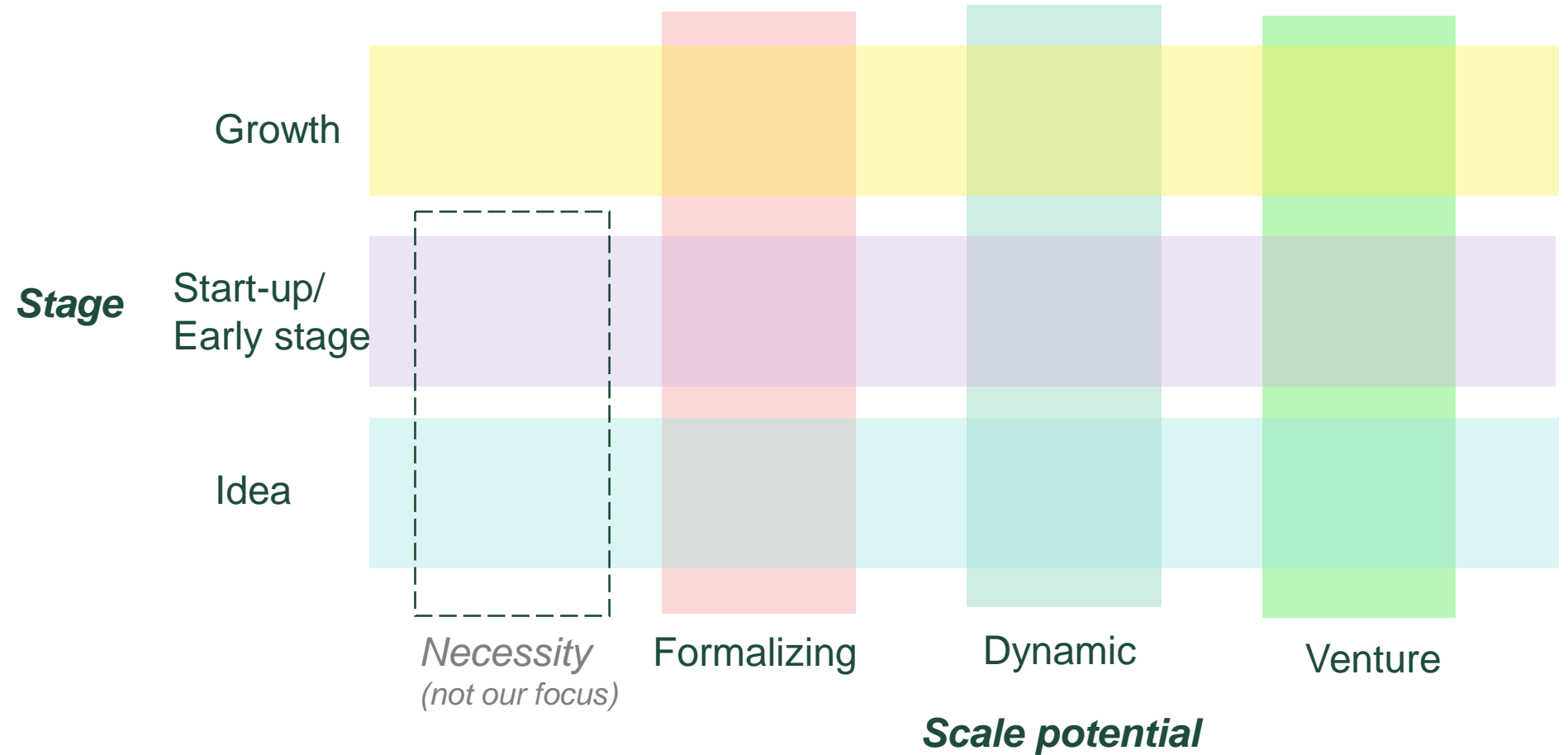


“Salaried wage jobs are the distinguishing feature separating the middle class from the poor in developing countries”

(Banerjee and Duflo 2008)

Segmentation of SMEs

- **Growth orientated SMEs** account for disproportionate amounts of economic development and employment growth
- We encounter them at **different stages** of development and on **different growth trajectories**



Segmentation of interventions

Intervention Family:	Accelerator	Organizational Development	Access to Finance	Platform	Research
Intervention Genus:	Cohort	Management Training	Institutional	Platform	Research
		Technical Assistance			
		Consulting			
	Business Planning Competition	Mentoring	Fund		
		Coaching			
	Incubation	HR/ Talent	Financial Advisory		
		Network			

Strategic intent: Improve the effectiveness and reach of SME-development



Ecosystems of support in **test-bed countries**



Build the **capacity** of impactful & cost-effective ESOs to **deliver at scale**: nationally/ regionally/ globally



Promote **effective learning** to concentrate resources on **proven** interventions



8 Years



29k

Enterprises shared annual performance data (many more participated in programs)



100+

Projects and 500+ cohorts were analyzed to identify what works



50+

Organizations targeting different stages and enterprise profiles were evaluated



Learning initiatives



Research initiatives

Multiple research initiatives were funded



Academic papers

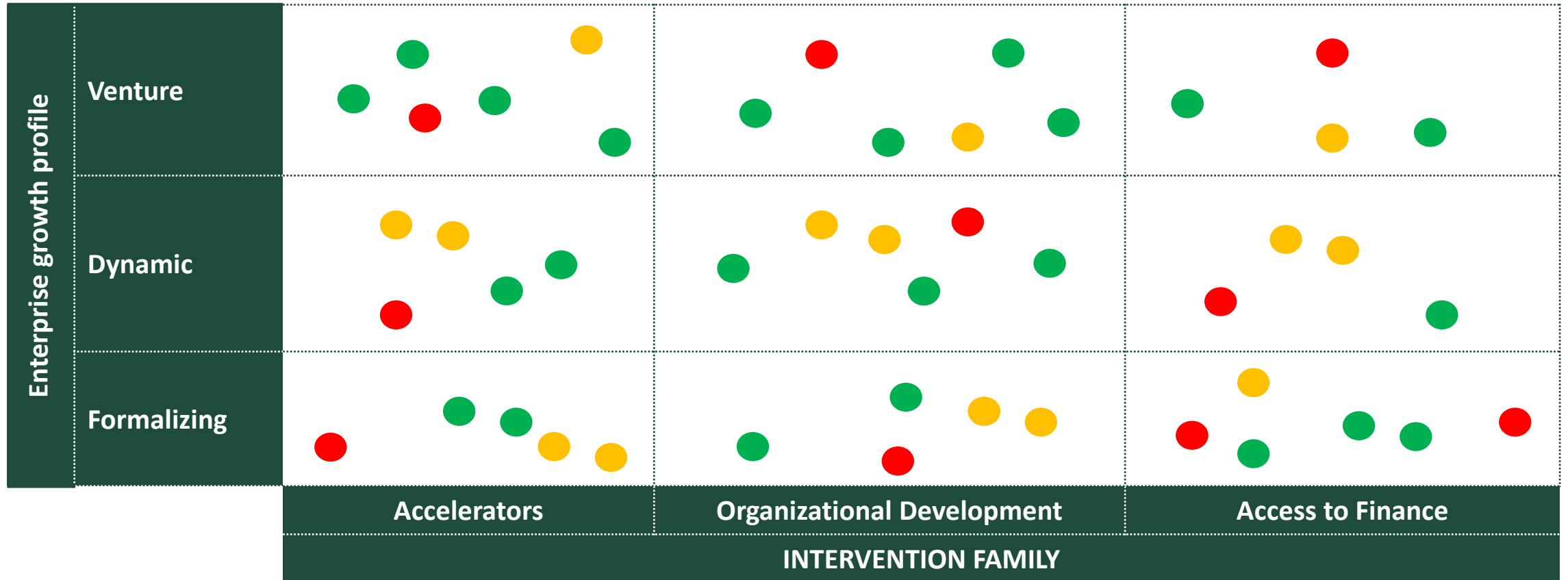
Countless academic papers were read to align with what others were learning



Growing evidence of effective approaches *but* large variation in impact & cost effectiveness

Illustrative indicators reflecting outcome KPIs (ROTI, Revenue growth, Job Creation & finance mobilized) of programs in Argidius' portfolio

- *Strong impact & cost effectiveness*
- *Could do better*
- *Why Oh Whys*



This pattern is repeated in other funders' datasets, in learning initiatives and in the growing academic evidence base



- **Acceleration**

- ✓ Gonzalez-Uribe 2018, Chile
- ✓ GALI, Roberts, Multiple
- X **GALI, Roberts, Multiple**

- ✓ **Angel investment** Kerr 2014 USA

- **Consulting & insourcing/outourcing:**

- ✓ Van Reenan et al 2010, India
- ✓ Iacovone et al 2019, Colombia
- ✓ Karlan & Bruhn 2018, Mexico
- ✓ Anderson et al 2020, Nigeria

- ✓ **Lending to established firms**
Banerjee 2014 India

- **Mentoring**

- ✓ **Peer-to-peer** eg Cai et al 2018, China/ Anderson et al 2020, Nigeria
- X **Mentoring subsistence firms**
McKenzie 2020

- **Training:**

- ✓ **Targeted, focused, intense training** Anderson 2015 South Africa
- ✓ **Charging**, Maffioli 2020 Jamaica
- ✓ **Mindset**, Campos 2016, Togo
- X **Traditional training:**
McKenzie et al, Africa & Asia

- **Microfinance**

- ✓ **Targeted** microfinance e.g. Banerjee 2019 India/ Osman 2022 Egypt
- X **Extending microfinance** Quinn 2021 multiple

- **Grants**

- ✓ **Selective** grants: McKenzie 2015 Nigeria
- ✓ Woodruff et al multiple

Accelerators

Organizational Development

Access to Finance

INTERVENTION FAMILY

Its not what you do... its how you do it...

S

C

A

L

E

Select

the right
enterprise

Charging

enterprises
improves
performance

Address

problems: we
learn best
through problem
solving

Learning

by evaluating
enterprise
performance

lead by **Example**

Improve your own
organization to better
serve enterprises

Select the right enterprises for success

Better selection plays an important role in performance

- i. Both enterprise and program are selecting
 - Buy-in / self-selection
 - Referrals
- ii. Segment enterprise and entrepreneur profiles
- iii. Multi-stage over the course of program

Enterprise contributions improve selection

Policy issues

Much funding seeks a one-size-fits all solution and does not enable a good match between enterprise and provider.

*Ask: What do you want to achieve
 Where are there gaps
 Which enterprise profile(s) have the most potential
 Who is doing the selecting?*



Charging enterprises for services improves performance



The enterprise should contribute

- i. Enterprise contributions are possible and desirable
 - i. The degree of cost coverage has accessibility implications
- ii. Relationship based on value-add not charity

It is unrealistic to expect all programs to be fully funded by enterprise contributions (likewise in USA, UK, EU etc)

- i. Variety of model in practice (subsidized/ blended/ revenue)
- ii. Strategically aligned diversified funding (corporate/public/sources)

Policy issues

Dualistic assumptions that either entrepreneurs are not willing or able to pay OR entrepreneurs don't need subsidized support

Ask: What is the right price point where engagement is high, and the target group are not excluded. What is the right mechanism? How is the value of support communicated?

Address problems: we learn best through problem-solving

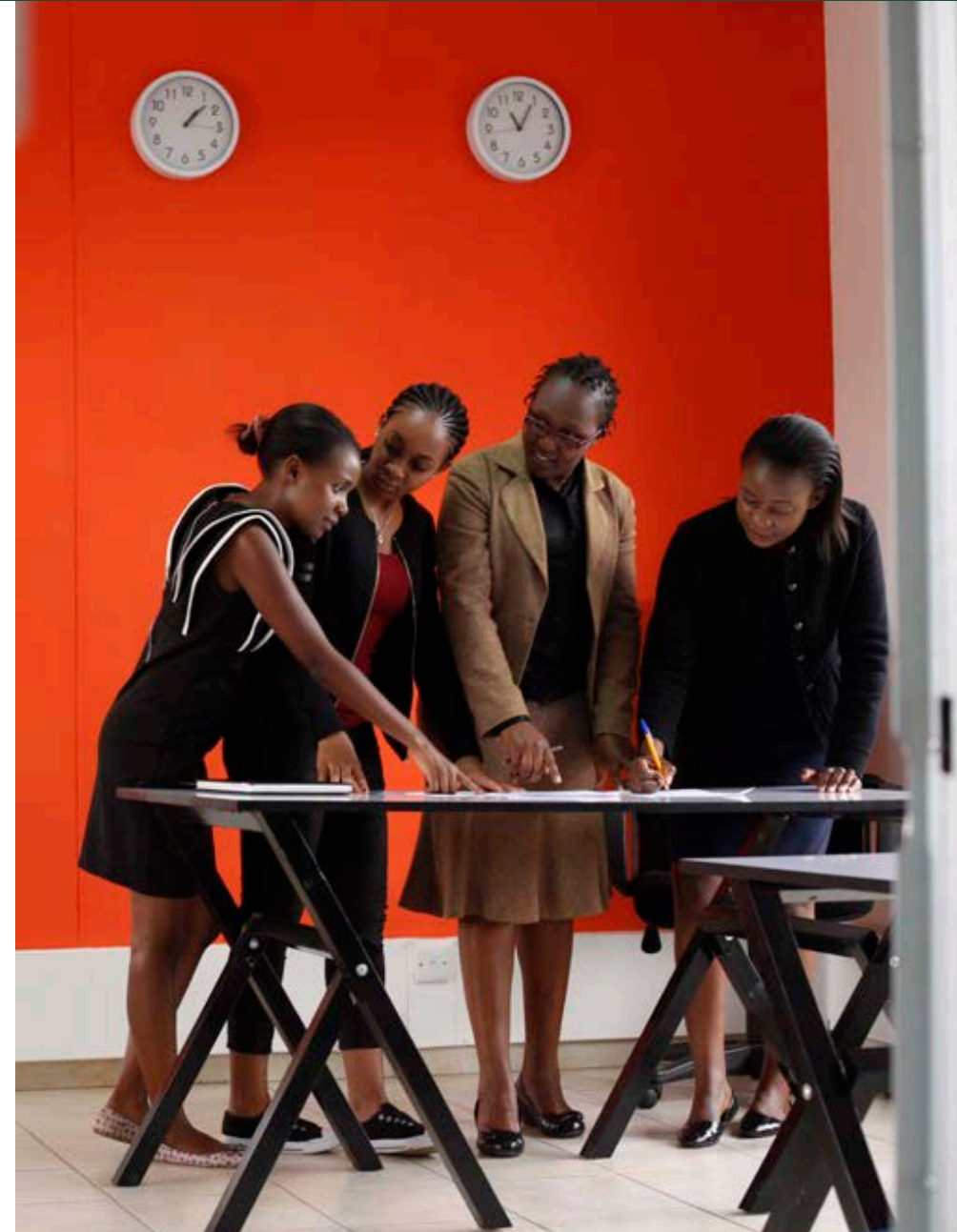
Program design must be led by enterprise needs rather than teaching what enterprises “ought” know

- i. Enterprise level needs assessment/ diagnostic
- ii. Real time problem solving
 - i. Peer to peer/ Reverse curriculum/ Tools
 - ii. Intensity/ timing of delivery
 - iii. Trust and relationships
 - iv. Planning and Selling are fundamental topics

Policy issues

\$44 billion is spent on capacity building worldwide each year. **Training is the first response** reached for but is the least effective. Shifting firm practices and performance takes a certain level of intensity and investment.

Ask: What problems is the entrepreneur facing now? Is this the most cost-effective way of addressing it? How does the “solution” respond to changing needs?



Learning by evaluating enterprise performance creates results



Embedded monitoring evaluation and learning is correlated with higher performance

- i. Curiosity
- ii. Qualitative (behaviors/ practice) and quantitative (performance)
- iii. Ongoing needs assessment
- iv. Relational, value-add rather than extractive

Satisfaction is not a proxy for effectiveness

Policy issues

Much funding stops short at bums on seats and satisfaction. Funding structures do not allow sufficient time or incentives for feedback loops and improvements.

Ask: What are the changes on firm performance (if any)? Why? How? What should be improved/ stopped? What feedback loops and incentives are in place to enable learning?

Lead by Example: Improve your own organization to better serve enterprise

Quality of delivery team underpins performance

- i. Structure for consistently delivering quality
 - Ability to plan
 - A well organized, empowered, and capable team, eager to learn and continuously improve
 - Limited/ defensible staff turnover
- ii. Clear **strategy** with balance between focus and growth
- iii. Functional and qualified **governance**
 - Ideally including the involvement of successful entrepreneurs who know what it takes to significantly grow

Policy issues

Prevalence of thinking in terms of projects and programs. Insufficient attention paid to the organization delivering and its development.

Ask: What are the needs of support providing organizations? What is the value of and challenges relating to our funding.



Simple changes in relation to SCALE have led to improved enterprise performance

An expert volunteer consulting organization, Bpeace significantly **improved their impact** on enterprise growth following **two simple changes**:

- they **introduced a fee** for its clients, and
- adjusted the **timing and intensity** of delivery to better address entrepreneurs' problems

The new cohort generated **>10x in incremental revenue**, and **doubled job creation**, in half the time. Subsequent cohorts have seen even stronger improvements

“Charging made our entrepreneurs feel more like real clients, and they had a voice. Since we started charging, entrepreneurs have become more demanding of the quality of the program and provide feedback on how we should improve.”

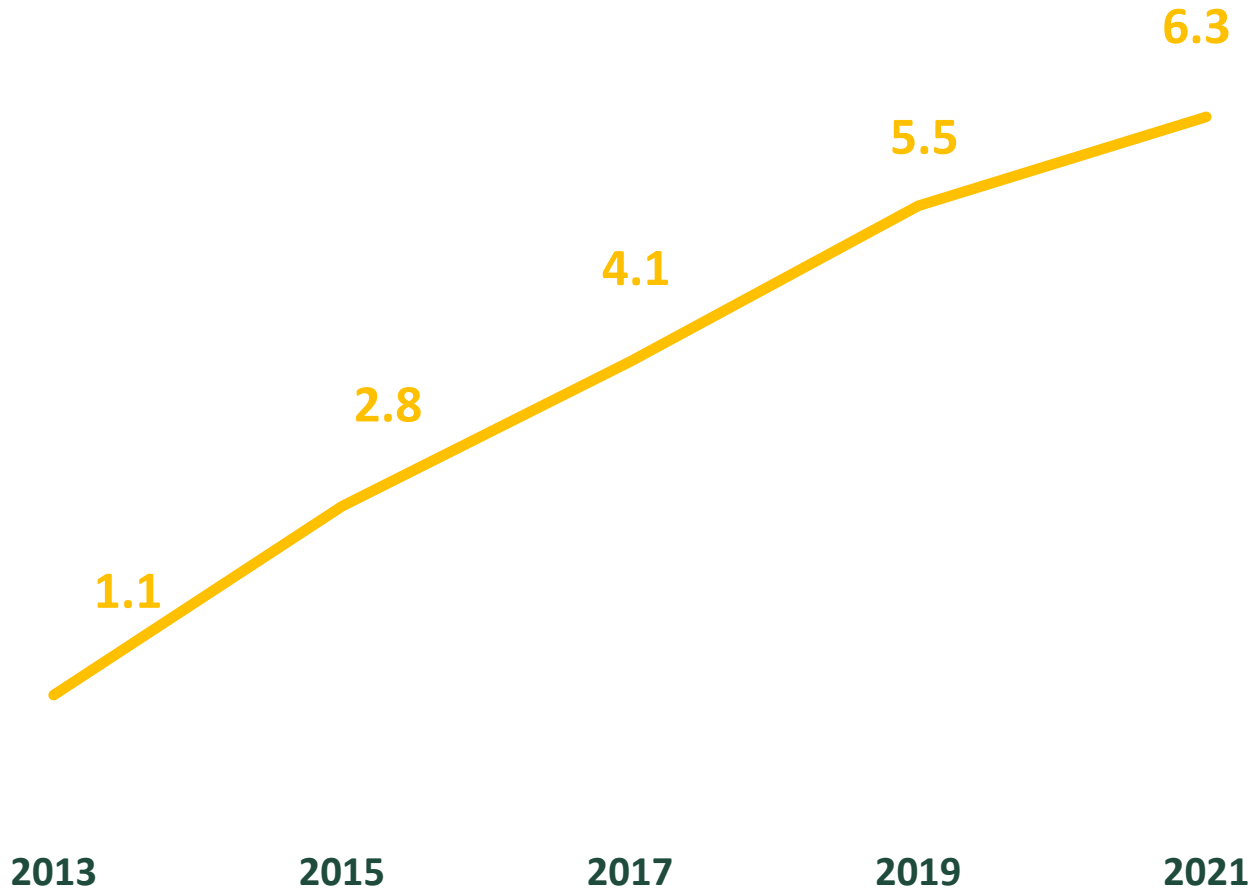
Alexandra Salas, CEO, [Business Council for Peace](#)



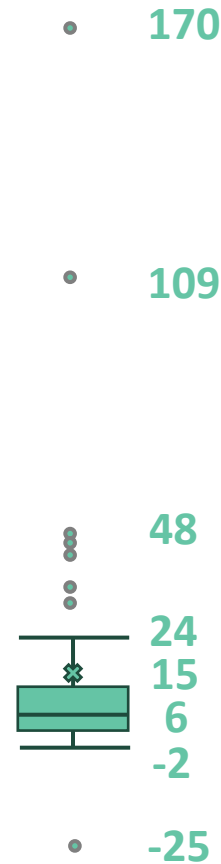
Changes in relation to SCALE are improving cost-effectiveness across our portfolio

ROTI: return on total investment
incremental revenue/total cost of support

Total portfolio ROTI over time



ROTI distribution



Cost-effectiveness has multiplied, based on the use of SCALE in:

- Screening, due diligence, and design.
- Partner support, grant management, ESO capacity development, introductions and facilitated knowledge sharing.

Most ESOs we work with have made changes that are leading to higher enterprise growth and improved cost-effectiveness.

Data drawn from 29,000 enterprises across 55 ESOs

SCALE Report and Toolkit

Most recently the evidence behind SCALE has been compiled into a report and accompanying toolkit, **published on our website**, that helps delivery organizations and funders assess themselves against best practice and identify ways to become more effective and impactful.

- The **SCALE report** is available in English, French, Spanish & Portuguese
- The **executive summary** provides an overview of the report, and acts as a reference index
- The **SCALE diagnostic tool is for:**
 - funders to identify, assess shape impactful partnerships with Enterprise Support Organizations
 - Enterprise support organizations to self-assess and identify strengths and areas for improvement.
- A **one-pager** provides quick reference
- A **reflection tool** poses questions to facilitate discussion on good practices
- **Additional resources are available** for funders and ESOs to draw on as appropriate



SEPTEMBER 2021



<https://www.argidius.com/en/learning/learning-placeholder-i5947-how-to-fulfill-the-potential-of-business-development-services-using-scale/>

Examples of SCALE being used by different players

Funders including the **Dutch Good Growth Fund, Visa Foundation, Small Foundation, & Good Business Foundation**, have integrated SCALE into their grantee due diligence, grantee support, and monitoring and evaluation.

The lead Private Sector Economist is endorsing SCALE across the **World Bank**

We-Fi, a \$300m+ initiative is taking segmentation of women-led firms as a priority going forward.

The **Honduran Ministry of Industry and Commerce** used SCALE to address quality issues in their network of 12 regional business support centers

IGC supported **British International Invest** to integrate SME segmentation into their strategy

EnDev, a **€400M per year**, 21 country initiative increasing access to renewable energy, is using SCALE to better integrate BDS throughout the portfolio

The Global Steering Group for Impact Investing are using SCALE to develop **standards and improve the quality of enterprise support sector in Ghana**

The **Zambian Central Bank** are working with the Collaborative For Frontier Finance to adopt better enterprise segmentation and financing instrument design

The Impact Hub network have **developed enterprise support programs** being rolled out over 100+ locations globally

The **Croatian Agency for Small Firms and Investments** are using SCALE

Village Capital are **building the capacity of local enterprise support organizations using SCALE** across sub-Saharan Africa & rolling out internationally through programs funded by IKEA Foundation, Small Foundation, in the US with Travelers, Moodys, Sorenson Impact Foundation, & UBS, with DGGF and Bluehaven also in pipeline. A ESO diagnostic app has been developed. 200+ ESOs have been through these diagnostics

Mongolian MPs requested the SCALE resources to inform small firm policies

The **Ministry of Economy and Finance in Cambodia** is seeking bids for a new flagship digital entrepreneurship program, with SCALE as its implementing principle

SCALE is being turned into a **chatbot** in Myanmar

African Management Institute are using SCALE as one of the inputs to develop **BDS standards in Uganda** with Private Sector Foundation Uganda that will be nationally gazette. 200 BDS providers will be supported to meet the standards.