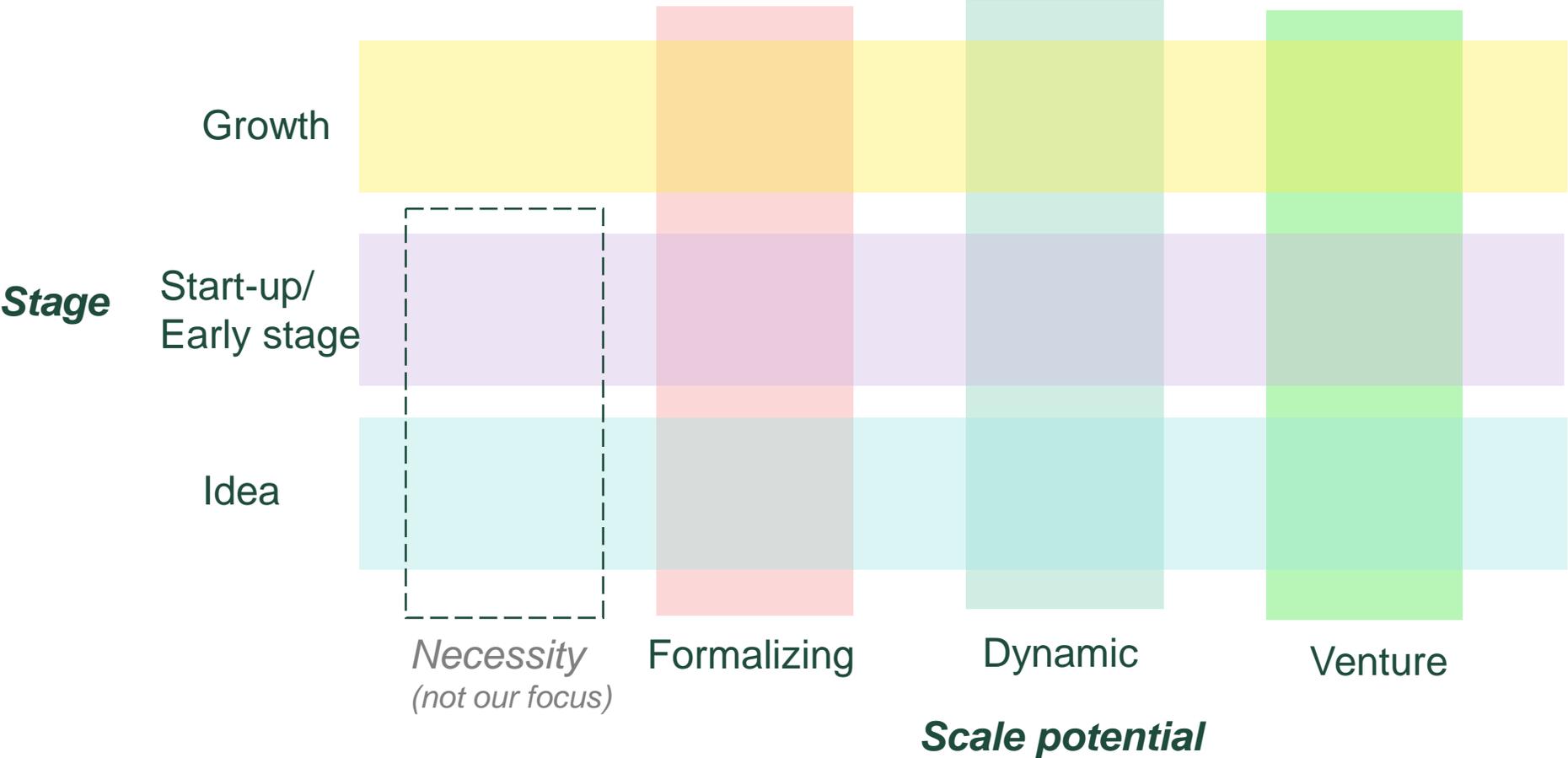


“Salaried wage jobs are the distinguishing feature separating the middle class from the poor in developing countries”

(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**

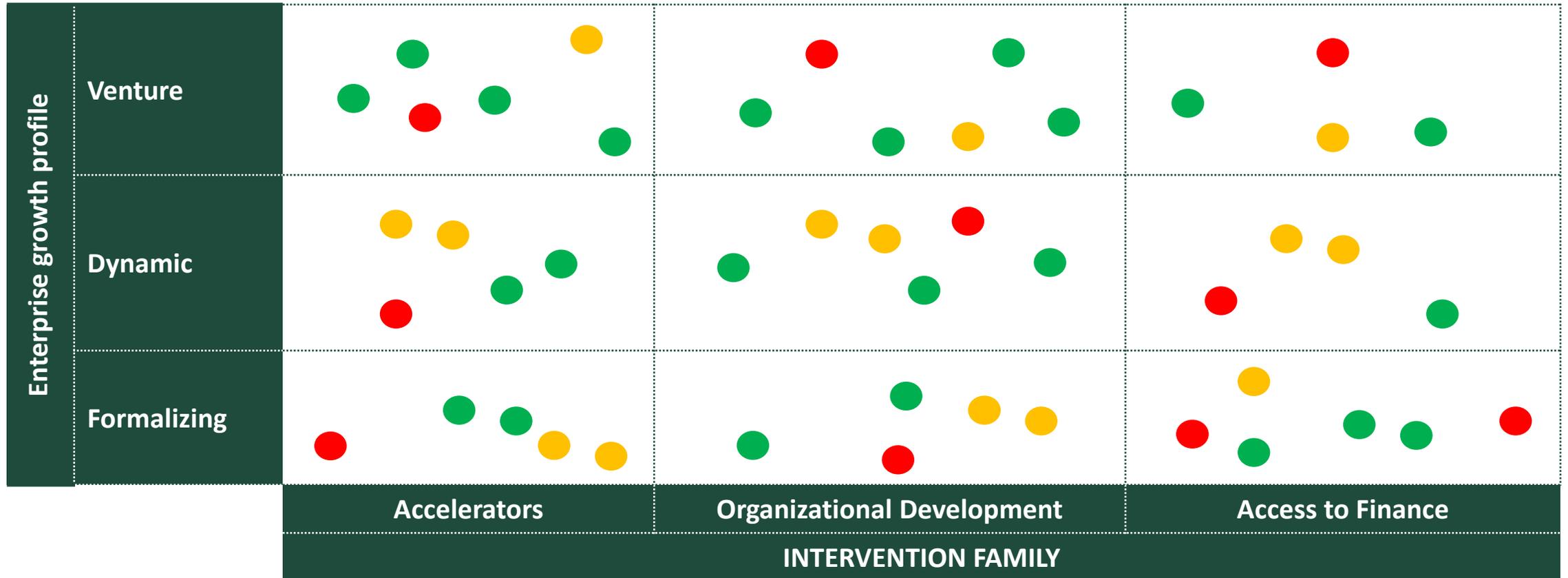
Countless academic papers were read to align with what others were learning



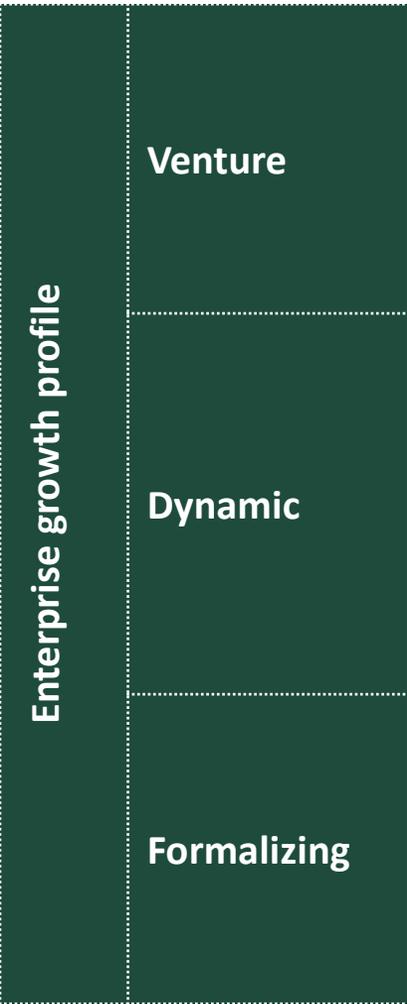
# Growing evidence of effective approaches *but* large variation in impact & cost effectiveness

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

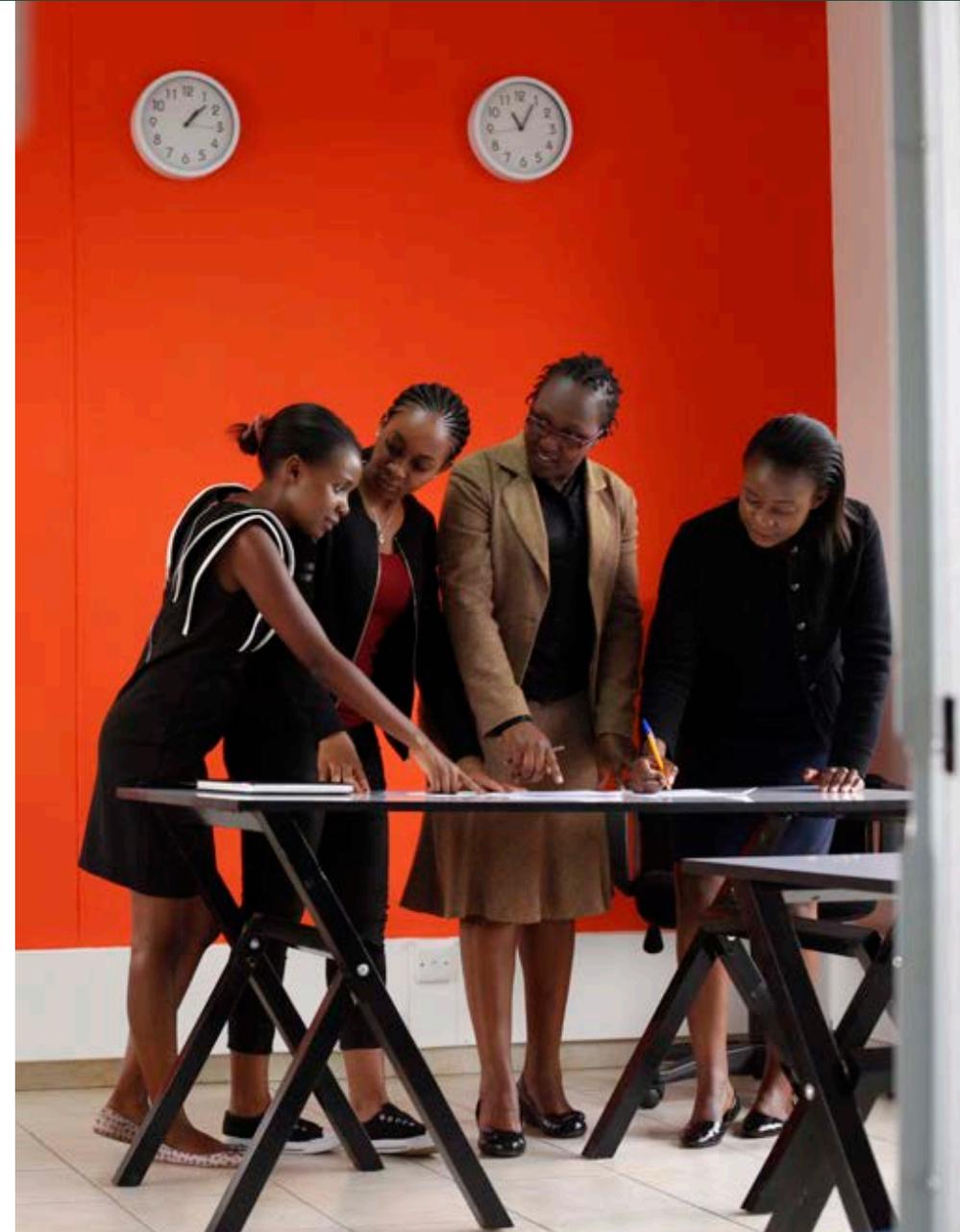
**Program design must be led by enterprise needs rather than teaching what enterprises “ought” know**

- 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.”*

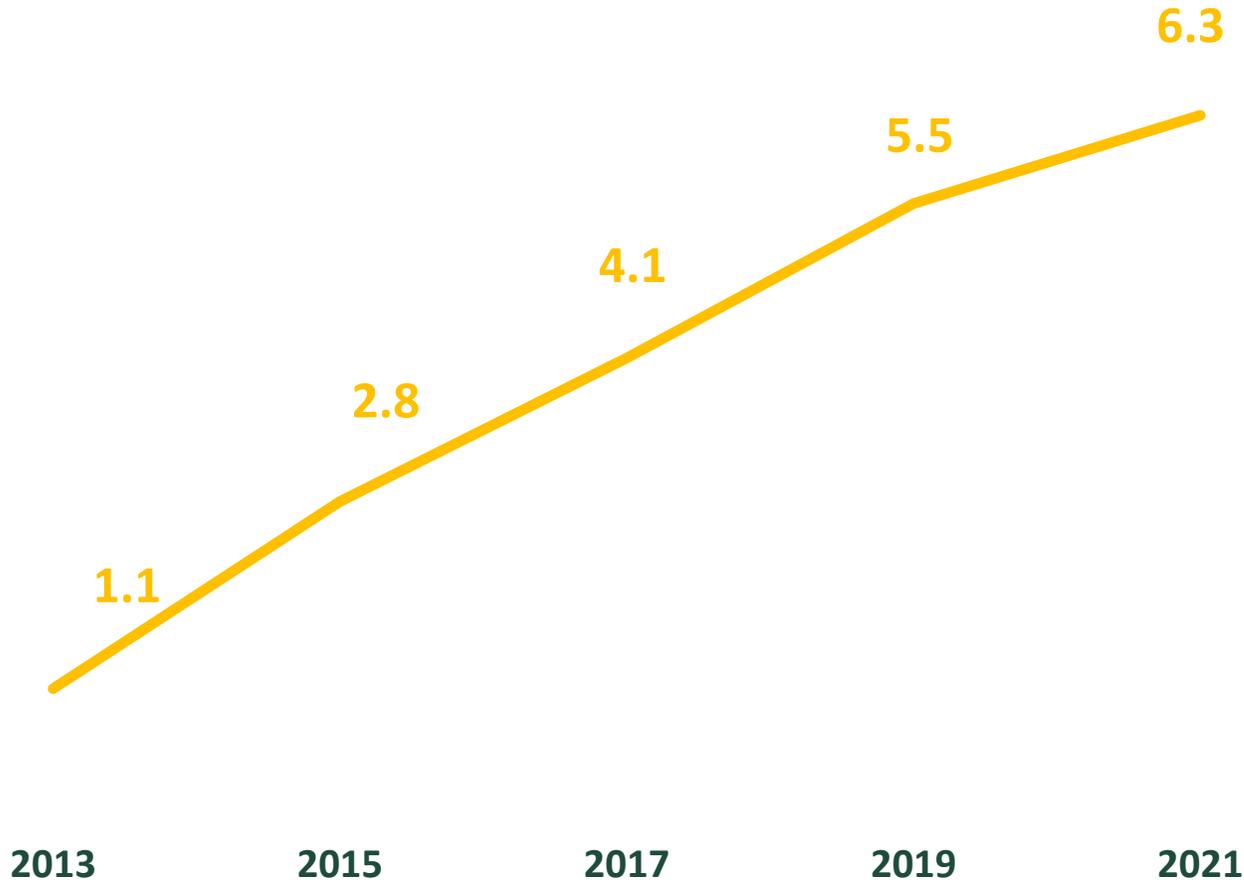
Alexandra Salas, CEO, [Business Council for Peace](#)



# 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.