

The Impact of Bid Training on Small Firm Growth in Liberia



When small or informal firms are invisible or inaccessible to large buyers, including governments, these firms cannot grow and reach their full potential. Innovations for Poverty Action is working with researchers to evaluate whether a bid training provided by Building Markets that intends to teach businesses how to find, apply for, and win larger contracts can help small businesses grow.

Policy Issue

Reducing barriers to small business growth is crucial for emerging private sectors in low-income countries. Information frictions—information gaps that prevent buyers and sellers from finding each other and entering mutually profitable contracts—appear to be widespread in poor countries, and to severely restrict firm and market growth. Many capable suppliers lack ways of documenting their abilities, or they do not have the knowledge or skills necessary to access or win large contracts.

Providing these small firms with information and training on how to bid for large contracts may enable them to make themselves visible and accessible to larger buyers and affect business and market success. This research will investigate the impact of such trainings and why firms may or may not want to enroll in them.

RESEARCHERS

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COUNTRY

Liberia

PARTNER

Building Markets

PROGRAM AREA

Entrepreneurship and Private Sector Development

TOPICS

Access to Markets, Human Capital & Skills, Microenterprise, Training & Mentoring

TIMELINE

2016-2017

Evaluation Context

The success and growth of small and medium-sized firms is likely a constraint on growth for Liberia, a country emerging from civil war without many established, larger, domestically owned firms.

Researchers hypothesize that many Liberian firms are in fact capable of fulfilling larger orders and winning repeat business, but that frictions are a barrier to firm growth; businesses could succeed if they could find and win the appropriate opportunities.

Building Markets is an international nonprofit that focuses on bridging the gap between buyers and suppliers. The organization runs a “bid training” program that teaches suppliers how to locate and apply for business opportunities, and how to maximize their chances of winning larger contracts.

Details of the Intervention

Innovations for Poverty Action is working with researchers and Building Markets to conduct a randomized evaluation investigating the impact of the bid training on firm success. Researchers will randomly assign 1000 businesses already in Business Marketing’s network to one of two groups:

Bid training: Through in-person visits, business leaders in this group will learn about the bid

training and its potential benefits. Each business will then be offered a voucher for a free training and have the opportunity to sign up for a session. As part of the training, Building Markets will teach firms to apply to tenders, including how to put together all the necessary documentation, and how to write a convincing bid.

Comparison: Businesses in this group will not receive any information about or encouragement to attend the bid training.

Researchers will use survey data to evaluate whether being encouraged to attend the bid training affects businesses' growth and development, as well as their business practices. Researchers are also interested in the effectiveness of information provided in correcting firms' misconceptions. For example, one theory is that firms may believe that businesses like theirs—unconnected, small, etc.—never win contracts, and that attending a bid training will therefore not benefit them. Providing information on success rates in Building Markets' databases may result in such firms applying to more tenders and winning more contracts.

Results and Policy Lessons

Results forthcoming.