



## Training the Owner vs Linking Firms to Business Service Markets in Nigeria

The project is a randomized trial looking to study training, consulting, outsourcing, and human resource insourcing interventions and their impact on firm outcomes.

The results will inform the Nigerian Government on interventions on changes in business practices or bankable business plans that have impact for future scale-up.



Photo: Arne Hoel / World Bank

### Context

Developing the private sector is crucial for the continued growth of the economy, in particular in Nigeria, a country that has a strong reputation for entrepreneurship, with Nollywood and the ICT sector being particularly prominent. Yet more than 99 percent of all firms in Nigeria still consist of only the owner. The lack of modern practices partly explains the predominance of self-employment in the country (Bloom et al., 2010 and McKenzie and Woodruff, 2016) and the overall sluggish growth outside the oil and gas sector. As a result, the private sector fails to generate enough jobs to absorb new entrants (mostly youth) on the labor market.

McKenzie and Woodruff (2017) show that small firms with better business practices earn more, are more likely to survive, and grow faster. What is less clear is the best way for firms to overcome these constraints. As an alternative to training, consulting services also have the potential to improve business practices and, in turn, increase employment (Bruhn, Karlan and Schoar, 2017) and productivity (Bloom et al, 2013). In addition, there are other ways firms can augment skills such as through

insourcing or outsourcing services. Either approach could be effective at both improving business practices and increasing functional specialization so owners can delegate and focus on growth activities.

### Interventions

- 1) *Business Training*: Mix of online and in-class training, with curriculum based on IFC Business Edge and adapted to the local context.
- 2) *Business Consulting*: Guidance to SMEs in a one-to-one and personalized consulting. This entails one day of assessment and 10 days of business consulting provided by consultants over 6 to 9 months, meeting at least once a month.
- 3) *Insourcing*: Firms in this group access an online marketplace to choose a Human Resource (HR) specialist from a list of vetted firms. This HR specialist will then help recruit an accounting worker or marketing worker to join the firm and perform tasks in the respective functional area. The firm will receive a wage subsidy that fully pays the cost of such a

worker in the first few months but then gradually declines over 9 months (by which time the firm covers the whole wage).

- 4) *Outsourcing*: Firms in this group access an online marketplace to choose an Accounting firm or Marketing firm from a list of vetted firms. They will then outsource their accounting or marketing activities to this firm. As with insourcing, a subsidy will cover the cost of these services initially, which will be phased out over time.

## Evaluation Design

Firms will first apply online through an online platform in response to advertising campaigns. Two screening processes will take place to select firms that score between 5 and 8 out of 10 for business practices, work in one of the five GEM sectors, have been two and 15 workers, and are not already outsourcing or insourcing marketing and finance functions.

Afterwards, 2,000 firms will be randomized into 400 per intervention above, with 400 serving as the control group.

## Policy Relevance

This is the first time to our knowledge that all the commonly-used private sector development interventions are tested simultaneously under one project. In general, projects are measuring one activity only (training, or consulting or grants) which makes the comparison of the activities difficult (different countries, different implementing agencies). Given the range of activities and the sample size, the GEM project offers an unique opportunity to compare various activities that are addressing the a main barrier to growth of MSMEs, namely lack of skills.

## Materials

[Methodology Note](#)

## Researchers

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## References

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