

# Skills, Practices, and Aspirations of Small-scale Entrepreneurs in Low-income Settings

Julius Rüschepöhler

UC Berkeley, CEGA

March 04, 2021

# Lecture Overview

## 1 PART I: Lecture

### *Business Practices and Training*

- Business Practices Around the World
- Classical MSME Training
- Extensions of the Classical Approach
- Measurement of Firm Performance
- Mechanisms
- Alternative Approaches

## 2 PART II: Paper

### *Curating Local Knowledge*

### **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

### **PART II: Paper** *Curating Local Knowledge*

# Business Practices Around the World

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

- Bloom and van Reenen (2010, 2019): Business practices, motivation (Bloom, Mahajan, McKenzie, and Roberts, 2010; ?)

# Heterogeneity in Business Practices

- Bloom and van Reenen (2010): Heterogeneity (Bloom, Mahajan, McKenzie, and Roberts, 2010)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Business Practices and Performance

- Bloom and van Reenen (2019): Correlation with productivity (?)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Business Practices in Small Firms

McKenzie and Woodruff (2017) develop measurement instrument of **26 business practices**

- Administered in **7 countries** in Asia, Africa, and South America

- 4 major domains of business practices

- 1 Book-keeping and accounting
- 2 Financial planning
- 3 Inventory management and stock control
- 4 Marketing

→ **Vast heterogeneity** in business practices (comp. Bloom, Mahajan, McKenzie, and Roberts, 2010)

→ **Robust association with performance and firm survival** across industries and contexts

→ **Strong persistent component** one year out ( $r = 0.59$ )

PART I: Lecture  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

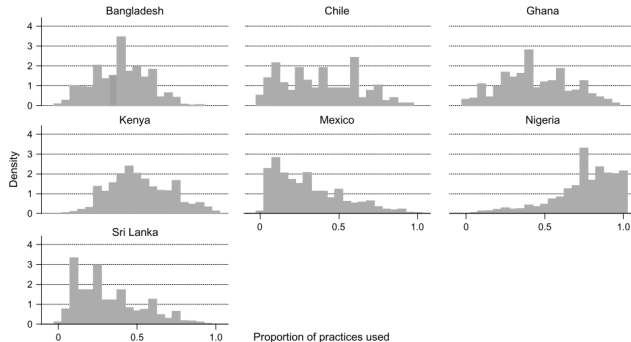
Takeaways

PART II: Paper  
*Curating Local  
Knowledge*

# Business Practices in Small Firms

McKenzie and Woodruff: *Business Practices in Small Firms in Developing Countries*  
Management Science, 2017, vol. 63, no. 9, pp. 2967–2981, © 2016 INFORMS

Figure 1. Variation in Business Practices Within Countries



- Heterogeneity in business practices of MSEs across countries (McKenzie and Woodruff, 2017)

PART I: Lecture  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

PART II: Paper  
*Curating Local  
Knowledge*



# Business Practices in Small Firms

McKenzie and Woodruff (2017) identify set of XX practices most closely associated with business performance

■ Example practices:

- 1 e.g.,
- 2 e.g.,
- 3 e.g.,
- 4 e.g.,

Open questions

- Does adoption of "best practices" *cause* performance to increase?
- How can adoption of practices best be encouraged?

PART I: Lecture  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

PART II: Paper  
*Curating Local  
Knowledge*

# Classical MSME Training

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# History and Prevalence

- At least **USD 1 billion per year** (to 4-5 million entrepreneurs; ?)
- Classical training programs *precede* evidence that business practices vary and are predictive for productivity
- Examples:
  - Start and Improve Your Business (ILO)
  - Business Edge (IFC)
  - EMPRETEC Entrepreneurship Training Workshop (UNCTAD)

PART I: Lecture  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

PART II: Paper  
*Curating Local  
Knowledge*

# Typical Training Program

## Content

- Training is delivered by 600 local certified trainers and by a pool of approximately 60 international master trainers. All trainers are also entrepreneurs.
- Empretec Training Workshops offer different levels of instruction that include:
- 6-day courses (48 hours); 32-hour (usually spread over 4 days) for micro-entrepreneurs with low levels of literacy; Interactive coaching based on real business challenges of participants.

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Typical Training Program

## Delivery



**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

**Classical MSME  
Training**

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Impact on Performance

- First wave (Karlan and Valdivia, 2011, Bruhn and Zia, 2013; Giné and Mansuri, 2014; Field, et al., 2010; Bulte et al., 2017; Anderson, Chandy, and Zia, 2018) (?) (?) ? (Bruhn and Zia, 2013) (?) (Anderson, Chandy, and Zia, 2018)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Impact on Performance

- Econometric and implementation issues (McKenzie and Woodruff, 2014)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

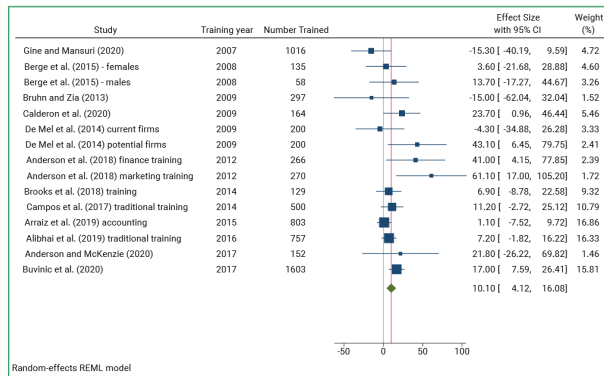
Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Impact on Performance

## Including more recent evaluations (see, ?)

**Figure 2** Estimates of the impact of business training on firm profits



Source: McKenzie (2020)

- Small positive impact on practice adoption, profits, and sales

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*



## Refinements of the classical model

- Targeting **specific subgroups** of the population
  - Alleviating **particularly severe constraints**  
→ Marginalized or disadvantaged groups (e.g., women, youth)
  - Maximizing **treatment impact** or cost-effectiveness  
→ Promising entrepreneurs (e.g., high-growth firms)
  - Plus: **Maximizing statistical power** through homogeneity
- Training of skills in **particular domains**
  - Alleviating **specific constraints**
  - Investigating mechanisms of treatment impact

# Targeted Training

## Female entrepreneurs

- Most common type of targeted training (potentially complementary to classical microfinance model)
- Example: Gender and Enterprise Together (GET Ahead, ILO; ??)
- ?

PART I: Lecture  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

PART II: Paper  
*Curating Local  
Knowledge*

# Targeted Training

## Young entrepreneurs

- Typically embedded as entrepreneurship programs in school and university
- Example: University final year course in Tunisia (?)
  - 
  -

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Targeted Training

## High-growth businesses ("gazelles")

- Marcel Fafchamps and Simon Quinn, (?)
- Small literature on business accelerators and incubators (see, e.g., ???)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Training Specific Domains

Anderson, Chandy, and Zia (2018) assign 852 South African MSEs to distinct types of training:

1 Marketing/sales skills

2 Finance/accounting skills

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Training Specific Domains

Anderson, Chandy, and Zia (2018) assign 852 South African businesses to two distinct trainings:

## 1 Marketing/sales skills

- 61% increase in profits
- "Growth focus" on higher sales, stock investments, and hiring  
→ Benefits new businesses (= less market exposure)

## 2 Finance/accounting skills

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Training Specific Domains

Anderson, Chandy, and Zia (2018) assign 852 South African businesses to two distinct trainings:

## 1 Marketing/sales skills

- 61% increase in profits
- "Growth focus" on higher sales, stock investments, and hiring  
→ Benefits new businesses (= less market exposure)

## 2 Finance/accounting skills

- 41% increase in profits
  - "Efficiency focus" on lower costs  
→ Benefits established businesses
- Different "pathways to profits"

PART I: Lecture  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

PART II: Paper  
*Curating Local  
Knowledge*

# Extensions of the Classical Approach

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*



# On-site Consulting

## Typical Consulting Intervention

### ■ Three-step procedure

- 1 Diagnostic of practices
- 2 Identification of areas of improvement
- 3 Problem solving within interactive relationship

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# On-site Consulting

## Typical Consulting Intervention

### ■ Three-step procedure

- 1 Diagnostic of practices
- 2 Identification of areas of improvement
- 3 Problem solving within interactive relationship

### ■ Sustained and intensive

- Total of 88 to 200 hours and more (?Bruhn, Karlan, and Schoar, 2018; ?; ?)
  - Typically several months
  - Meetings monthly to twice weekly, 2-4 hours
- Total cost between **USD 4,000 and 12,000 per firm** (?Bruhn, Karlan, and Schoar, 2018)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# On-site Consulting

## Typical Consulting Intervention

- Three-step procedure
  - 1 Diagnostic of practices
  - 2 Identification of areas of improvement
  - 3 Problem solving within interactive relationship
- Sustained and intensive
  - Total of 88 to 200 hours and more (?Bruhn, Karlan, and Schoar, 2018; ?; ?)
    - Typically several months
    - Meetings monthly to twice weekly, 2-4 hours
  - Total cost between **USD 4,000 and 12,000 per firm** (?Bruhn, Karlan, and Schoar, 2018)
- Typically one-on-one (also group-based)
- Often gov't-subsidized (private contributions typically around 10%)
  - Empirical finding: Firms often unwilling to pay market price (?)
    - Matching-grant programs

PART I: Lecture  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

PART II: Paper  
*Curating Local  
Knowledge*

## SME consulting (Bruhn, Karlan, and Schoar, 2018)

- Evaluation of a matching grants program in Mexico



**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Multimedia delivery

## TV shows

- Examples: Ruka Juu in Tanzania (?) and El Mashroua in Egypt (?)
- ?

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Multimedia delivery

## TV shows

- Examples: Ruka Juu in Tanzania (?) and El Mashroua in Egypt (?)
- ?

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Multimedia delivery

## Text messages

- (?) (?)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Complementary Constraints

- McKenzie cash JDE paper

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

## **Extensions of the Classical Approach**

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*



# Complementary Constraints

- McKenzie cash JDE paper

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

## **Extensions of the Classical Approach**

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Measurement of Firm Performance

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

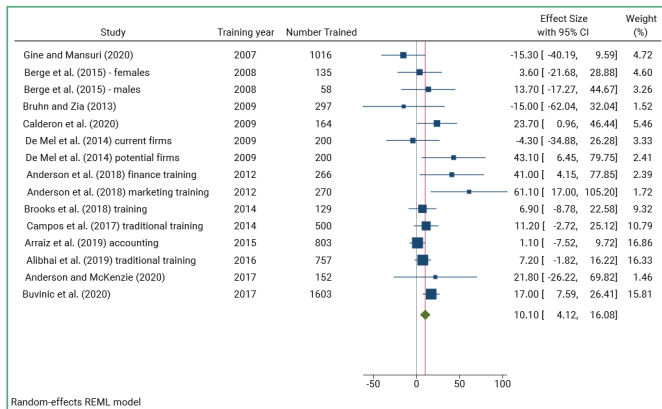
Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Imprecision of Outcome Measures

**Figure 2** Estimates of the impact of business training on firm profits



Source: McKenzie (2020)

- Extremely wide confidence intervals on impact estimates

**PART I: Lecture**  
*Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local Knowledge*

# Self-reports and aggregation

- Self-reports of aggregate (?)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Self-reports and aggregation

- Disaggregating quantities in self-reports (?)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Self-reports and aggregation

- Direct measures (?)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Sales vs. Profits

■ (?)

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

## **Measurement of Firm Performance**

Mechanisms

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Sales vs. Profits

■ (?)

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

## **Measurement of Firm Performance**

Mechanisms

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*





**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

**Measurement of  
Firm Performance**

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*



**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

**Measurement of  
Firm Performance**

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Mechanisms

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

### **Mechanisms**

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Heterogeneity of Impact

Heterogeneity of treatment effects poorly understood across different approaches

- Potential constraints are manifold, and likely context-dependent
- Some more obvious constraints (already mentioned in passing):
  - Credit constraints (see, e.g., ) McKenzie cash paper
  - Gender norms and constraints
  - Age-related network and knowledge/skill constraints

→ More recent literature highlights behavioral constraints

PART I: Lecture  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

PART II: Paper  
*Curating Local  
Knowledge*

# Education and literacy

## Most MSE entrepreneurs have limited education

McKenzie and Woodruff: *Business Practices in Small Firms in Developing Countries*  
Management Science, 2017, vol. 63, no. 9, pp. 2967–2981, ©2016 INFORMS

Table 1. Summary Statistics

|                           | Full sample |      | Means by country |       |       |       |        |         |           |
|---------------------------|-------------|------|------------------|-------|-------|-------|--------|---------|-----------|
|                           | Mean        | SD   | Bangladesh       | Chile | Ghana | Kenya | Mexico | Nigeria | Sri Lanka |
| <i>Male</i>               | 0.23        | 0.42 | 0.99             | 0.09  | 0.78  | 0.00  | 0.00   | 0.85    | 0.47      |
| <i>Owner's age</i>        | 41.0        | 12.6 | 41.9             | 36.6  | 39.3  | 35.7  | 45.3   | 30.9    | 37.3      |
| <i>Years of education</i> | 9.7         | 4.1  | 9.7              | 10.0  | 14.0  | 9.0   | 8.6    | 14.8    | 10.8      |
| <i>Digitspan recall</i>   | 4.5         | 2.1  | 5.4              | n.a.  | 6.5   | 5.0   | 3.3    | 7.5     | 6.4       |
| <i>Raven test score</i>   | 5.0         | 2.9  | n.a.             | n.a.  | n.a.  | 6.9   | 4.9    | 4.4     | 3.2       |
| ...                       | ...         |      |                  |       |       |       |        |         | ...       |
| Number of observations    | 20,400      |      | 1,724            | 158   | 335   | 3,532 | 10,265 | 1,725   | 2,661     |

Notes. "n.a." denotes not asked in this data set. Business practice score is the proportion of 26 business practices used by the firm. Marketing (seven practices), buying and stock (three practices), record-keeping (eight practices), and financial planning (eight practices) are subcomponents.

- Typical small-firm owner dropped out of highschool
- Test scores on digitspan and Raven's matrices about % of Western university samples (comp. )

PART I: Lecture  
Business Practices  
and Training

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

PART II: Paper  
Curating Local  
Knowledge

## Potential for heuristics and rules of thumb

- Drexler, Fischer & Schoar (2014) (Drexler, Fischer, and Schoar, 2014)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

**Mechanisms**

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Dynamic complementarities in skill acquisition

## Complementarities in skills



## Learning styles



**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

**Mechanisms**

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Family Commitments

- Interesting; no beh const

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

### **Mechanisms**

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*



# Segregated Markets

- Missing economies of scale
- Interesting; not behavioral constraint

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

### **Mechanisms**

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Aspirations



## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

### **Mechanisms**

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Local Relevance of Business Practices



## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

### **Mechanisms**

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Alternative Approaches

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

**Alternative  
Approaches**

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Rules of Thumb

- Drexler, Fischer & Schoar (2014) (Drexler, Fischer, and Schoar, 2014)

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

**Alternative  
Approaches**

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Rules of Thumb

■ (?) (?)

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Entrepreneurial mindset



## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

**Alternative  
Approaches**

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Entrepreneurial mindset

■ (?) (?)

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*



# Local Knowledge

- Cai and Szeidl (2019), Brooks et al. (2018), Lafortune et al. (2020), Seither (2020), Abebe et al. (2020)?

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

**Alternative  
Approaches**

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Local Knowledge

- Cai and Szeidl (2019), Brooks et al. (2018), Lafortune et al. (2020), Seither (2020), Abebe et al. (2020)?

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

**Alternative  
Approaches**

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Local Knowledge

- Cai and Szeidl (2019), Brooks et al. (2018), Lafortune et al. (2020), Seither (2020), Abebe et al. (2020)?

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

**Alternative  
Approaches**

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Role Models

- La Ferrara et al. (2012); Chong and La Ferrara (2009); Berg and Zia (2013); Riley (2018)

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

**Alternative  
Approaches**

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Role Models

- La Ferrara et al. (2012); Chong and La Ferrara (2009); Berg and Zia (2013); Riley (2018)

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

**Alternative  
Approaches**

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Role Models

- La Ferrara et al. (2012); Chong and La Ferrara (2009); Berg and Zia (2013); Riley (2018)

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

**Alternative  
Approaches**

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Takeaways

## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*

# Takeaways



## **PART I: Lecture** *Business Practices and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

## **PART II: Paper** *Curating Local Knowledge*



# Questions

Any questions?

.. before we move on to our paper?

**PART I: Lecture**  
*Business Practices  
and Training*

Business Practices  
Around the World

Classical MSME  
Training

Extensions of the  
Classical Approach

Measurement of  
Firm Performance

Mechanisms

Alternative  
Approaches

Takeaways

**PART II: Paper**  
*Curating Local  
Knowledge*

# Curating Local Knowledge

Experimental Evidence from Small Retailers in  
Indonesia

Patricio S. Dalton<sup>1</sup> Julius Rüschepöhler<sup>2</sup> Burak Uras<sup>1</sup>  
and Bilal Zia<sup>3</sup>

<sup>1</sup>Tilburg University

<sup>2</sup>UC Berkeley, CEGA

<sup>3</sup>The World Bank

March 04, 2021

# Paper Overview

## 1 PART I: Lecture

*Business Practices and Training*

## 2 PART II: Paper

*Curating Local Knowledge*

- Motivation
- Our Approach
- Data and Design
- Results
- Discussion
- Conclusion

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Motivation

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Background

- Micro and small firms (MSEs) are typically the main **source of employment** in the developing world
- In **Indonesia**, MSEs represent ..
  - .. 99% of all firms
  - .. 94.5% of employment
- Understanding the factors fostering efficiency and growth of MSEs is an important research and policy goal

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# A Growing Focus on Management

- **Classroom Training:** Field, et al. (2010); Karlan & Valdivia (2011); Bruhn & Zia (2013); McKenzie & Woodruff (2014, 2017); Bulte et al. (2017); Anderson, Chandy & Zia (2018); Lafortune et al. (2018)
- **Consulting:** Bloom, et al. (2013); Karlan et al (2015); Bruhn, Karlan & Schoar (2019)
- **Mobilizing Peer Knowledge:**
  - Brooks et al. (2018) → Local mentors (market information)
  - Cai & Szeidl (2018) → Business meetings
  - Abebe et al. (2019) → Management experience matching

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Our Approach

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Harnessing Cross-Firm Heterogeneity

## Some stylized facts about business practices in small firms

- Vast heterogeneity in business practices and performance across similar businesses (?)
- Variation in practices accounts for more than 20% of variation in productivity within the same firm in the US (?)
  - Research has largely overlooked this heterogeneity in program design and implementation

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion



# Harnessing Cross-Firm Heterogeneity

Some stylized facts about business practices in small firms

- Vast heterogeneity in business practices and performance across similar businesses (?)
- Variation in practices accounts for more than 20% of variation in productivity within the same firm in the US (?)
  - Research has largely overlooked this heterogeneity in program design and implementation

We **make productive use of this heterogeneity** in our research design:

- Use cross-firm variation to identify **practices associated with business performance**
- **Curation** of local best practices
- Test different **modes of delivery**, and their cost-effectiveness

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Selecting Local Best Practices

- Detailed **qualitative interviews** with local business peers:
  - Understand and codify their practices (record-keeping, financial planning, stocking-up, marketing, and joint decision-making)
  - Identify implementation norms and beliefs regarding each practice (e.g. whether they are complicated, necessary, etc.)
  - Document locally relevant tips and rule of thumbs
- Baseline **quantitative survey**
  - Measure practices and outcomes
  - Quantitative association of business practices with profits and sales

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

**Our Approach**

Data and Design

Results

Discussion

Conclusion

# Disseminating Knowledge

## Basic information intervention

- Handbook

- Pure information: Which practices, how to adopt, and why?

## Two complementary behavioral interventions:

- Movie

- Psychological and emotional involvement → social learning is possible through observing the successful experience of similar others.
  - Bernard, et al. (2014); La Ferrara et al. (2012); Chong and La Ferrara (2009); Berg and Zia (2013).

- On-site Assistance

- Hands-on involvement → social learning is possible through own experience, with a small nudge (Kolb, 1984).
  - Facilitated by local lay person

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Research Questions

## Characterization of local best practices

- Which practices are associated with high profits?
- How do successful businesses implement them?

## Adoption of best practices

- Do retailers adopt these practices once peer best practices are aggregated and made common knowledge?
- If so, does the type of experiential involvement matter?

## Impact on business performance

- Does firm profitability increase?
- If so, what are the channels?

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Data and Design

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Sample

- Listing of 2042 small retail businesses from 29 sub-districts ("kelurahan") in urban Jakarta
- Selection criteria for firm listing:
  - At least  $4m^2$  in size
  - At least two different product categories on offer
  - At least 30 meters distance to next business in sample → to minimize spillovers
- Random sample of 1301 from the list
- Randomization to treatment arms stratified by
  - Gender
  - Firm space ( $4-6m^2$ ,  $6-10m^2$ , 10 and above  $m^2$ )
  - Composite score of business practices above or below median
  - Sub-district

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Experimental Design

## Three types of information delivery:

- 1 **Handbook** with best practices and implementation tips
- 2 **Movie** with successful peers
- 3 **On-site assistance** with practice adoption

→ Movie, assistance exclusively based on handbook

## Five experimental groups

- 1 **Handbook** only (N=260)
- 2 **Handbook** + invitation to **movie** screening (N=260)
- 3 **Handbook** + offer of two **assistance** visits (N=260)
- 4 **Handbook** + **movie** + **assistance** (N=260)
- 5 Control (N=261)

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Timeline

- 1 September 2015: **Qualitative** Interviews
- 2 January 2016: **Firm listing** (→ survey instrument)
- 3 Feb-Apr 2016: **Baseline** survey
- 4 Oct-Nov 2016: **Interventions**
- 5 Apr-May 2017: **Midline** survey
- 6 Apr-May 2018: **Endline** survey

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion



# Typical Business in the Sample



**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Typical Business in the Sample



PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Best-practices Handbook



**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

## Why you should try these best practices in your shop

*Evidence from a large-scale study  
on Jakarta-based retailers*



### RECORD-KEEPING

Shop owners who keep business records report 28% higher monthly sales and 26% higher monthly profits than those who do not keep business records.

Shop owners who track their customers' debts report 40% higher monthly sales and 36% higher monthly profits than those who do not track their customers' debts.



### STOCK-UP SCHEDULING

Shops that maintain stock-up schedules earn 26% more in monthly sales and 25% more in profits than those that do not maintain stock-up schedules of their primary products.

Shops that stock up daily rather than weekly earn 48% more in monthly sales and 37% more in monthly profits.

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Handbook Content



## A step-by-step guide to record-keeping

### Step 1: Separating household and business finances

The best way to start keeping records is by establishing a clear separation between your personal and business finances. We do not mean this in the strictest sense of keeping your business cash away from your personal life completely, rather we advise you to not lose sight of your cash flow.

The most convenient and effective way to separate your personal and business finances is by **physically separating the funds into two different cash boxes, purses, or drawers. Label them clearly**; use one compartment for business purposes and another for personal.

Use only your business compartment to follow this handbook from this point forward. Make sure that money in your business compartment is used only for business purposes. Be meticulous about it - this is the first step to get your finances organized!

There is an activity at the end of this section that requires an additional compartment. If you have one more cash box, purse, or drawer available, please reserve it for this activity (**record-keeping, extra step**).

**PART I: Lecture**  
*Business Practices and Training*

**PART II: Paper**  
*Curating Local Knowledge*

Motivation

Our Approach

**Data and Design**

Results

Discussion

Conclusion

# Movie with Successful Peers



PART I: Lecture  
Business Practices  
Training

PART II: Paper  
Presenting Local  
Knowledge

Innovation

Approach

Method and Design

Results

Discussion

Conclusion

# Implementation Assistance for Business Practices



**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Results

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion



# Summary Statistics

|   | Control | HB only | HB & MOV | HB & HELP | HB & HELP & Business Practices |
|---|---------|---------|----------|-----------|--------------------------------|
|   | N = 261 | N = 260 | N = 260  | N = 260   | N = 260                        |
| <b>Firm Owner Characteristics</b>                 |         |         |          |           |                                |
| Gender (Male=1)                                   | 0.28    | 0.3     | 0.29     | 0.3       | 0.3                            |
| Age   | 45.22   | 45.27   | 45.28    | 45.16     | 45.16                          |
| Education (Years)                                 | 9.1     | 9.52    | 9.36     | 9.42      | 9.42                           |
| Risk Preference (0 - 10 "Perfectly Risk-Seeking") | 3.74    | 3.76    | 3.88     | 3.6       | 3.6                            |
| Time Preference (0 - 10 "Perfect Patience")       | 5.19    | 5.07    | 5.21     | 5.25      | 5.25                           |
| <b>Firm Characteristics</b>                       |         |         |          |           |                                |
| Firm Age (Years)                                  | 12.76   | 13.77   | 14.03    | 13.98     | 13.98                          |
| Family Member Is Business Partner                 | 0.56    | 0.6     | 0.63     | 0.59      | 0.59                           |
| Total Number of Workers                           | 2.03    | 2.05    | 1.9      | 1.99      | 1.99                           |
| Business Has Tax ID                               | 0.2     | 0.21    | 0.2      | 0.15      | 0.15                           |
| Total Sales Last Month (USD PPP)                  | 4454.37 | 4730.64 | 4840.55  | 4761.4    | 4761.4                         |
| Total Profits Last Month (USD PPP)                | 889.58  | 961.1   | 926.78   | 825.25    | 825.25                         |
| Applied for Bus Loan in Last 12 Months            | 0.2     | 0.17    | 0.15     | 0.22      | 0.22                           |
| Obtained Bus Loan in Last 12 Months               | 0.18    | 0.15    | 0.14     | 0.18      | 0.18                           |

# Movie: Take Up and Assessment

|   | (1)      | (2)                |
|---|----------|--------------------|
|   | HB & MOV | HB & MOV<br>& HELP |
|   | (A)      | (B)                |
|   | N=260    | N=260              |
| Attendance  |          |                    |
| Business Owner or Partner Attended Film Screening | 0.52     | 0.49               |
| Evaluation (1-4 Scale):                           |          |                    |
| Has Learned Something New                         | 3.34     | 3.21               |
| Feels Inspired                                    | 3.31     | 3.30               |
| Feels Hopeful                                     | 3.60     | 3.42               |
| Feels Bored                                       | 0.83     | 0.97               |

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Assistance: Take Up and Assessment

|  | (1)       | (2)                 |
|--|-----------|---------------------|
|  | HB & HELP | HB & MOV,<br>& HELP |
|  | (A)       | (B)                 |
|  | N=260     | N=260               |

## Attendance

|  |      |      |
|--|------|------|
| Business Owner or Partner Attended 1st Session | 0.77 | 0.78 |
| Business Owner or Partner Attended 2nd Session | 0.68 | 0.68 |

## Evaluation (1-4 Scale)

|                           |      |      |
|---------------------------|------|------|
| Has Learned Something New | 2.88 | 2.89 |
| Feels Inspired            | 2.76 | 2.83 |
| Feels Hopeful             | 2.88 | 2.97 |
| Feels Bored               | 0.59 | 0.43 |

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Impact on Business Practices

## Aggregate Scores

|                                    | Record Keeping<br>(1) | Planning<br>(2)     | Stocking-up<br>(3) | Marketing<br>(4)   | Joint Decision-making<br>(5) |
|------------------------------------|-----------------------|---------------------|--------------------|--------------------|------------------------------|
| Assigned Handbook                  | 0.025<br>(0.209)      | 0.027<br>(0.273)    | -0.007<br>(0.694)  | -0.011<br>(0.694)  | 0.011<br>(0.694)             |
| Assigned Handbook & Movie          | 0.057***<br>(0.009)   | 0.043<br>(0.107)    | 0.038<br>(0.117)   | 0.040<br>(0.166)   | 0.040<br>(0.217)             |
| Assigned Handbook & Assistance     | 0.065***<br>(0.004)   | 0.034<br>(0.166)    | 0.011<br>(0.664)   | 0.039<br>(0.166)   | 0.037<br>(0.239)             |
| Assigned All Three                 | 0.054***<br>(0.009)   | 0.068***<br>(0.009) | 0.053**<br>(0.020) | 0.061**<br>(0.032) | 0.059*<br>(0.094)            |
| R-squared                          | 0.204                 | 0.192               | 0.187              | 0.150              | 0.120                        |
| Sample Size                        | 2205                  | 2204                | 2205               | 2205               | 2205                         |
| Dependent Variable Mean of Control | 0.196                 | 0.402               | 0.471              | 0.250              | 0.269                        |
| Dependent Variable SD of Control   | 0.252                 | 0.310               | 0.270              | 0.320              | 0.420                        |
| F-tests (p-value):                 |                       |                     |                    |                    |                              |
| Book = Book & Mov                  | 0.069                 | 0.487               | 0.014              | 0.028              | 0.300                        |
| Book = Book & Assistance           | 0.025                 | 0.754               | 0.304              | 0.030              | 0.348                        |
| Book = All Three                   | 0.096                 | 0.073               | 0.001              | 0.002              | 0.082                        |

# Business Profits

|                                | Profits<br>last month<br>(win 5%)<br>(1) | Profits<br>last month<br>(IHS)<br>(2) |
|--------------------------------|--|---------------------------------------|
| Assigned Handbook              | -91.307<br>(78.400)                      | -0.067<br>(0.088)                     |
| Assigned Handbook & Movie      | 110.378<br>(86.841)                      | 0.055<br>(0.092)                      |
| Assigned Handbook & Assistance | 310.455***<br>(89.488)                   | 0.261***<br>(0.096)                   |
| Assigned All Three             | 191.088**<br>(84.662)                    | 0.199**<br>(0.094)                    |
| R-squared                      | 0.179                                    | 0.211                                 |

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Business Sales

|                                | ITT<br>Sales<br>last month<br>(win 5%)<br>(1) | TOT<br>Sales<br>last month<br>(win 5%)<br>(2) |
|--------------------------------|---|---|
| Assigned Handbook              | -396.976<br>(314.252)                         | -417.198<br>-417.198                          |
| Assigned Handbook & Movie      | 335.489<br>(337.881)                          | 601.221<br>(606.634)                          |
| Assigned Handbook & Assistance | 836.755**<br>(372.924)                        | 1031.692**<br>(457.015)                       |
| Assigned All Three             | 807.462**<br>(358.384)                        | 1558.326**<br>(696.317)                       |

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Other Outcomes

- No significant impacts on:
  - Business expenses
  - Size of the shop
  - Number of employees
  - Number of customers
  - Business credit

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

**Results**

Discussion

Conclusion

# Discussion

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion



# Efficiency Gains?

Impact on business practices → **efficiency practices:**

- Adjust stocks based on product profitability
- Negotiate lower prices with suppliers
- Consult with former customers
- Offer discounts
- Make joint decisions
- Review performance to identify ways to improve
- Make anticipated budget for upcoming costs

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Efficiency Gains?

Impact on business practices → **efficiency practices**:

- Adjust stocks based on product profitability
- Negotiate lower prices with suppliers
- Consult with former customers
- Offer discounts
- Make joint decisions
- Review performance to identify ways to improve
- Make anticipated budget for upcoming costs
  - **Non-record-keeping practices**
  - **Stocking up and marketing practices** appear to drive performance effects (causal-mediation analysis)
  - Variance in profits among treated firms does not converge
  - **Efficiency gains**

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Business Knowledge or Aspirations?

Impact on practice adoption and business performance may work through ..

- .. acquisition of **business knowledge** and/or
- .. strengthening of **business aspirations**

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Business Knowledge or Aspirations?

Impact on practice adoption and business performance may work through ..

- .. acquisition of **business knowledge** and/or
- .. strengthening of **business aspirations**

We directly measure **business aspirations** ..

- .. at baseline, midline, and endline
- .. for short (one year) and long ("ideal business") time horizons
- .. for various dimensions of potential business expansion
  - Sales on a normal day
  - Physical size
  - Customers on a normal day
  - Employees

→ **No impact on aspirations**

→ Performance likely driven by increase in **business knowledge**

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Business Stealing?

Do treated businesses improve performance at the expense of the control?

- Sales and profits of **control businesses do not decrease** from baseline to endline (roughly equal)
- Sales and profits of control businesses **closer to treated shops do not decrease by more** than those further away
  - **No evidence for business stealing**

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Cost-Effectiveness

## Small costs (per firm):

- Cost Handbook alone: USD 100
- Cost Handbook & Movie: USD 125
- Cost Handbook & Assistance: USD 125
- Cost Handbook & Movie & Assistance: USD 150

## Substantial Benefits

- Up to USD 330 per month in profits
- Adoption of top practices by retailers

Research design likely **scalable and portable**

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Conclusion

**PART I: Lecture**  
*Business Practices  
and Training*

**PART II: Paper**  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

# Takeaways

- Curating local knowledge has value for business growth
- Information alone does not have impact, only combined with behavioral interventions
- Mechanism likely knowledge-based, not aspirations-based
- Behavioral interventions are inexpensive and scalable
  - Attractive for policy

PART I: Lecture  
*Business Practices  
and Training*

PART II: Paper  
*Curating Local  
Knowledge*

Motivation

Our Approach

Data and Design

Results

Discussion

Conclusion

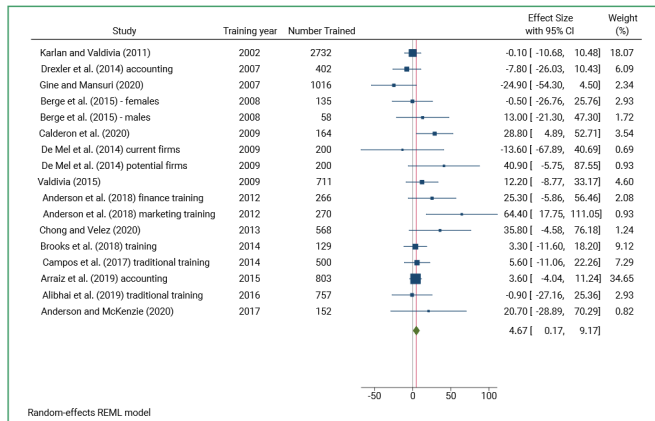


# References

- ANDERSON, S. J., R. CHANDY, AND B. H. ZIA (2018): "Pathways to Profits : The Impact of Marketing vs. Finance Skills on Business Performance," *Management Science*, pp. 1–25.
- BLOOM, N., B. EIFERT, M. APRAJIT, D. MCKENZIE, AND J. ROBERTS (2013): "Does Management Matter? Evidence from India," *Quarterly Journal of Economics*, 128(1), 1–51.
- BLOOM, N., A. MAHAJAN, D. MCKENZIE, AND J. ROBERTS (2010): "Why do firms in developing countries have low productivity?," *American Economic Review: Association and Proceedings*, 100(2), 619–623.
- BRUHN, M., D. KARLAN, AND A. SCHOAR (2018): "The Impact of Consulting Services on Small and Medium Enterprises Evidence from a Randomized Trial in Mexico," *Journal of Political Economy*, 126(2), 635–687.
- BRUHN, M., AND B. H. ZIA (2013): "Stimulating Managerial Capital in Emerging Markets: The Impact of Business and Financial Literacy Training for Young Entrepreneurs," *Journal of Development Effectiveness*, 5(2), 232–266.

# Evidence of Impact

**Figure 1** Estimates of the impact of business training on firm sales



Source: McKenzie (2020)

- Small positive impact on sales (back to ▶ profits)

References

APPENDIX