

A Research Agenda for the Small and Growing Business Sector

**SUMMARIZING THE CURRENT
EVIDENCE AND RESEARCH NEEDS**



OCTOBER 2018

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Introduction

The majority of the urban workforce in low-income countries is self-employed, but formal jobs with consistent wages are what allow the poor to reach the middle class.¹ Recognizing this need, a growing community of support organizations have created programs to support the growth of small and growing businesses (SGBs) as engines of job creation and, ultimately, poverty alleviation. Yet rigorous research on the distinct characteristics of SGBs and the effectiveness of SGB support interventions remains relatively sparse and under-utilized by practitioners and donors to design and fund programs. To best support SGBs in emerging markets, we need to know more about which types of firms are best-suited for growth and job creation, the effectiveness of different intervention approaches to support firm growth, and whether jobs created by firms are of high quality.

In 2018, ANDE and the International Growth Centre (IGC) collaborated to update our existing understanding of the evidence base, and synthesize this information for practitioners, focusing on two main questions:

1. How effective are interventions that support small and growing businesses?ⁱ
2. When small businesses grow, do they create jobs that reduce poverty?ⁱⁱ

Christopher Woodruff of IGC synthesized the available academic research to date in a forthcoming paper, *Addressing Constraints to Small and Growing Businesses*, and an expert committee of ANDE members provided feedback on the framing of the intervention types and the most pertinent research topics for practitioners. This brief summarizes Christopher Woodruff's knowledge synthesis, identifies important gaps in this research, and proposes a research agenda prioritizing issues that are both researchable and actionable for practitioners.

i It is important to note that much of the available research on firm development is conducted among microenterprises. While many of these firms are too small to be considered "SGBs," this information is important because it speaks to how entrepreneurs make decisions, exposes gaps in the research on larger firms, and suggests how those small firms that do have growth potential can be identified and adequately supported.

ii The impact of SGBs on the economy, suppliers/distributors, and customers was outside the scope of this study. While this is an important question for the sector, this brief narrows the scope by focusing on the impact of SGBs on employees.

Understanding Small and Growing Businesses in Emerging Markets

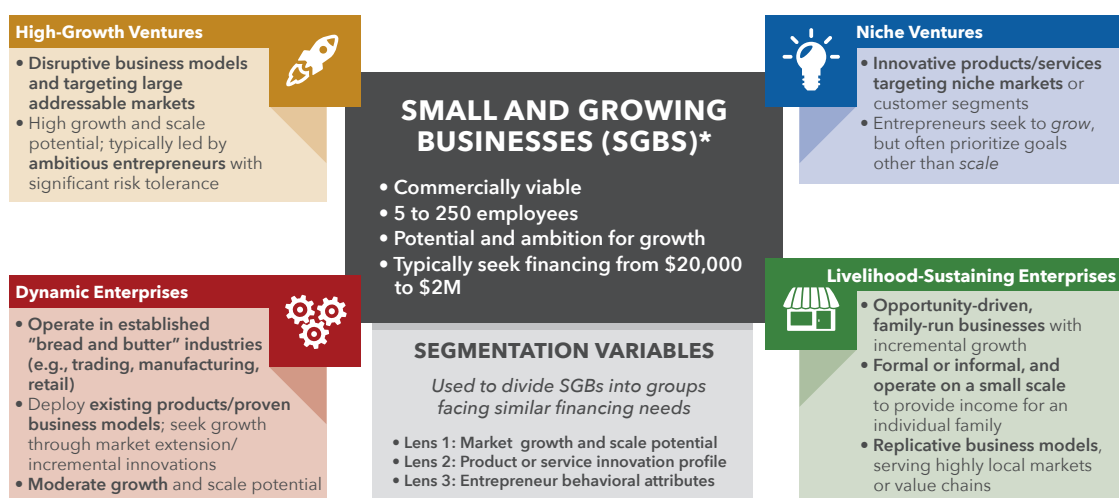
Firms in emerging markets face unique challenges to growth. Research in Mexico and India found that firms grow at slower rates than in the United States.² A study in Colombia showed that while typical firms grew at similar rates as those in the United States, Colombia lacked the superstar performers that drive the U.S.'s higher average growth rates.³ Finally, a study of 50 "leading players" in the manufacturing industries in five African countries concluded that very few started as small enterprises, and a disproportionate number had foreign or public sector roots. These combined results indicate that young, local, private sector firms face tight constraints in emerging markets. The question remains: what factors prevent those firms from developing, and what interventions are most effective at reducing these constraints?

A Framework of Enterprise Types

To determine constraints that firms face and potential interventions to overcome these constraints, it is important to first define what types of firms are under consideration. ANDE defines small and growing businesses as commercially viable businesses with five to 250 employees that have significant potential and ambition for growth, typically seeking financing of \$20,000 to \$2 million. Within this definition, there is still a range of business types that have varying business models and pathways to growth.

Figure 1 shows a typology developed by the Collaborative for Frontier Finance of small firms in developing countries, measured against their propensity for growth and innovation.ⁱⁱⁱ Each of these business types has different aspirations and faces different constraints. Not all of the academic research referenced in this brief can be mapped to this typology, but when possible the interactions are displayed in tables.

Figure 1: Enterprise Segmentation Framework (Four Families of Small and Growing Businesses)



(*) Subsistence firms, necessity driven 'entrepreneurs with no other employees are excluded from the analysis. However, some of these subsistence firms may have potential to grow and become SGBs, if their constraints can be adequately addressed.

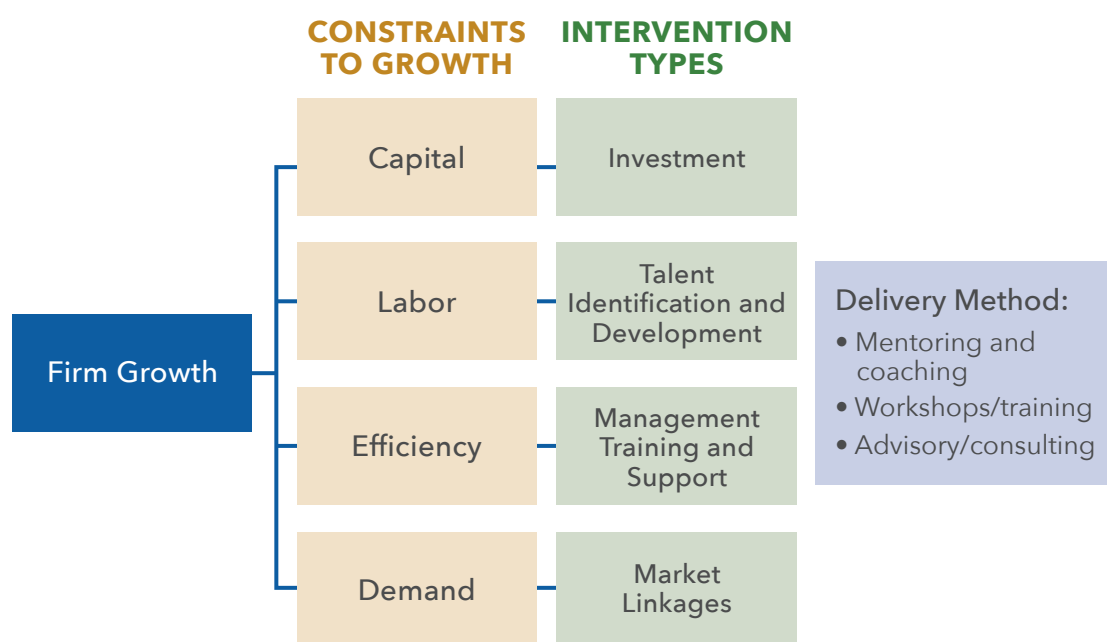
iii This typology is from the Collaborative for Frontier Finance report, "The Missing Middles: Segmenting Small and Growing Businesses in Emerging Markets", October 2018. Please note that this is a conceptual framework that has yet to be put into practice.

Question 1: How effective are interventions in supporting SGB growth?

A Framework of Interventions to Support SGB Growth

ANDE organized a panel of experts in the SGB sector to help identify and segment the various approaches practitioners take to support firm growth. This information, combined with common framing from academic literature, generated a framework of intervention types (Figure 2). Practitioners also noted that the methods with which interventions are delivered are an important component of effectiveness. While the academic research does not often differentiate between intervention types and delivery method, when this information is available it is noted throughout the brief.

Figure 2: Framework of Interventions to Support SGB Growth



The main take-aways from research related to each of these intervention types is summarized below.

Investment

Researchers and entrepreneurs in developing economies often point to capital as the largest constraint to growth for small firms. Research has validated this by showing that capital-intensive sectors are under-represented in emerging markets and grow more slowly.⁴ Given the focus on investment as a primary constraint for enterprises, the research on this intervention type is particularly extensive. There is considerable variance in the effectiveness of approaches to increasing capital for SGBs, highlighting the importance for practitioners (and funders) to assess their own effectiveness and consider how the research may inform best practices.

Main take-aways from existing research:

Among microenterprises, grants allow for higher-return investments than debt. There is a considerable amount of research on the effects of providing small grants and loans to microenterprises. Experiments show that loans lead to less risky, lower-return investments⁵ and show little effect on profitability.⁶ Grants, on the other hand, show higher returns across a range of country contexts.⁷ ^{iv} There is potential for lenders to partake in some risk-sharing (rather than only offering traditional loans), but a lack of rigorous accounting practices or standard exit strategies for these small firms disincentivizes lenders.

Among larger firms, both debt and grants lead to growth. Evidence from India shows that a reduced lending threshold leads to high returns to capital for firms.⁸ In Nigeria, a study used the YouWiN! business plan competition to randomly select semi-finalists to win a US\$50,000 grant and found that recipients were more likely to still be in business and employ 10 or more workers three years later.⁹

Angel networks are active but informal in emerging markets. No academic studies have analyzed outcomes from angel investments in emerging markets. One study in the United States found that angel investors have an important impact on the trajectory of enterprises – supported ventures were more likely to remain in business, have a successful exit, and grow to 75+ employees.¹⁰

Table 1 shows which capital interventions have been researched by enterprise type (as classified in Figure 1). This overlay visualizes the difference between standard microcredit contracts, which appear to limit innovation by borrowers, and more flexible contracts that borrowers use for more innovative investments.

Table 1: Current Research on Investment Support Interventions by Firm Type^v

	LIVELIHOOD-SUSTAINING ENTERPRISES	DYNAMIC ENTERPRISES	NICHE VENTURES	HIGH-GROWTH VENTURES
Microcredit	✓			
Microcredit with Flexible Repayment	✓			
Cash Grants	✓			
Flexible Credit with Selection	✓	✓	✓	
Matching Grants	✓	✓	✓	
Micro-equity		✓	✓	
Angel Finance				✓

(✓) indicates that an investment approach has been researched for a given firm type.

^{iv} The impact of grants on female-owned enterprises is more complex, as grants have not always shown to be effective for their scale or profitability.

^v The findings from research on microcredit with flexible repayments, flexible credit with selection, and micro-equity are excluded from this practitioner brief but available in the full knowledge synthesis.



Talent Identification and Development

Firms in every country rely on well-functioning labor markets. Research has focused mainly on how well unskilled or semi-skilled workers are matched to jobs and whether incentives to hire workers lead to better outcomes for firms. Much of the research has focused on outcomes for the worker, not the firm (for example, reducing youth unemployment or the effects of certification on being hired). There is very limited research on managerial positions, likely because there are far fewer firms large enough for these hierarchies.

Main take-aways from existing research:

Labor markets function reasonably well for unskilled workers, but firms may not be selecting the right workers. Studies in Bangladesh¹¹ and Ethiopia¹² have found that a considerable portion of unskilled workers at large firms quit within one year, and experiments show that providing wage subsidies to incentivize firms to hire workers does not lead to a lasting increase in employment.¹³ This information combined suggests that firms may not have issues finding workers but could improve how they select workers – they may select based on technical skills but perhaps should be matching based on non-cognitive skills. There is some evidence that matching based on non-cognitive skills helps workers that are disadvantaged in the labor market, but effects on firm productivity are unknown. There is also evidence from Uganda that subsidies to hire unemployed youth led to improved worker skills, although there was no lasting impact on firm growth.¹⁴

There may be mismatches between manager skills and firm needs, and trust plays a role. A study using data from more than 1,000 CEOs in six different countries found that some firms are better suited for “manager-CEOs” (those who have more one-on-one meetings with people inside the firm and involve themselves in the details of production) while others are in need of “leader-CEOs” (those who have more meetings with multiple parties and people outside the firm) and that there is often a mismatch in lower-income countries.¹⁵ One explanation is that mismatching is more common when trust among individuals in a society is lower. A lack of trust may manifest in a firm as unwillingness to hire outside one’s close network or to delegate tasks to subordinates (a trait more common among leader-CEOs). One study shows that firms located in higher trust regions have more decentralized decision-making processes and can thus grow larger.¹⁶ A related study also found that management consulting helped firms improve record keeping and communication and actually led to firm expansion. These firms were more likely to establish new factories, suggesting an increased ability to delegate and decentralize decision making (i.e. that trust can be created through more effective communication).¹⁷

Management Training and Support

Training has been central in practitioner approaches to speeding up firm growth and building entrepreneurial skills. Training programs range from classroom-based approaches to individualized consulting and mentorship, and those that combine elements of all three, such as incubators and accelerators. Overall, current research indicates that classroom training and information sharing alone does not improve performance, but personal interaction (through consulting and mentorship) can accelerate SGB growth.

Main take-aways from existing research:

Standard classroom training models don't lead to changed behavior. Research suggests that the business practices covered in most training curricula are indeed correlated with firm performance, but that training itself may not effectively lead firms to adopt these practices.¹⁸ This suggests that the delivery of the training matters a lot, and that a classroom setting may not be the best approach to encourage uptake.

Mindset shifts may help firms adopt better practices. A study in Togo found that “personal initiative” psychological training was more effective than standard business training on profitability of microenterprises.¹⁹ This suggests that mindset plays an important role in helping managers change behavior.

Individualized consulting is expensive but effective for firms of various sizes. A study among large textile factories in India found that consulting services focused on improved management led to higher worker output and reduced quality defect rates.²⁰ Consulting provided to firms in Mexico (ranging from micro to medium-sized enterprises) led to improved record keeping and marketing, with observable effects on the number of employees even five years later.²¹ Despite these positive effects, observational data show that firms seem to be unwilling to pay for individualized consulting despite the proven benefits. It is unclear why firms are reluctant, though more sector and region-specific evidence could be helpful to make the case.

BENCHMARKING COST EFFECTIVENESS

Incorporating cost effectiveness analysis into research is an important consideration for practitioners considering which interventions are feasible and sustainable long-term. The existing benchmarks on job creation could serve as a model for benchmarking the cost-effectiveness of other outcomes and program approaches as well. The table below summarizes findings from studies that incorporate a cost effectiveness analysis into their study:

TYPE OF SUPPORT	STUDY LOCATION	COST PER JOB CREATED	CITATION
Consulting Services	Mexico	\$2,000 per job created	Bruhn et al (2018)
Vocational Training	Review (Multiple Countries)	\$17,000 - \$60,000 per job created	McKenzie (2017)
Business Plan Competition	Nigeria	\$9,600 per job created	McKenzie (2016)
Business Plan Competition	Ethiopia, Tanzania, and Zambia	\$1,250 per job created*	Fafchamps and Quinn (2016)

**Note that McKenzie's calculation accounts for the cost of running the competition itself, while the Fafchamps and Quinn estimate is based only on the cost of the awards given to the competition winners.*

Mentorship shows promise, but effects may differ based on proximity. A study linking small business owners in Uganda to mentors around the world via virtual meetings did not lead to improved business practices, but did lead to businesses being more likely to “pivot” their business (for example, by shifting product lines).²² Among microenterprises in Kenya, an experiment showed that classroom training had no effect, but mentorship did (mentors were successful business owners from the same community and sector).²³ Many of the mentor/mentee relationships lasted beyond the duration of the project; however, while profits increased at first due to mentorship, the increase did not last beyond the mentorship period. Collectively, these results suggest that while mentorship can help shape business outcomes, the nature of results will vary based on the structure of the mentorship program.

Peer learning improves firm performance, and firms learn best from those who are similar yet slightly more advanced. In a study conducted in three African countries, placing experienced business leaders on a judging panel for a business plan competition led to networking and widespread sharing of business practices.²⁴ Another study in China found that monthly meetings among micro, small, and medium-sized business owners led firms to share information with one another, such as trading partners and management practices, leading to growth and increased profitability.²⁵ Information sharing was most free-flowing among groups with similar characteristics (such as common suppliers and production techniques) but who were not in direct competition. Additionally, firms placed with higher-performing firms outgrew those placed with weaker firms. The effectiveness of peer learning is also reflected in a performance review of 52 accelerator programs by the Global Accelerator Learning Initiative, which found that programs with more emphasis on exposing entrepreneurs to one another ultimately were associated with higher financial growth.²⁶

Accelerated ventures show superior growth, but there are many layers as to why. The large Start-Up Chile program provides office space and \$40,000 to accepted ventures. While supported ventures had greater financing success and survival rates, a study comparing firms just above and below the acceptance threshold found that this was almost entirely due to selection and that there was no identifiable effect of the capital, office space, and services.²⁷ However, the roughly 20% of firms that were also selected for “entrepreneurship school” had positive outcomes that could not be explained by selection. The Global Accelerator Learning Initiative pools various accelerator programs across many countries. A comparison of applicants accepted into programs with those rejected by programs shows that participating ventures outperformed rejected ventures across several metrics, particularly financing. However, it cannot be determined to what extent these differences are driven by selection versus post-selection support.²⁵

Table 2 maps the existing research on training and support to the firm typology. The research reflects that while interventions such as mentorship might be applied across all enterprise segments, others such as business plan competitions and individualized consulting are more costly and likely only viable to firms on the higher growth and innovation end of the spectrum.

Table 2: Current Research on Training and Support Interventions by Firm Type

	LIVELIHOOD-SUSTAINING ENTERPRISES	DYNAMIC ENTERPRISES	NICHE VENTURES	HIGH-GROWTH VENTURES
Microenterprise Training	✓	✓		
Mentoring	✓	✓	✓	✓
Individualized Consulting		✓	✓	✓
Business Plan Competitions		✓	✓	✓

(✓) indicates that a training and support intervention has been researched for a given firm type.

THE ROLE OF SELECTION IN ENTREPRENEUR SUPPORT

Entrepreneur support programs spend considerable time determining which firms have the most growth potential and are most likely to benefit from their services. There has been some research that underlines the challenges in selection and points to potential alternatives to traditional methods:

Predicting which businesses will succeed is challenging, even for experts. An experiment using the YouWin! Business plan competition in Nigeria found that baseline data describing firm potential outperforms the scoring of expert panels, and neither is very powerful in predicting firm growth.²⁸ A different business plan competition in Ghana found that baseline measures of ability and the judges' scoring had some predictive power, but that overall neither were able to predict much of the variation in future growth.²⁹

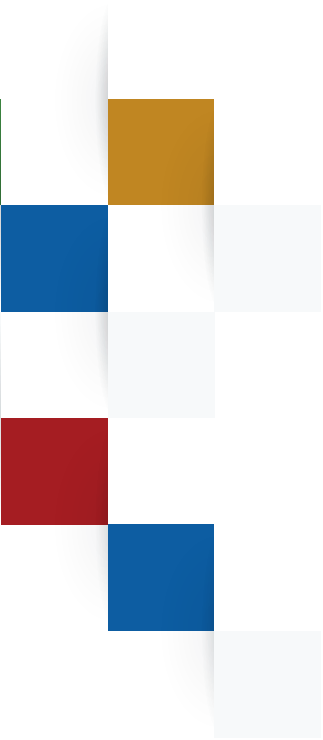
Peers outperform survey data in predicting success. An experiment in India with microenterprises found that peers are actually better at predicting firm potential than baseline survey information.³⁰

Market Linkages

Most of the literature focuses on supply side factors of firm growth, but we should remember that firms can only succeed inasmuch as there is a demand for their goods and services. There is some research about how constraints on the flow of information, transportation networks, and contract enforcement can limit productivity and competition. There is limited research available on increasing market access for small firms through incorporation into value chains of exporters.

Main take-aways from existing research:

More open and free-flowing markets allow for more competition and higher productivity. Two studies in India speak to this. First, when a large highway system was built and eased the cost of transportation within a particular region, the number of firms entering the market doubled, and existing firms increased in size.³¹ But transportation costs are only one piece. Customers may also lack information



about price and quality when making purchasing decisions. Another study examined how when traditional fishermen were introduced to cell phones, they increased sales beyond their local village markets.³² This also changed behavior in boat purchasing, guiding business to the most productive boat producers and increasing overall productivity in the boat building industry by more than a quarter.

Access to foreign markets allows productive firms to grow and forces the least productive to shrink and exit. There is a considerable amount of research that supports this notion.³³ One interesting experiment showed that connecting carpet makers in Egypt to high-income country buyers led to an increase in quality and revenue. Producers reduced output measured in square meters, but the increase in product quality meant that quality-adjusted productivity increased.³⁴

Government contracts and entry of large multinational firms also leads to growth. Government is the largest purchaser of goods in almost every country. In Brazil, a study showed that winning a government bid led to an increase in employment that extended beyond the life of the contract.³⁵ No evaluations of programs that integrate SGBs into supply chains of exporters have been conducted, but there is evidence about what happens when large multinational retailers enter countries. For example, Walmart's entry into Mexico led to growth of and improved productivity for local firms.³⁶

Question 2: When small businesses grow, do they create jobs that reduce poverty?

Research has shown that salaried wage jobs are the distinguishing feature separating the middle class from the poor in developing countries.¹ This suggests that creating salaried jobs is a key poverty alleviation strategy, especially in many emerging markets where there are limited job opportunities in the SGB sector (beyond needs-based subsistence enterprises).

There is currently very limited academic research on small and growing businesses and job creation in emerging markets. This is mainly due to a lack of comprehensive data that connects firm-level and worker-level data. While some high-income countries such as the United States have rich census data to make these connections, this data is mostly unavailable in low-income countries. There are a few middle-income countries with census data that can be linked across time, but typically they only include firms above a certain size threshold, hence limiting a potential study. One exception is a study that used available matched employer-employee data for all formal firms in Brazil. They found that jobs are more likely to be stable (i.e. less turnover) in older firms, but that young firms, regardless of size, create the most jobs.³⁷

It may be more feasible for further research to look at components of job quality, such as wage rates, working conditions, and opportunities to build skills on-the-job. However, there is limited research on these components of job quality specifically for SGBs. Moving forward, the sector should prioritize research to address this important question.

Setting the Research Agenda

Table 3 summarizes the current state of research by intervention type and lists the associated research gaps within the academic literature. The research gaps are posed as questions to highlight the most promising areas of research, building on the existing evidence base and practitioner feedback on priority topics.

Table 3: Current State of Research and Research Gaps by Intervention Type

INTERVENTION TYPE	CURRENT STATE OF RESEARCH	RESEARCH GAPS
Investment	A considerable amount of research exists on the effects of different types of capital support for microenterprises and large enterprises, but very little rigorous research looks at flexible risk capital targeted towards niche, dynamic, and high-growth firms.	<ol style="list-style-type: none"> 1. What are the specific capital needs and the effects of capital injections for niche, dynamic, and high growth firm? 2. What forms of investment would allow for more innovation (such as flexible debt and other risk sharing contracts), and how can these be scaled cost-effectively? 3. Is combining investment with technical support more effective than investment support alone, and does investment readiness support lead to more effective use of capital?
Talent Identification and Development	Existing research examines recruiting and retaining unskilled workers, but there is little evidence on skilled workforce development and on-the-job training.	<ol style="list-style-type: none"> 1. How do SGBs locate skilled workers and managers? 2. How can SGBs be incentivized to invest in worker skill-building, and effectively build skills of their workers? 3. Do workers gain skills more quickly in SGBs than in informal firms?
Management Training and Support	Research has broadly examined standardized classroom-based training and consulting support, but not differences between the various types of classroom training, different forms of mentorship, or different levels of consulting support.	<ol style="list-style-type: none"> 1. What types of mentorship (and mentors) are most effective, and for which types of firms? Does distance between mentor and mentee play a role, and does the structure of the mentorship relationship matter? 2. How can demand for effective growth support services be stimulated, and to what extent can entrepreneurs contribute toward the cost/what are the most effective mechanisms for collecting payments? 3. How effective are accelerators and incubators, and which combinations of support are most important? Which delivery methods are most effective (e.g. personalization/diagnostics/needs-based)? 4. How do founders/managers learn and change behavior, and which forms of implementation support help entrepreneurs to act on new knowledge or advice? 5. What data is most useful and actionable for programs and the entrepreneurs/managers themselves (e.g. performance assessments and benchmarks)?
Market Linkages	Existing studies examine the broad impacts of connections to regional markets and multinational corporations, but not the best ways to develop these linkages.	<ol style="list-style-type: none"> 1. How can transportation and information barriers be reduced for firms? 2. What is the impact of integrating SGBs into the supply chains of larger exporting firms?



OTHER IMPORTANT RESEARCH OPPORTUNITIES TO STRENGTHEN THE SGB SECTOR INCLUDE:

Job creation and job quality. In addition to better understanding the types of support that SGBs need to grow, the sector must continue to ask whether these growing firms create quality jobs and improved livelihoods for employees. To effectively measure job creation, comprehensive datasets are required that combine firm-level and worker-level data for an entire city or region.

In the absence of these datasets in most emerging markets, future research should focus on job quality, specifically:

- What types of enterprises/industries create jobs, and for who (by income bracket, gender, and age)? For example, a job creation focus might lead one to support young ventures, but a focus on job creation for low income segments may apply more to sustaining and dynamic enterprises.
- What does a high quality job at an SGB look like (and how does this differ by enterprise segment)?
- What are the key employment issues encountered in SGBs, and how can SGBs be encouraged to adopt quality labor practices?
- How does productivity relate to employment growth?
- What impact do jobs at SGBs have on employees' lives, including income, but also considering household well being?

Additionally, in the absence of comprehensive regional datasets, an alternative approach could be to use the existing enterprise segmentation to identify which types of firms create jobs for what types of workers (e.g. which types of firms create waged jobs for people not already in reliable employment). However, this approach would require data sets that allow for consistent firm and worker classification.

The impact of firm growth on household- and community-level poverty alleviation as well as other social impact goals. The connection between firm growth and job creation is clear, and the importance of stable employment on poverty alleviation is likewise well established. However, the long-term impact of SGB support interventions on household and community poverty levels has yet to be rigorously quantified. Research examining this connection would be particularly helpful in eventually allowing a dollar-for-dollar comparison of SGB support interventions to other interventions focused on poverty alleviation. Additionally, for the subset of SGB support programs focused specifically on firms whose product or service offering addresses a social need such as health, education, or energy, research examining the effectiveness of these approaches relative to more traditional social sector interventions would give practitioners a strong basis for deciding when to use an enterprise-led approach.

The impact of interventions for women-owned businesses. Most of the existing research does not delineate outcomes based on gender, and among larger firms in emerging markets, owners and managers are more often men. Future research should incorporate gender into study designs, either by focusing on sectors that are female-dominated or by partnering with practitioners that have an explicit focus on female entrepreneurs, to understand how women-owned businesses

scale and how their motivations, incentives, and returns to support such as training, mentorship, and capital differ from male-owned businesses.

Observational studies on SGB success stories. What are the origins of large firms in sectors other than manufacturing? Can lessons be learned by determining which types of small firms have succeeded in scaling?

Incorporating entrepreneur perspectives. Identifying the priority questions among entrepreneurs could help inform the research agenda and ensure that findings are useful to players at all ends of the spectrum.

Cost effectiveness analysis. Including an analysis of how the cost of an intervention is converted into outputs adds value to the research for practitioners considering which services to provide and for governments and funders determining where to direct their resources. A recent approach to cost effectiveness analysis for accelerators was outlined by ANDE as part of the Global Accelerator Learning Initiative, available [here](#).

Mixed methodologies. There is an opportunity to complement the evidence base on SGBs by incorporating other fields of research. For example, education psychology may provide insight on how adults (entrepreneurs/managers) learn, while behavioral economics may speak to why an entrepreneur might choose to engage with a program. Qualitative and ethnographic research might add an understanding that informs theories as to why outcomes vary among intervention types.

Encouraging Academic and Practitioner Collaborations

Moving forward, researchers should be encouraged to take on studies that are of interest to, and applicable for, practitioners. Likewise, practitioners should consider how engaging with academics could strengthen their learning agendas and improve strategic decision-making. Finally, funders should support these research collaborations as a way to create a public good in the generation of action-oriented evidence. Ideally, researchers and practitioners can find overlapping interests and can build collaborative research designs that allow for learning on both sides. For the most successful collaborations, researchers and practitioners should keep several design issues in mind:

- 1. To maximize learning, research designs should have a counterfactual and large (enough) sample sizes.** Including a counterfactual allows for the most learning by revealing the likely outcome for businesses that did not partake in a particular intervention. Likewise, large sample sizes allow for the most robust analysis, but this will require innovative approaches given the smaller number (and complex nature) of SGBs as opposed to the more numerous (and homogenous) microenterprises.
- 2. Research should focus on interventions that already have traction in implementation.** Existing programs should guide the interventions at the root of the research. When possible, researchers and practitioners should ask where overlap in current interests and practices allows for meaningful academic research that can contribute to practitioner learning and perhaps even improved measurement systems for practitioners.



3. **Interventions will not affect all firms in the same way**, so the research design should incorporate firm differences into the analysis and use a clear theoretical framework that takes into consideration this heterogeneity.
4. **Research designs should mimic the intervention's typical selection process.** Research will be most relevant to practitioners when conducted with a sample selected in a similar way as would be done in practice. Researchers often prefer samples that provide the most generalizable results but might overcome this tension by first obtaining a more general sample and then pre-determining a subsample selected using criteria more typical of practitioners.

About the Organizations and Authors

ASPEN NETWORK OF DEVELOPMENT ENTREPRENEURS

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, we believe that SGBs can help lift countries out of poverty.

INTERNATIONAL GROWTH CENTRE

The International Growth Centre (IGC) aims to promote sustainable growth in developing countries by providing demand-led policy advice based on frontier research. The IGC directs a global network of world-leading researchers and in-country teams in Africa and South Asia and works closely with partner governments to generate high quality research and policy advice on key growth challenges. Based at LSE and in partnership with the University of Oxford, the IGC is majority funded by the UK Department for International Development (DFID).

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