selection and negotiation with the selected partner
	BENOR	Compliance with administrative and regulatory standards in the international market of destination	2	Management of the business and personal relationship integrating resources and development protocols Conflict management with tenderer Conflict management with partner Establish additional local relationships
	BEFEX	The need to demonstrate experience and a prior track record (risk aversion by the administration)	1	Identify and analyse shortcomings of the company Define the profile of the partner(s) to look for Define the criteria that possible partners need to fulfil Identification and management of relationships for the search of partners Selection of the person that will look for/select the partner Comparison, selection and negotiation with the selected partner
	BECPR	Procedural complexity	1 and 2	Identify and analyse shortcomings of the company Define the profile of the partner(s) to look for Define the criteria that possible partners need to fulfil Identification and management of relationships for the search of partners Selection of the person that will look for/select the partner Comparison, selection and negotiation with the selected partner Management of the business and personal relationship integrating resources and development protocols Conflict management with tenderer Conflict management with partner Establish additional local relationships
	BERPS	Political risks and security in the destination market of the procurement	2	Management of the business and personal relationship integrating resources and development protocols Conflict management with tenderer Conflict management with partner Establish additional local relationships
	BEFCA	Lack of communication between administration and supplier	0, 1 and 2	Establishing contacts with locals in the country of the potential procurement Establishing contacts with locals in the country of the bidding company Follow up of contacts Identify and analyse shortcomings of the company Define the profile of the partner(s) to look for Define the criteria that possible partners need to fulfil Identification and management of relationships for the search of partners Selection of the person that will look for/select the partner Comparison, selection and negotiation with the selected partner Management of the business and personal relationship integrating resources and development protocols Conflict management with tenderer Conflict management with partner Establish additional local relationships
	BEFCM	Exchange rate fluctuations (currency)	1 and 2	Establishing contacts with locals in the country of the bidding company Management of the business and personal relationship integrating resources and development protocols Establish additional local relationships

outlined how the SMEs develop the capability to network, we have also shown how the development of networking capabilities has enabled them to acquire/integrate resources and capabilities that have subsequently allowed them to win and properly implement the procurement contract. Our results also suggest that the phase in which companies need to overcome most barriers, which can be achieved through the development of networking capabilities, is the preparation and presentation of the procurement bid; this result may support the theory proposed by Flynn and Davis (2017b), namely that relationship capabilities may make it easier for companies to be selective, only bidding for tenders they can win. Moreover, networking with a company in the contracting country would reduce the expectation of “home bias” to contract locally (Herz and Varela-Irimia, 2020).

Our results also suggest that there are at least two important barriers specific to the direct cross-border market that can be easily overcome through networking capabilities; one is external, compliance with standards in the destination market (BENOR); and the other internal, the lack of knowledge about the destination market (BIFIM). In line with Fang and Zou (2009), we consider these capabilities to be dynamic because each procurement process is implemented in a market different to the local one and normally unstable by nature; in this regard, the recommendations of Felin and Powell (2016), targeted at building dynamic capabilities in dynamic environments, may be a starting point.

This study, in addition to its academic contributions, also have potential implications at managerial level. In particular, in the field of networking new abilities and new challenges emerge for SMEs. One example is the digitalisation of the unstoppable BICE (2018) procurement process, and the unpredictable impact of new and disruptive models that pose real challenges for the administration, bodies and companies, but which also increase the transparency of processes (Obwegeser and Muller, 2018). So-called *Public Procurement 4.0* is based on rethinking all existing procurement procedures, and according to the World Bank (2016), economies from all regions are implementing reforms in this regard, yielding multiple benefits (Chibani et al., 2018), not just savings and quicker and simpler processes but also, as indicated by Saastamoinen et al. (2018) and Stritch et al. (2018), new business opportunities by improving SMEs’ ability to access cross-border public procurement markets. In this regard, Loader (2015) shows that the “lack of information about the announcement of procurement processes” barrier may be diminishing, although there are major differences between countries as while some do not even have a portal or platform, others already have sophisticated platforms offering a large number of services (World Bank, 2016). Platforms have recently been proposed in this area (e.g. Balance Score Card by Clear et al., 2020; TheBuyForYou by Soyulu et al., 2022) despite their still limited scope. At European level, although most EU countries have updated their e-procurement systems, they do not perform systematic assessments of their performance (Magina, 2020).

Another obvious yet equally important general implication deriving from our research is that success in the cross-border public procurement market is not a coincidence. Thus, companies that perform well in the market need to gear themselves towards an international marketing approach, by carrying out prior in-depth internal analyses of their resources, capabilities and the identified environment,

by studying and networking with tendering bodies, with entities that can provide support in the process, and above all with potential partners in the origin and destination country, but also in other countries if they do not find the right counterpart. Then, they need to design and commit to a medium-term strategy with allocated resources, and carry out a systematic selection of markets (identifying priority countries/bodies) and prepare to implement the aforementioned strategy. Saastamoinen et al. (2020) and Reijonen et al. (2016) have already shown that the level of SME participation in public tenders is linked to how entrepreneurial their approach is, i.e. how actively they perform in the initial search and presentation phases of the process. According to Clear et al. (2020), SMEs need two different strategies and mindsets to find and win CBPP contracts: commitment to the international market; and openness to working in networks.

One interesting conclusion that emerged from the literature review and the content of the interviews is that companies regularly attend forums, gatherings, conferences and seminars in search of knowledge to improve their management or a specific project, but these face-to-face events, which are considered more fruitful than those currently provided by social networks, are also a chance to meet interesting prospects. The key is to make that networking truly effective by turning it into a crucial strategy, establishing relationships based on not only the one-off interest of the moment but also establishing a network of long-term contacts. Recently, Herz and Varela-Irima (2020) showed that the key to success are these links established between public officials and companies, either over time or through their personal relationships, while Uyarra et al. (2019) and Saastamoinen et al. (2020) suggest that a more organised dialogue is necessary between suppliers and contracting authorities.

In short, the results of this research suggest that networking, procurement 4.0 and a strategic international marketing approach are the main factors that serve as catalysts for the future increase of SME participation in the cross-border procurement market. Therefore, future academic studies with mixed research methods that consider these variables together are required. Additionally, despite not being the aim of this research, more recent literature (e.g. Rosell, 2021) encourages us to consider the important role that variables related with Green Public Procurement will play.

Moreover, implications also arise for the administration. We agree with Arend (2014) that policymakers must help SMEs, and especially the smallest ones, to build dynamic capabilities; the proposals linked to networking described by these authors include benchmarking “and other activities and resources that could encourage planning and improvements in operational change processes. Policymakers could also promote the DC-type skills by requiring them”. Also, in the case of countries with large numbers of small companies, the administration should first identify which companies employ the approach proposed previously, and which ones really have the potential to operate directly in the cross-border public procurement market, and encourage them to present bids as part of a group with other companies and collaborators, encouraging the concept of “supplier development”, and especially, as indicated by Rajionen et al., (2022), when they are large tenders. This should be complemented with actions aimed at increasing their knowledge of procedures and

requirements, without forgetting the development of specific skills with the SMEs themselves through mentoring programmes.

Our study also had limitations which unveil potential future areas of research., Given the qualitative and exploratory nature of this study, and despite the fact that Loader (2013) indicated that companies report the same barriers when competing for public contracts irrespective of jurisdiction, we believe that when cross-border public contracts are analysed specifically, research needs to go one step further and could be complemented by increasing the number of countries studied, broken down by sectors and tendering bodies, and making the research longitudinal, as our study clearly shows that SMEs believe that each country and/or funding or local body, and at every point in time, poses different challenges, thus revealing the different characteristics of each bid.

Despite the contributions made in this initial analysis of the CBPP market from the perspective of networking in the field of Spanish SMEs, the results obtained may not be generally applicable to all sectors/markets and types of SMEs. Not only was this not the objective of the research methodology used, but also, as highlighted by Frank and Roessl (2015), SMEs are extremely diverse and it is not always possible to draw conclusions that can be applied to all of them. Furthermore, Clear et al., (2020) recently stated that compared to large EU countries, smaller ones are more likely to award contracts to firms from other countries. This points to the need for more theory-based studies, closing the gap between existing research and cross-border public procurement practices. Although an attempt was made to reduce the inevitable subjectivity of the researcher in the coding of dynamic capabilities—by having different researchers compare them and discuss the classification of evidence—until the contributions of future studies in this under-researched area are consolidated, it would be unwise to make generalisations about all the results obtained. Nevertheless, this paper contributes to the literature by starting a dialogue between the literature on the dynamic capabilities of internationalisation, networking and the role of SMEs in the cross-border public procurement market.

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