



DIFFICULTIES AND STRATEGIES OF MICRO AND SMALL COMPANIES IN BIDDING PARTICIPATION

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ABSTRACT

It is estimated that public purchases, at various levels of government, move about 10% of the Gross Domestic Product (GDP). Taking into account that the government is the largest buyer in the country, this study aims to verify the challenges faced by micro and small enterprises (SMEs) to participate in bidding processes, as well as the strategies used by them to address these processes. For that, an exploratory study was carried out, with a qualitative approach, of the case study type, using as a research tool an interview script applied to 21 SMEs and individual micro entrepreneurs (MEI, acronym in Portuguese). The results showed that MSEs and MEIs use the lowest price as a strategy and that the main challenge is to maintain the provision of services or the supply of goods or merchandise even with late payments.

Keywords: Public administration; Bids; Micro and Small Business.



1. INTRODUCTION

Concerns about performance issues in the public sector affect a number of areas, including public procurement (Cabral et al., 2015). According to Arlbjor and Feytag (2012), government purchases represent a significant share of a country's economy, given the purchasing power of the public sector, so that contracting public goods and services is an important means used to redistribute resources between economic agents (Marion, 2007).

In Brazil, the government implemented specific laws for micro and small enterprises (MSEs), not only because of their great potential in terms of employment and income generation, but also as a measure to make competition between these and large-scale companies more balanced. This is because, although companies are subject to the same problems, MSEs have distinct response patterns according to the reality they face (Cabral et al., 2015).

The MSEs account for 99.2% of all Brazilian enterprises, and are responsible for the generation of most formal and all informal jobs (Sebrae-SP, 2005), and are therefore recognized for their economic representativeness. This factor, added to the fact that the government is the largest buyer in the country, because it requires materials for the maintenance of the public machine in order to provide social welfare, results in the transformation of government purchases into an important instrument for the development of companies and consequently of local economies.

According to Portal Brasil (2015), the acquisition of goods and services in the first quarter of 2014 with contracts with the MSEs was R\$ 7.60 billion, 13% higher than that verified in the same period of 2013. In addition, in the period from January 1st to July 5th, 2015, of the total of R\$ 28.9 billion related to government spending/investments, 37.2% correspond to the participation of the MSEs.

The relationship between government and company, in general, in the purchases and contracting of services with the objective of maintaining the public machine, is governed by rules dictated by laws. In this perspective, the bidding process is included, understood as a formal process of competition among stakeholders. Through it, products, values and companies are evaluated in order to guarantee products and/or services of good quality at the lowest price. It is therefore a formal administrative procedure, in which the public administration team calls for companies interested in providing services or selling products, by means of conditions established in its own act, by invitation to tender or direct invitation to interested companies, which must present its proposal for the supply of goods and services within the already pre-established guidelines

and conditions (Carvalho Filho, 2009). In bidding, one must take into account not only the lowest price, but also the needs of state administration and the community (Dias, 2000).

In order for government procurement to be an instrument of economic and social development, Complementary Law 123, of December 14, 2006, recommends in its article 47 that all public administration (direct and indirect) must carry out bids with benefits to MSEs. Despite the existence of laws such as these, which benefit MSEs in participating in bidding processes, few know and participate in these processes (Freitas, 2011).

Therefore, the question was: what has been researched in relation to the participation of MSEs in public tenders? The answer to this question demands to know the results of the studies that focus on this theme. Therefore, the topic proposed in this article is justified because the knowledge and awareness in terms of the complements of the bidding law, presented by Law 123/2006, which guarantee the benefits to the MSEs, are fundamental, as they aim at the economic and social development of the Country. In this sense, this article proposes to verify the challenges faced by the MSEs to participate in bidding processes, as well as the strategies used by them to face these challenges.

There are several MSEs that are unaware of the bidding process; others even know of the existence of laws that benefit them and even have an interest in bidding; however, in the current economic scenario of crisis, characterized by high unemployment and reduced number of hirings, and the existence of bureaucracies make these companies do not see the bids as a market alternative, or feel some kind of fear of participating in them (Freitas, 2011; Dutkevics, 2013; Torres *et al.*, 2013).

It is worth noting that there is a high mortality rate of the MSEs and the fiscal incentive policies are still insufficient to compete with large companies. This is due to the requirements of certifications, machinery, care for the environment and the regulations imposed by labor laws. In addition, in order to maintain a market that requires skilled labor, working capital or investment may be too high and have already compromised MSEs since birth (Rossato, 2011).

In a context of increasingly competitive markets, bidding processes can be seen as opportunities for survival for MSEs. To do so, they need to outline the strategies they will adopt to achieve their goals. Thus, it is important to identify the challenges and strategies adopted by MSEs to participate, win and remain in federal public contracts, which is the objective of this work.



2. METHOD

According to Marconi and Lakatos (2003: 83), “method [...] is the set of systematic and rational activities that, with greater security and economy, allows us to achieve the objective - valid and true knowledge, tracing ways to be followed, detecting errors and helping the decisions of the scientist”.

One of the structural bases for the elaboration of the research project, according to Crotty (1998), is the methodology – research strategy or action plan that associates method with the results.

In this sense, this research was delineated as descriptive and exploratory, of a qualitative nature, of the type of case study, aiming to provide a view on the bidding and to identify the challenges faced by the MSEs in the participation in bidding processes of public institutions and the strategic solutions adopted to confront them.

In exploratory and descriptive studies, the most commonly used instruments for data collection are the questionnaire and the interview (Martins, 2000). As this research was descriptive in nature, data collection was structured in a script of interviews that, according to Gil (2008, p. 121), is defined as “[...] the research technique composed of a set of questions that are submitted to people for the purpose of obtaining information about knowledge, beliefs, feelings, values, interests, expectations, aspirations, fears, present or past behavior, etc.”.

Research of a qualitative nature was employed because, according to De Sordi (2013, p. 100), it “[...] employs interpretive techniques for analyzing and understanding phenomena of a subjective nature”. In this case, the researcher collects the data, through interview in his natural environment, observing the behavior of the interviewee. The case study is a research strategy that involves the use of several methods of data collection. Yin (2010) comments that this research strategy seeks to examine a phenomenon in its context through a case study, which may have a great impact on the quality of the research.

3. RESULTS

The analysis of the quantitative data regarding the socio-demographic characteristics of the interviewees was made

based on the information collected during the interview. The variables treated allowed a brief and clear characterization of the sample of companies surveyed, with reference to the sector and time of operation in the market, number of employees and classification according to the classification of the Brazilian Service of Support to Micro and Small Companies (SEBRAE); and for the interviewees, the position occupied and the length of service in the company, sex, educational level and age group were verified.

The sample used in the present study had 21 respondents and, for better visualization, Table 1 shows the demographic characteristics of the companies.

Table 1. Demographic characteristics of enterprises (n=21)

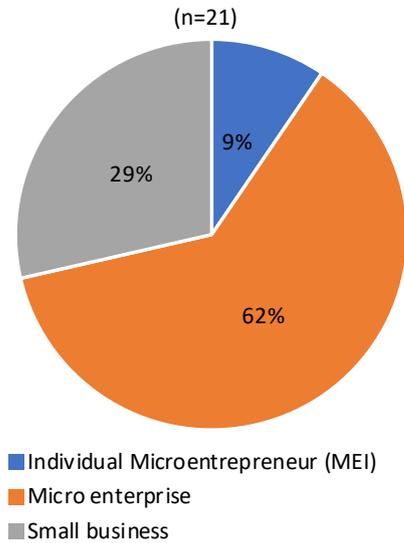
Characteristics	N	%
Operating time in the Market		
0 to 10 years	12	57,1
10 to 20 years	6	28,6
20 to 30 years	2	9,5
30 to 40 years	1	4,8
Sector of activity		
Trade	11	52,4
Industry	1	4,8
Services	9	42,8
Number of employees		
0 to 10	13	61,9
10 to 20	5	23,8
20 to 30	3	14,3
Company framework		
Individual Microentrepreneur	2	9,5
Micro enterprise	13	61,9
Small business	6	28,6

Source: Authors' elaboration, 2016

It is verified that: 57.1% of the companies have up to 10 years of operation in the market; 52.4% work in the commerce sector; 61.9% have a maximum of 10 employees; and 61.9% are classified as micro-enterprises according to Sebrae (Chart 1).



Chart 1. Ranking of companies according to Sebrae classification (n=21)



Source: Authors' elaboration, 2016

Regarding the sociodemographic characteristics of the interviewees (Table 2), the results showed that 52.4% are owners of the business; 80.9% are men; and 42.9% have higher education. In addition, the majority is aged between 36 and 55 years and has up to 10 years of service in the company.

Table 2. Sociodemographic characteristics of interviewees (n=21)

Characteristics	N	%
Position in company		
Owner	11	52,4
Employee	1	4,8
Manager	2	9,5
Partner	7	33,3
Sex		
Female	4	19,1
Male	17	80,9
Education		
High school	3	14,3
Technical education	4	19,1
Higher education	9	42,9
Post Graduate	5	23,8
Age (years)		
25 to 30	3	14,3
35 to 45	7	33,3
45 to 55	7	33,3
55 to 65	4	19,1
Time of service in the company		
0 to 10	13	61,9
10 to 20	5	23,8
20 to 30	2	9,5
30 to 40	1	4,8

Source: Authors' elaboration, 2016

When questioned about the knowledge of Complementary Law 123/2006 (Table 3), 61.8% of the respondents said they knew little about their disposition. Regarding the form of knowledge of this law, 47.6% said they had known it through reading the general law of the SMEs and 100% informed to take knowledge from the internet.

Table 3. Knowledge of the respondents about Complementary Law 123/2006 that provides benefits to SMEs (n=21)

Questions	N	%
Degree of knowledge about the benefits foreseen to the SMEs regarding participation in bidding processes		
Good	4	19,1
Little	13	61,8
Regular	4	19,1
Medium through which the law was known*		
Internet	21	100
Reading of the contents of the general code of SMEs	10	47,6
Courses	1	4,8
Lectures and seminars	2	9,5
As for the search of information and licitations and analysis of public notices*		
Company decisions are centralized in me	5	23,8
Someone is missing to advise on bidding	18	85,7
I can do it, but it could be passed on to someone else	1	4,8
There is a lack of interest of the support agencies in stimulating	9	42,9
Existence of change regarding participation in bids after the validity of Law 123/2006*		
Yes, there was change because we started to compete in more bids	1	4,8
Yes, in just a few aspects, and we are interested in participating intensively in bidding processes	9	42,9
Partially	3	14,3
There was no change regarding participation in bids	9	42,9
Benefits you consider most important*		
Tax benefits	19	90,5
The tie-breaking criterion adopted by the new legislation	14	66,7
The guarantees of public administration	8	38,1

Source: Authors' elaboration, 2016

* Note: Questions in which it was possible to indicate more than one alternative in response.

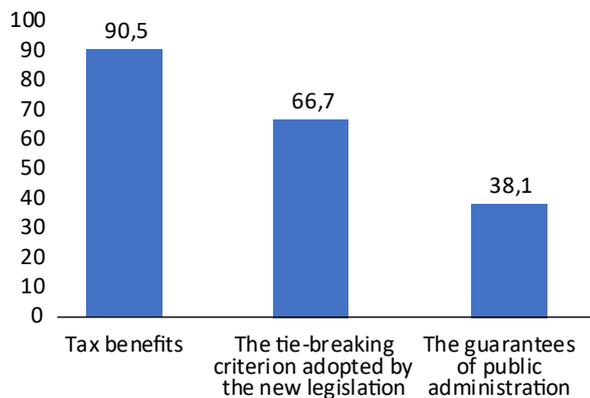


It should be pointed out that 85.7% and 42.9% of the respondents, respectively, complained about the lack of advice for participation in bidding documents and the lack of interest of support bodies that stimulate participation (e.g. Sebrae, Commercial Association).

It is interesting to note that 42.9% of the respondents said they were more interested in participating in new bidding notices under Law 123/2006, while the same proportion stated that there had not been any changes regarding the participation of companies in these processes.

Among the benefits listed to interviewees, 90.5% consider the tax benefits to be the most important, followed by the tie-breaking criteria adopted by the law (66.7%) and the public administration guarantees (38.1%), as shown in Chart 2.

Chart 2. Benefits of Complementary Law 123/2006 considered as the most important by the interviewees (n=21)



Source: Authors' elaboration, 2016

When analyzing the data related to participation in bidding processes, the challenges faced and the strategies adopted, 42.9% of the respondents said they had a degree of regular knowledge regarding public bidding and that the entire sample had already participated in this type of bidding through a trading session (Table 4).

Table 4. Participation in bidding processes, challenges faced and strategies adopted (n=21)

Questions	N	%
Indicate your degree of knowledge about public bidding		
Advanced	1	4,8
Good	6	28,6
Little	5	23,8
Regular	9	42,9

Has your company participated in any public bidding process?		
Yes	21	100
Did you have difficulty obtaining the documents requested to participate in the bid?		
Yes (Proof of technical capacity)	1	4,8
No	20	95,2
What type of bidding did the company participate in?*		
Trading floor	21	100
Invitation	1	4,8
Price Takings	1	4,8
Competition	6	28,6
Did you find it difficult to participate in the bids?		
No	15	71,4
Yes	6	28,6
Have you ever won a bidding process?		
Yes	21	100
If yes, which product is supplied	16	76,2
Mineral water	1	6,2
Mattresses	1	6,2
Laboratory Supplies	1	6,2
Disposable Materials	3	18,7
Electric materials	1	6,2
Wooden furniture	1	6,2
Products	1	6,2
Ration for guinea pig	1	6,2
Cleaning service	1	6,2
Reception service	1	6,2
Security service	1	6,2
services	3	18,7
Used the benefits of Complementary Law 123/2006 to win the bid	20	95,2
No	18	90
Yes	2	10

Source: Authors' elaboration, 2016

* Note: Questions in which it was possible to indicate more than one alternative in response.

It is noted that 95.2% had no difficulty in obtaining the documents requested for participation in the bidding process, while only 4.8% had difficulty obtaining the technical capacity certificate.

It was found that 71.4% did not present any other difficulties in the participation of the biddings, and that, despite the difficulties, the entire sample already won some bidding process for the supply of products or services: 37.30% provided services such as: cleaning; reception; security, among



others; 31.10% provided materials such as: disposable, electrical and laboratory materials. Another relevant fact is that 10% used the benefits of the law to win the bidding.

It can be seen from Table 5 that the most frequently used words in the answers to the subjective questions about the knowledge of Complementary Law 123/2006 correspond to the respondents' complaints about the "the lack of a person or organ to advise and guide them in the participation of the biddings".

Table 5. Most frequently used words in respondents' answers to questions related to the knowledge of Complementary Law 123/2006 (n=21)

Words	N	%	Similar words
Participation	36	2,6%	Participation
Absence	33	2,4%	Abcense
Biddings	29	2,1%	Biddings
Internet	22	1,6%	Internet
Organ	34	2,4%	Organ; organs
Benefit	20	1,4%	Benefit; benefits
Companies	19	1,4%	Company; companies
Supervisor	19	1,4%	Supervisor
Payment	15	1,1%	Payment; payments
Criterion	14	1,0%	Criterion
Tie-breaking	14	1,0%	Tie-breaking
Processes	13	0,9%	Process; processes
Support	11	0,8%	Support
Warranties	11	0,8%	Warranty; guarantees

Source: Authors' elaboration, 2016

Table 6 shows that the greatest difficulties encountered by respondents regarding the participation of companies in the bidding processes refer to bids without technical specifications of the product/service to be contracted and to the fact that the agencies do not know how to conduct trading sessions.

Table 6. Subcategories and number of references related to the difficulties encountered by the respondents regarding the participation of companies in the bidding processes (n=21)

Category	Subcategory	Number of references
Difficulty of participation	Collusion	2
	Related searches	3
	Lack of technology	1
	Organs do not know how to make trading sessions	3

Source: Authors' elaboration, 2016

The qualitative analysis of the most incidental words in the responses concerning the strategies adopted in tenders (Figure 1 and Table 7) shows that the majority (n=13) of the respondents used the lowest price for supply, followed by those who said that knowing the edict (n=6) is a strategy used to overcome the challenges faced during the bidding processes.

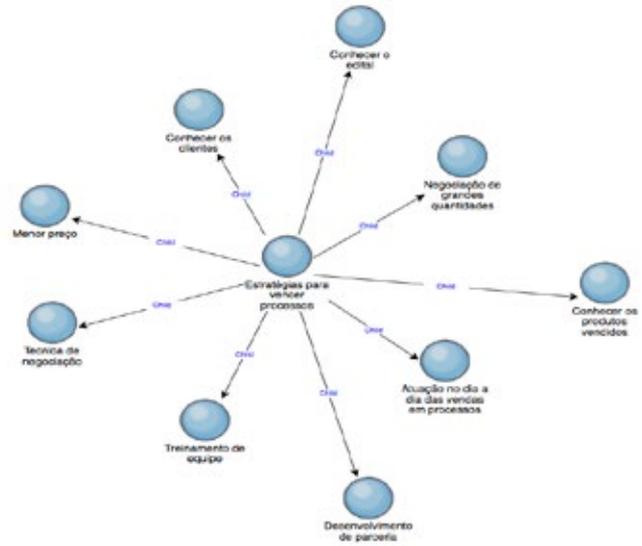


Figure 1. Cloud of words originating from subcategories and amount of references related to the strategies used in bids (n=21)

Source: Authors' elaboration, 2016

Table 7. Subcategories and number of references related to strategies used in bids (n=21)

Category	Subcategory	Number of references
Strategies to overcome processes	Sales performance in day-to-day processes	1
	Know the edict	6
	Know the customers	1
	Know the products sold	1
	Development of partnership	1
	Lowest price	13
	Trading large quantities	1
	Trading technique	1
	Team training	1

Source: Authors' elaboration, 2016

The qualitative analysis of the words that are most frequently used to describe the challenges encountered in bidding processes, as shown in Figure 2 and Table 8, shows that respondents are aware of the difficulties of earning for the services provided (n=8) and lack of information in the public notice (n=7); however, they say that they guarantee the maintenance of the services, even without earning for



it (n=3).

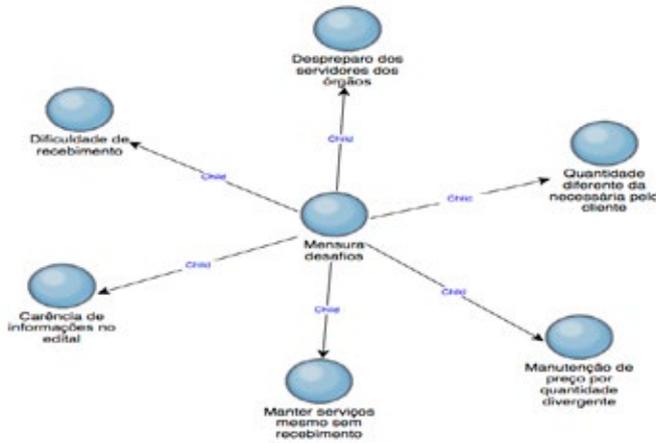


Figure 2. Cloud of words originating from subcategories and number of references related to the difficulties encountered by the respondents regarding the participation of companies in the bidding processes (n=21)

Source: Authors' elaboration, 2016

Table 8. Subcategories and number of references related to the difficulties encountered by the respondents regarding the participation of companies in the bidding processes (n=21)

Category	Subcategory	Number of references
Challenges	Lack of information in the public notice	7
	Unpreparedness of the servers of the organs	1
	Difficulty receiving for the services rendered	8
	Maintaining services even without receiving for them	3
	Maintenance of price by divergent quantity	1
	Quantity different from that required by the customer	1

Source: Authors' elaboration, 2016

The association between the responses obtained was evaluated and, when the association occurred, it was computed and the results described.

The association studied – presented in Table 9 – aimed to identify if the difficulties encountered by companies, when participating in bidding, were superseded by the strategies adopted in order to win bidding processes. The Fisher exact test was used after counting occurrences of subcategories in the given answers, which indicated that there was no association between responses ($p > 0,05$). This result suggests

that there is a need for learning by the companies analyzed about the development of strategies to overcome bidding processes, considering the difficulties faced.

Table 9. Association between the answers given in subjective questions about the difficulties of participation in edicts and the strategies used to overcome them

Strategies to win	Difficulties of participation		Total
	Failures in public notices and biddings	Collusions	
Lower prices	3	1	4
Knowing the public notice	3	1	4
Total	6	2	8

Source: Authors' elaboration, 2016

Fisher's exact test (1954), considering the data presented in Table 9, resulted in: 2×2 ; $p = 0.9999$. This means that there is no association between the issues, considering the categories of responses.

Table 10 shows the association between the measurements of the reported challenges and the strategies to overcome bidding processes. Again, after content analysis, the occurrence count of subcategories was made and the Fisher exact test was used. The result indicates the absence of an association ($p > 0.05$). This result indicates the need for these companies to learn how to deal with the measurement of challenges and to use such knowledge to design strategies to overcome bidding processes.

Table 10. Association between the measurements of the challenges reported by the respondents and the strategies to win bidding processes

Strategies to win	Measuring challenges		Total
	Lack of information in the public notice	Difficulty receiving	
Lower prices	4	6	10
Knowing the public notice	3	2	5
Total	7	8	15

Source: Authors' elaboration, 2016

Fisher's exact test (1954), used for the data presented in Table 10, resulted in: 2×2 , $p = 0.8531$. This means that there is no association between the issues, considering the categories of responses.



4. FINAL CONSIDERATIONS

The purpose of this study was to verify the challenges encountered by MSEs and MEIs to participate in bidding processes, as well as the strategies used to address these challenges. For that, the data were collected through interviews with representatives of MSEs and MEIs, who participated in bidding processes with federal universities.

In the scope of this study, among other items, it was verified that the respondents have little knowledge on the bidding law. This reality can be the result of the non-disclosure of this law by the bodies that support the MSEs and the MEIs and, at the same time, the fact that this public does little to seek these supportive bodies, which leads to complaints about the lack of advice for the participation in bidding documents.

Regarding the challenges faced by MSEs and MEIs, as for the bidding processes, it was verified that the respondents are aware of the difficulties of receiving the services rendered and the lack of information in the bidding documents, although they guarantee the maintenance the services even without receiving.

Other challenges reported were: to raise the necessary documentation within the deadline required by the biddings and to overcome unequal competition in view of the precarious form of disclosure of the bidding notice, contrary to Article 3, item V of Law 8666/93, which describes advertising as one of the guiding principles of bidding.

In the light of the foregoing, there is an imbalance between what is practiced by the contracting institutions and what is required by the law of bidding, whether due to the distance of the bidding from the reality of these MSEs and MEIs or the placement in locations not visible to them.

With regard to the strategies used by the MSEs when participating in bidding processes, this public uses the lowest price for the provision of services or products, a strategy that matches the business or market approach, consisting of the set of competitive changes to achieve the best performance of the company in a market context.

It is considered as a fundamental point the need for training of the entrepreneurs and employees of the MSEs, through lectures and courses, so that they become able to participate in public bids and enjoy the benefits of the law.

Some simple attitudes that could increase the effectiveness of participation and the results of bids are suggested, such as: a) the provision of free or low-cost training courses, such as "price formation costs", with the aim that entrepreneurs have a better understanding of a fair price for

competition in government procurement, so that they do not suffer losses and fulfill their legal obligations; b) training of public servants to assist MSEs in the public procurement market and to be effective in clarifying the doubts of the participants in the bids; and c) bids should be more widely disseminated by the contracting institutions.

Despite the difficulties and challenges faced, such as the lack of specifications in the bidding documents, the lack of preparation of the auctioneers, the difficulty of receiving the services rendered to the organs (and still having to maintain bid prices), the research shows that MSEs and MEIs are still interested in bidding processes and use as strategies to win them the lowest bid price, as well as knowledge of bid specifications.

Finally, the results indicate that companies need to better develop strategies to overcome bidding processes. The results of the two association analyzes employed in this study (Tables 9 and 10) suggest that the strategies are adopted by the respondents to the bidding processes without the company becoming aware and that these companies use other experiences without seeking to unite the learning fragments for the composition of better definitions or even without evaluating the effectiveness of these experiences, considering that the main objective is to win the bidding processes.

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