

***Stimulating Marketing Strategy Innovation with Entrepreneurs in Uganda:
Examining the Impact of Skype-aided Business Coaching
on Firm Sales***

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STANFORD GRADUATE
BUSINESS SCHOOL OF

CHICAGO BOOTH 
The University of Chicago Booth School of Business

LSE Department of
Management

Importance of small businesses

- Entrepreneurship drives economic development, job creation and prosperity and personal well-being

- USA:
 - 5.6MM employer firms
 - Fewer than 500 employees = 99.7% of businesses
 - Firms with fewer than 20 workers made up 89.0%
 - Another 24.8MM non-employer businesses
 - Created 1.9 million jobs in 2015; those with 20 employees or less adding 1.1 MM
 - Employ a total of 58.9 million workers

- Even more so in

Importance of small businesses

➤ Emerging markets:

- 365 ~ 445MM MSMEs
- 25-30MM formal SMEs, 55-70 formal micro, rest informal
- 60% of total employment; 80% of all new employment
- In Uganda, the context of our study, over 60% of employment is in entrepreneurial sector
- 40% of GDP
- Multinational firms expect 70% of future growth to come from emerging markets

(Source: <https://www.worldbank.org/en/topic/sme/finance>)



Small Firm Performance in Emerging Markets matters to

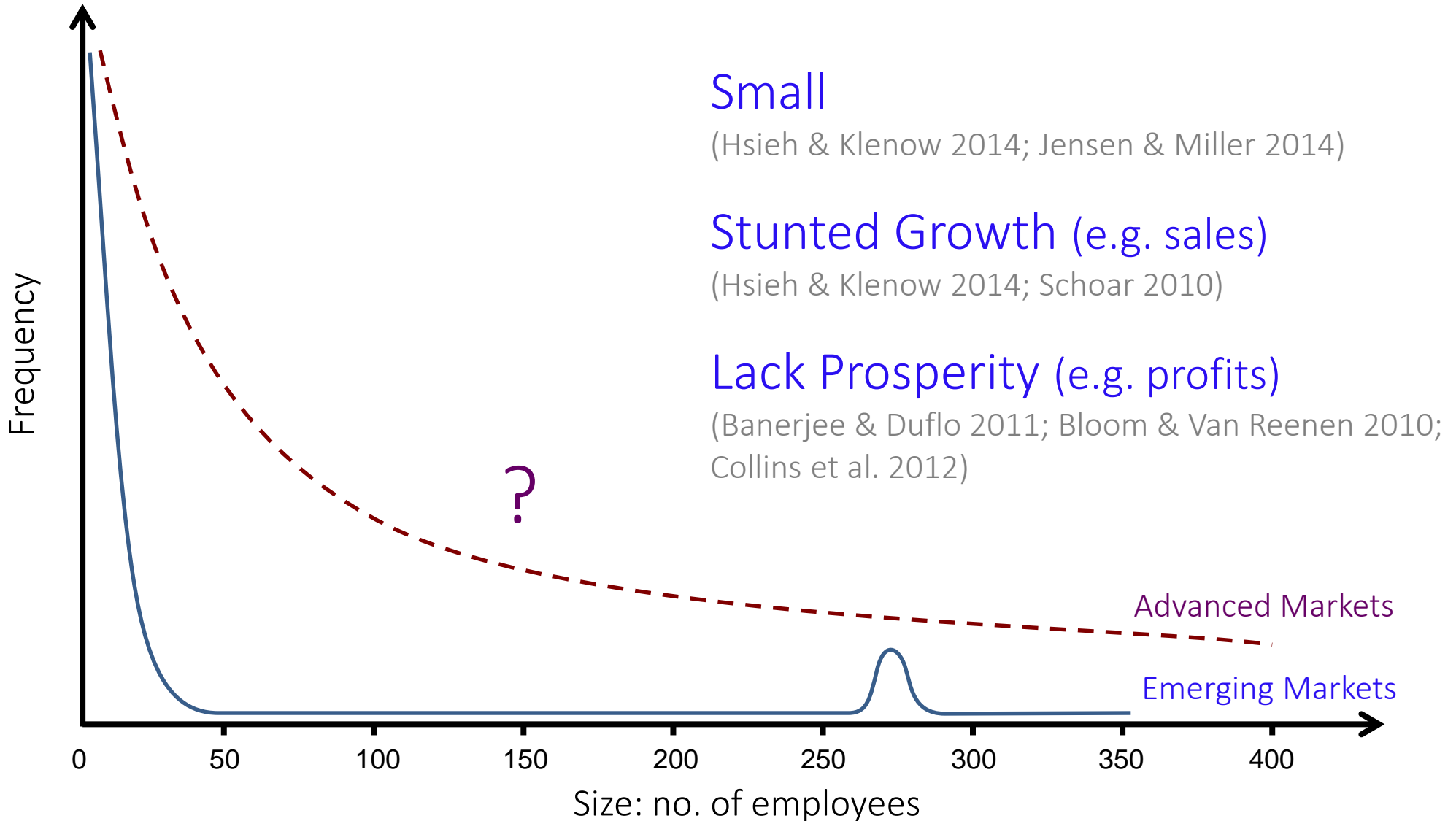
Entrepreneurs, Marketers, Governments,
Program Designers,

↑ **Sales:** reach new markets (distant, diverse)

↑ **Profits:** customer expansion (quantity, WTP)



Challenges faced by small businesses



Recommendations: Micro-finance / Improve business capabilities

➤ Micro-finance

- ✓ Micro-credit: small loans to entrepreneurs who lack access to conventional banking and financial systems

(see Anderson et al. 2018; Bloom et al. 2013; Brooks et al. 2018; Bruhn et al. 2018; Cai & Szeidl 2018; Campos et al. 2017; Drexler et al. 2014; Fafchamps & Quinn 2018; Karlan et al. 2018; McKenzie 2017; McKenzie & Woodruff 2013, 2017; Woodruff 2018)

Muhammad Yunus (Nobel Laureate) and Pioneer in Microcredit



“[The poor] do not need us to teach them how to survive; they already know. So rather than **waste our time teaching them new skills**, we try to make maximum use of their existing skills. Giving the poor access to credit allows them to immediately put into practice the skills they already know.” (1999)

BUT: limited or mixed empirical evidence that microfinance solutions lead to sustained growth and is *not transformational* (Banerjee, Karlan and Zinman 2015)

Recommendations: Micro-finance / Improve business capabilities

➤ Micro-finance

- ✓ **Micro-credit:** small loans to entrepreneurs who lack access to conventional banking and financial systems

➤ Improve business capabilities

- ✓ **Targeting** (e.g. local judges of business plans - Fafchamps & Quinn 2018)
- ✓ **Networking** (e.g. local peer to peer info sharing - Cai & Szeidl 2018)
- ✓ **Training** (e.g. local instructor to multiple entrepreneurs – Anderson et al. 2018)
- ✓ **Consulting** (e.g. local advisor to single entrepreneur – Bruhn et al. 2018)

(see Anderson et al. 2018; Bloom et al. 2013; Brooks et al. 2018; Bruhn et al. 2018; Cai & Szeidl 2018; Campos et al. 2017; Drexler et al. 2014; Fafchamps & Quinn 2018; Karlan et al. 2018; McKenzie 2017; McKenzie & Woodruff 2013, 2017; Woodruff 2018)

Improve business capabilities: effectiveness?

- Targeting
 - Evidence (McKenzie & Woodruff 2013, 2017)
 - ✓ None or mixed
 - ✓ Additional Issues:
 - Customizable?
 - Targetable?
 - Adaptive?
 - Scalable?
 - Persistent?
 - Complementary?
- Networking
- Training
- Consulting

Addressing those limitations

- Coaching (e.g. remote expert to single entrepreneur)

Grow Movement's remote coaching model



In partnership with



Research Questions

Main Effect:

- (1) What is the effect of remote business coaching on firm sales?
- (2) What is the mechanism by which this effect, if any, occurs?

Empirical challenges in addressing these questions...

Empirical Challenges

No Database:

- Measurement of decisions made and performance
- Large representative sample of firms (small; startups)

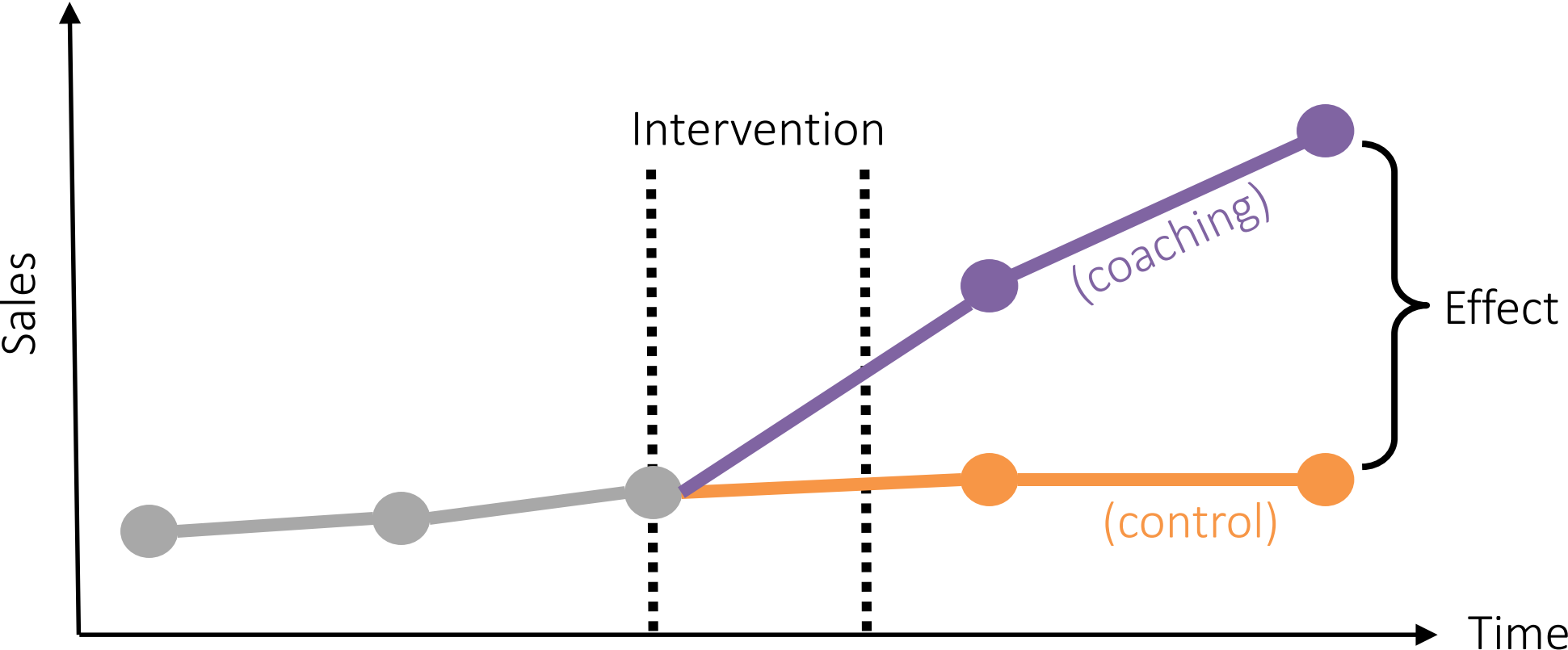
Backward-Looking Design:

- Omitted Variables
- Reverse Causality
- Self-Selection

} Sources of Bias

RESEARCH DESIGN

Randomized Control Trial



SAMPLE

Step 1: ~20,000 micro/small entrepreneurs approached

Step 2: 4,043 completed recruitment survey (GPI)

Step 3: top 1,500 growth-oriented qualified

Step 4: 1,254 completed baseline
(invited to partner's registration)

Step 5: 930 study sample
(passed gating interview)

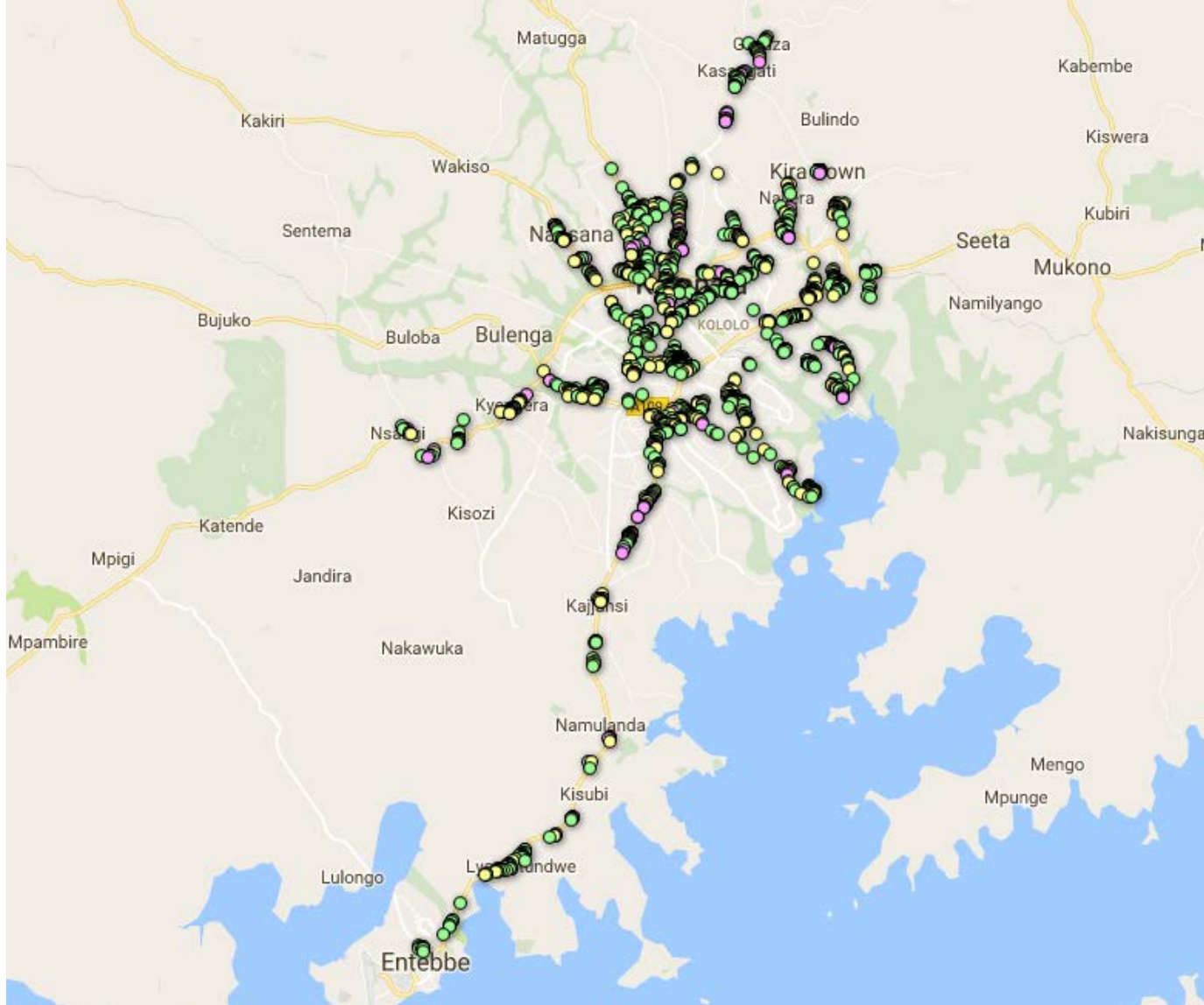
RANDOMLY
ASSIGNED

Coaching
n = 530
(treatment)

No Coaching
n = 400
(control)

Randomization

- Random Assignment: 930 firms into two experimental groups
- Statistical test showed no significant difference between the two



Door-to-Door Recruitment

- No listing sources: e.g., Government, NGOs, MFIs, SME centers
- Census: 20 RAs approached ~20,000 firms over 12 weeks



Institutional Context

Uganda: emerging market with high rates of entrepreneurship (GEM 2017)



Target Population

- Small firms: (i) operational, (ii) interested in coaching, (iii) growth-oriented
(n ~ 20,000) (n ~ 4,000) (n ~ 1,500)

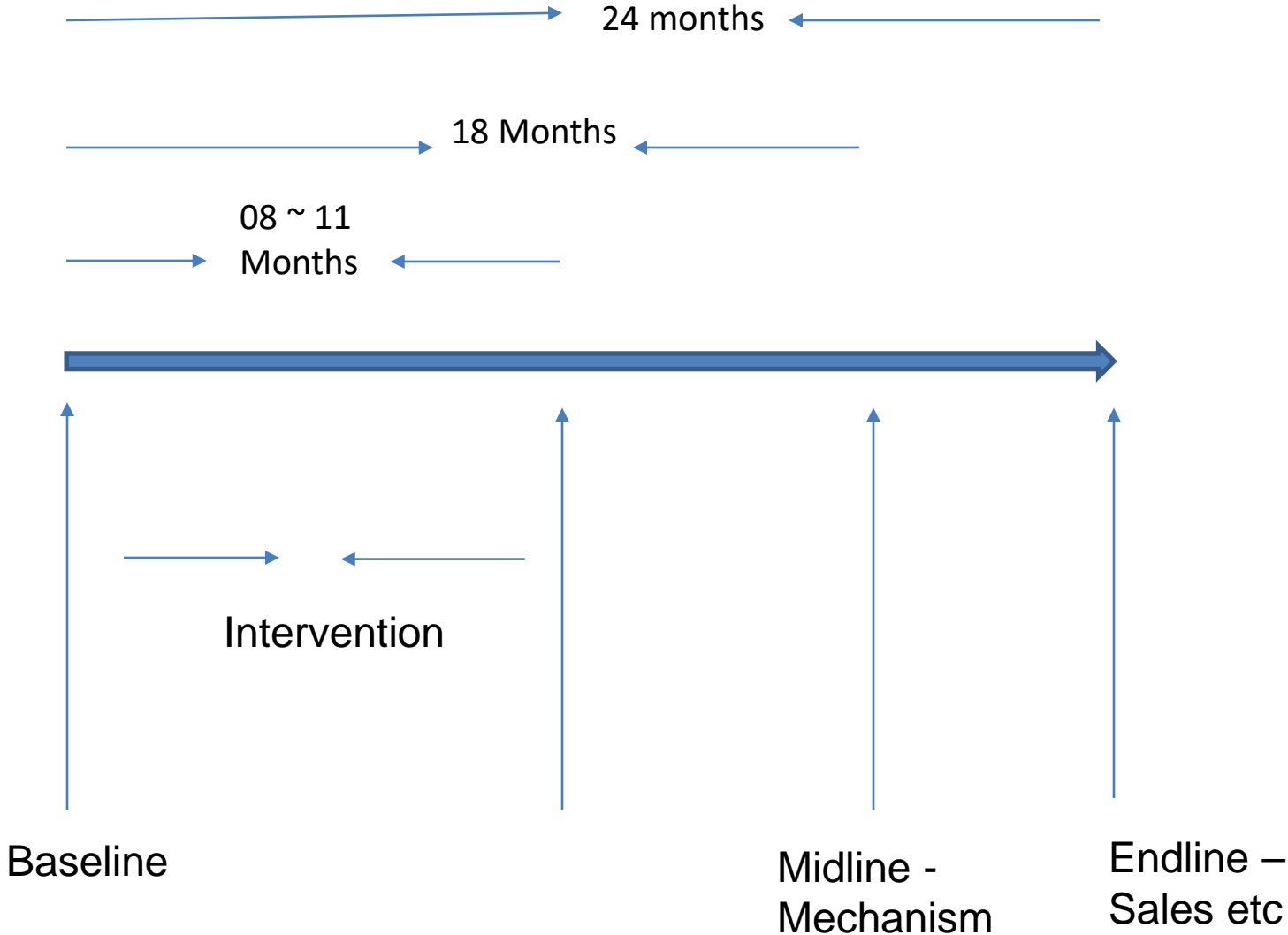


YES

NO

INTERVENTION

Intervention, Data Collection and Timeline





(i) Operational

(a) owner, (b) trading >3 months, (c) physical structure (d) speaks English



10:44

Growth Orientation Survey

ID: 00400058

SECTION 2: BUSINESS OVERVIEW

Question 12.

Where do you perform your business activities? *Please select one location. Do NOT read all of the options. Have the client explain and choose the best response. If at the business location, please have client confirm this is his main location.*

On the street using a car or truck (e.g. taxi driver/delivery person).

In a small shop or physical structure (stand alone).

In a shipping container (stand alone).

In a large shop (stand alone).

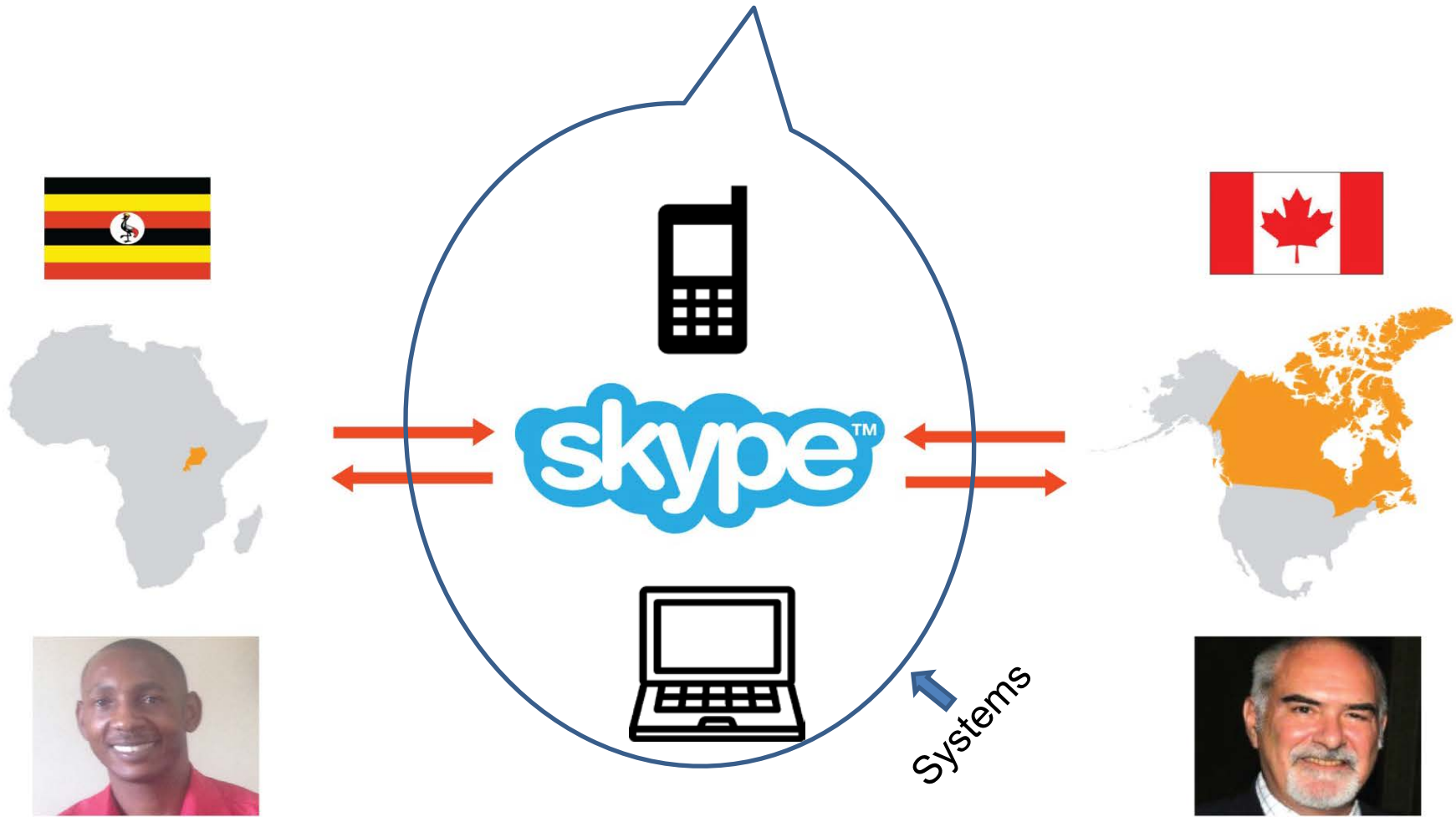
In a store located within a shopping mall or retail building.

In an office located within a larger office building or complex.

(iii) Growth-Oriented

- Invited: top 1,500 firms qualified and 1,254 completed Baseline Survey

Grow Movement's remote coaching model



In partnership with



International 'Remote' Coaching

Entrepreneurs come from:

Coaches come from:





Coaches

- High quality: experienced management professionals
- Volunteer time
- No specific matching of coach and entrepreneur

Content: flexible (not prescriptive)

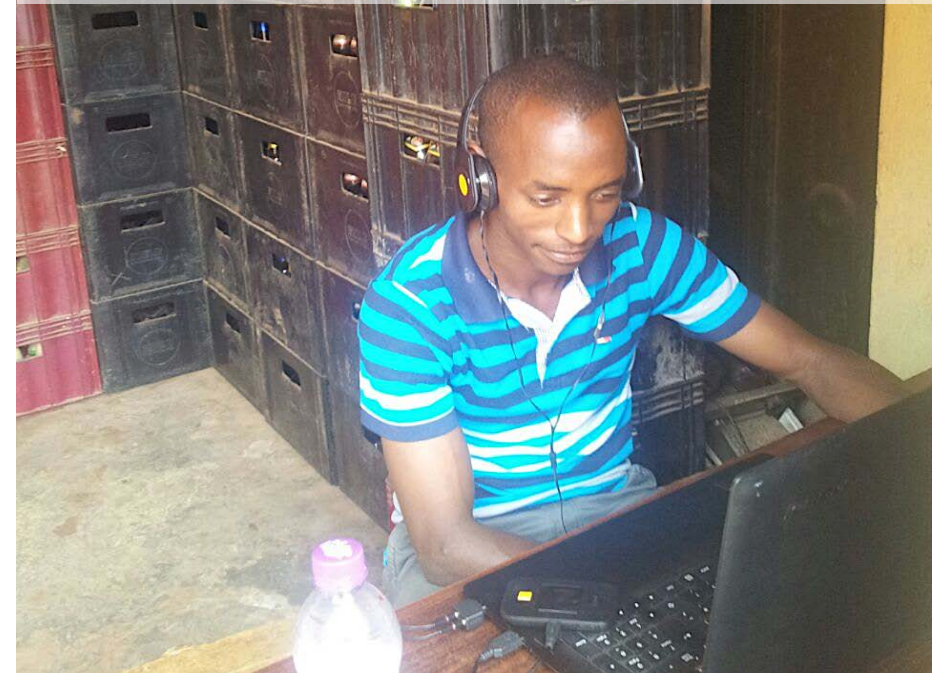


STAGE A (modules 1-2):

- Get to know each other
- Understand the business model
- Identify challenges
- Set goals

STAGE B (modules 3-12):

- Analyze customers, competitors, product economics, market context
- Complete & discuss assignments
- Review & adjust strategies
- Achieve goals

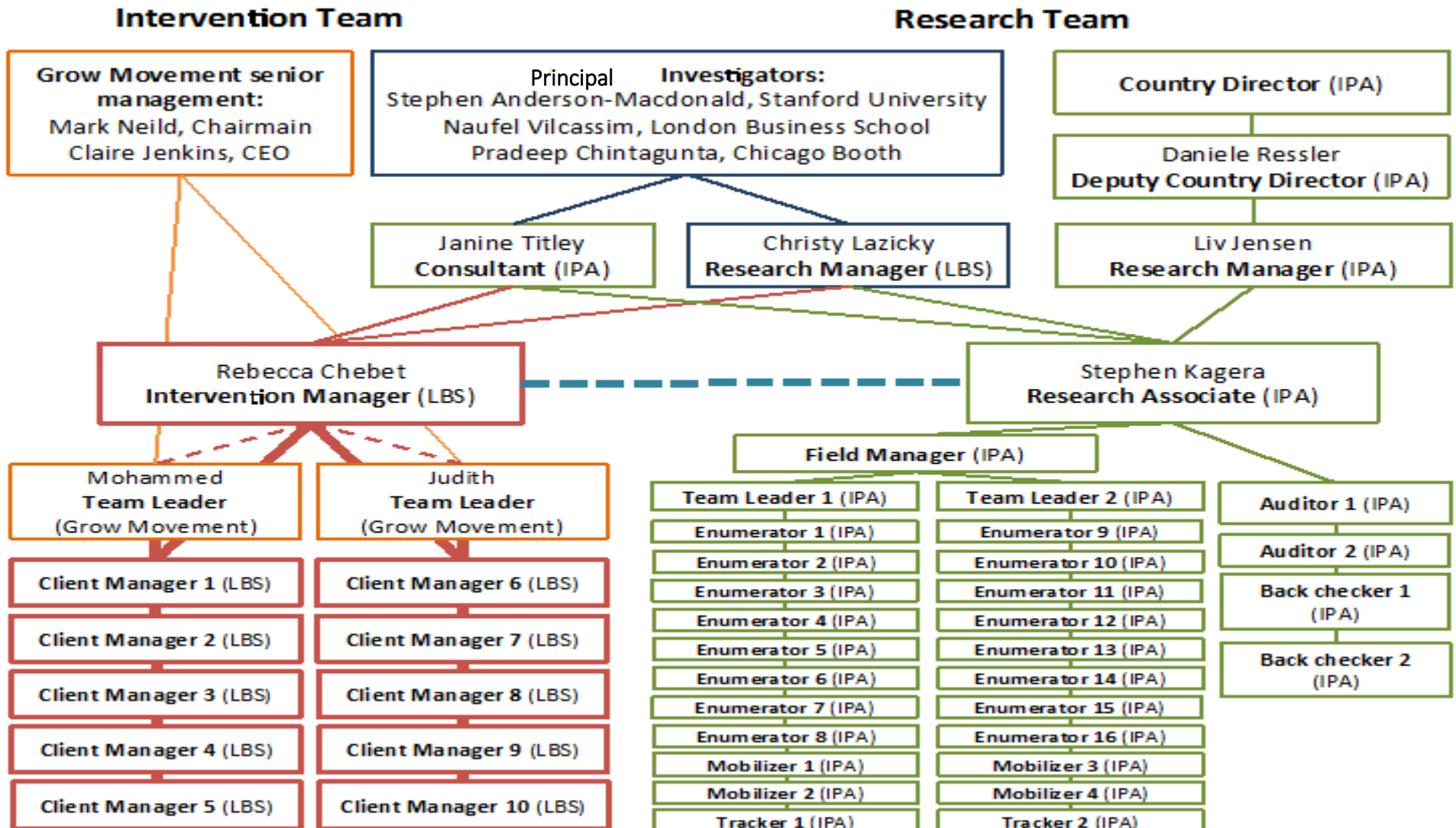




Communication

- Skype videoconferencing, mobile calls and emails
- Virtual 'meetings' (at business location or Internet Café)

Research Team Composition



Client Relations Managers (CRMs)

- #Uganda600 team: 12 CRMs and 2 team leaders
- Worked at “satellite offices” (partnering Internet Cafés)
- Facilitated entrepreneur-coach interactions



Monitoring: interactions tracked in project system

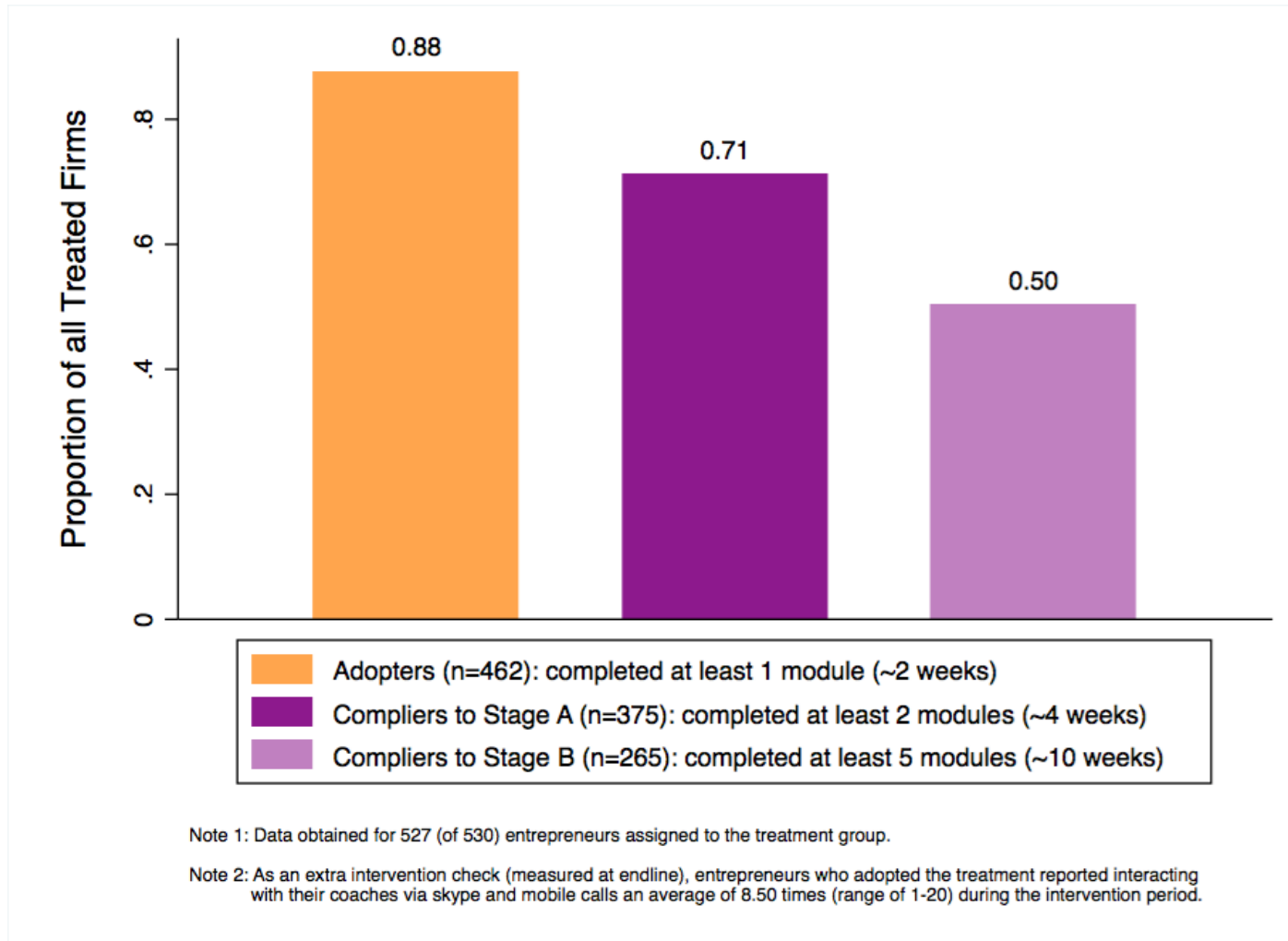
The screenshot displays a project management interface. At the top left, the logo 'GROW MOVEMENT' is visible. A red-bordered box highlights the title 'Grow Movement intervention data'. The user 'Janine Tittle' is logged in. The left sidebar contains navigation options: Profile, Reporting, Operations, Community (10) NEW, CRM, Administration, and Extended Operations. The main content area shows a vertical timeline of interactions:

- SESSION 12** (SIMON BIRCH : 04/03/2016 10:00): Discuss draft business plan. Agreed we needed to include some more detailed cash flow analysis and a forecast for the future (Simon to work on this), and for Capital to go and find out more information on bank loan rates in Uganda. These are currently very high (27% APR) and we will need to consider very carefully how much we seek into the business in the first instance, and this will likely need to see the initial amount reduced considerably.
- COMMENT** (SIMON BIRCH : 28/02/2016 10:47): Cash flow analysis is showing that the aspiration of Capital to get a £3,000 loan are probably unrealistic. We will work on this in the coming fortnight, but likely this will be nearer a £1,000 loan for his business.
- SESSION 11** (SIMON BIRCH : 05/02/2016 10:00): Session identified more detail on Capitals cash flow and Income/expense analysis. This is being fed into the consolidated business plan. Next session we will review this, though there have been considerable delays caused through the instability in the Uganda elections
- SESSION 10** (SIMON BIRCH : 29/01/2016 10:00): Discussed monthly cash flow analysis OCT-NOV and findings. Agreed

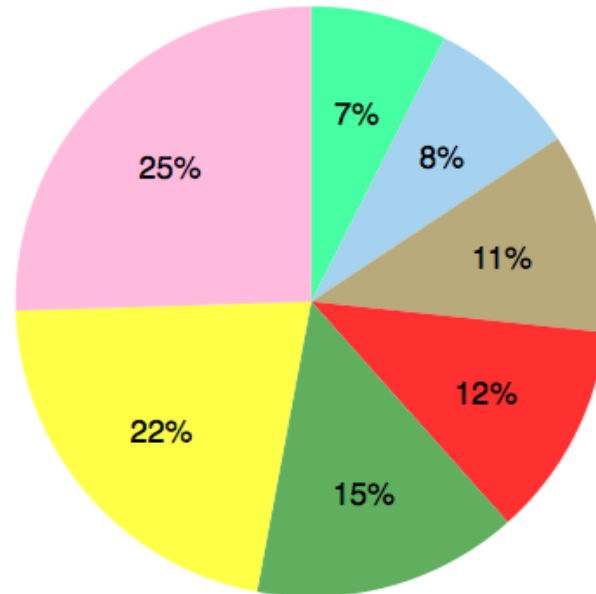
On the right, the 'Capital's Business Plan' section includes:

- Project Start Date: 20-07-2015
- Project End Date: 18-03-2016
- Project Objectives:
 1. Produce business plan that will enable a bank loan of £3,000 to allow business to expand with purchase of new equipment and staff
 2. Create detailed set of tools to allow ongoing analysis of the business cash flows and profit/loss
- [See all](#)
- TASK COUNT: 26 / 29
- LEAVE A NOTE

Compliance: completion of coaching modules



Compliance: reasons for non-completion



- Client Ineligible (not owner, non-English speaker, illegal business)
- Closed Business (for job, school, relocation)
- Quit: Professional Reasons (too busy with business, second venture)
- Quit: Personal Reasons (accident, family tragedy, pregnancy)
- Quit: Program Reasons (missing modules, not doing assignments, too difficult)
- Client Disappeared (never at business, not answering calls, lacks interest)
- Coach Disappeared (stopped calling, emergency, work pressures)

Note: Responses obtained for 255 (of 262) entrepreneurs who did not complete at least 5 modules (i.e. did not fully comply with treatment).



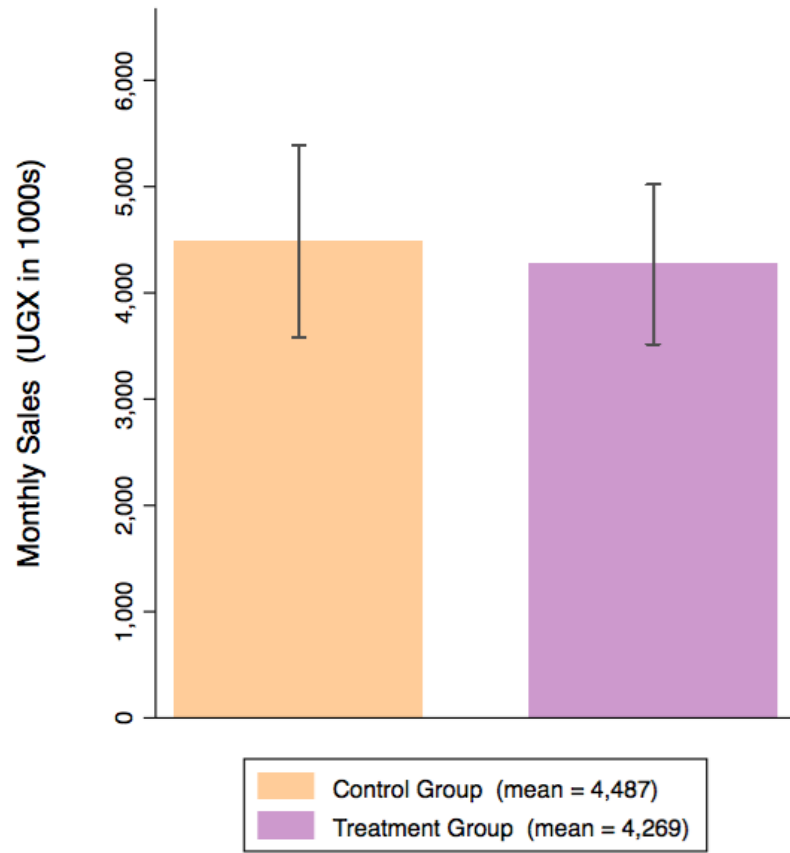
RESULTS

The background of the image is a white surface with a large, irregular orange splatter in the center. The splatter has a textured, watercolor-like appearance with darker orange and brown tones at the edges and lighter orange in the center. The text 'Main Effect' is centered within the orange area.

Main Effect

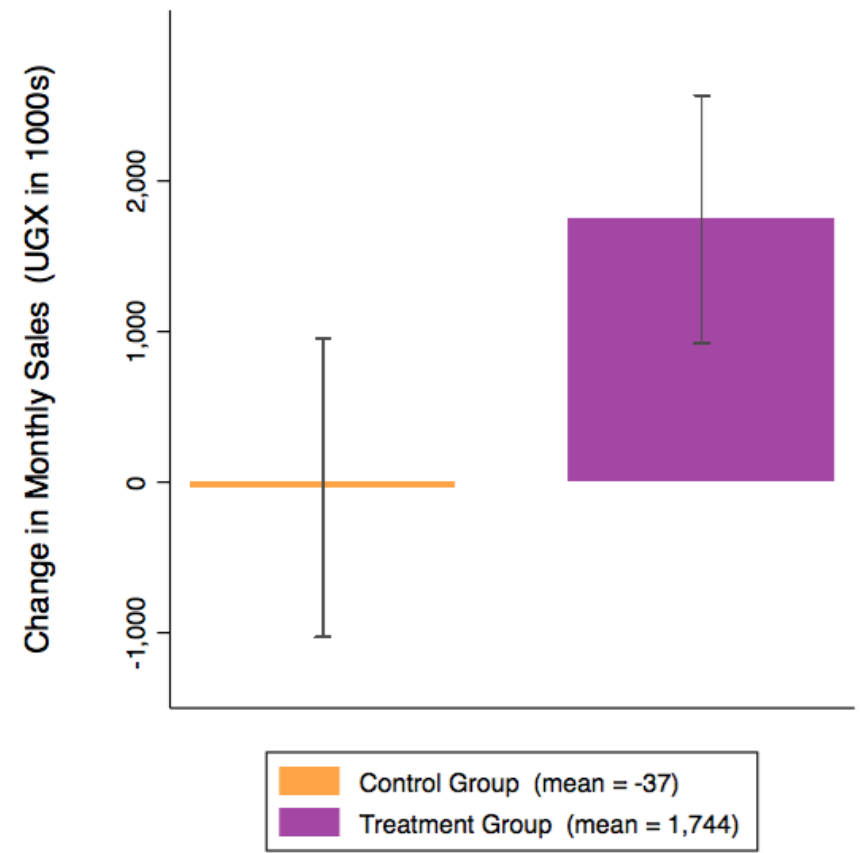
Sales: 24 months later

Pre Intervention



Note: Monthly Sales is 1% winsorized value of the Standard Composite measure (average of aided-recall and anchored-adjusted estimates).

Post Intervention

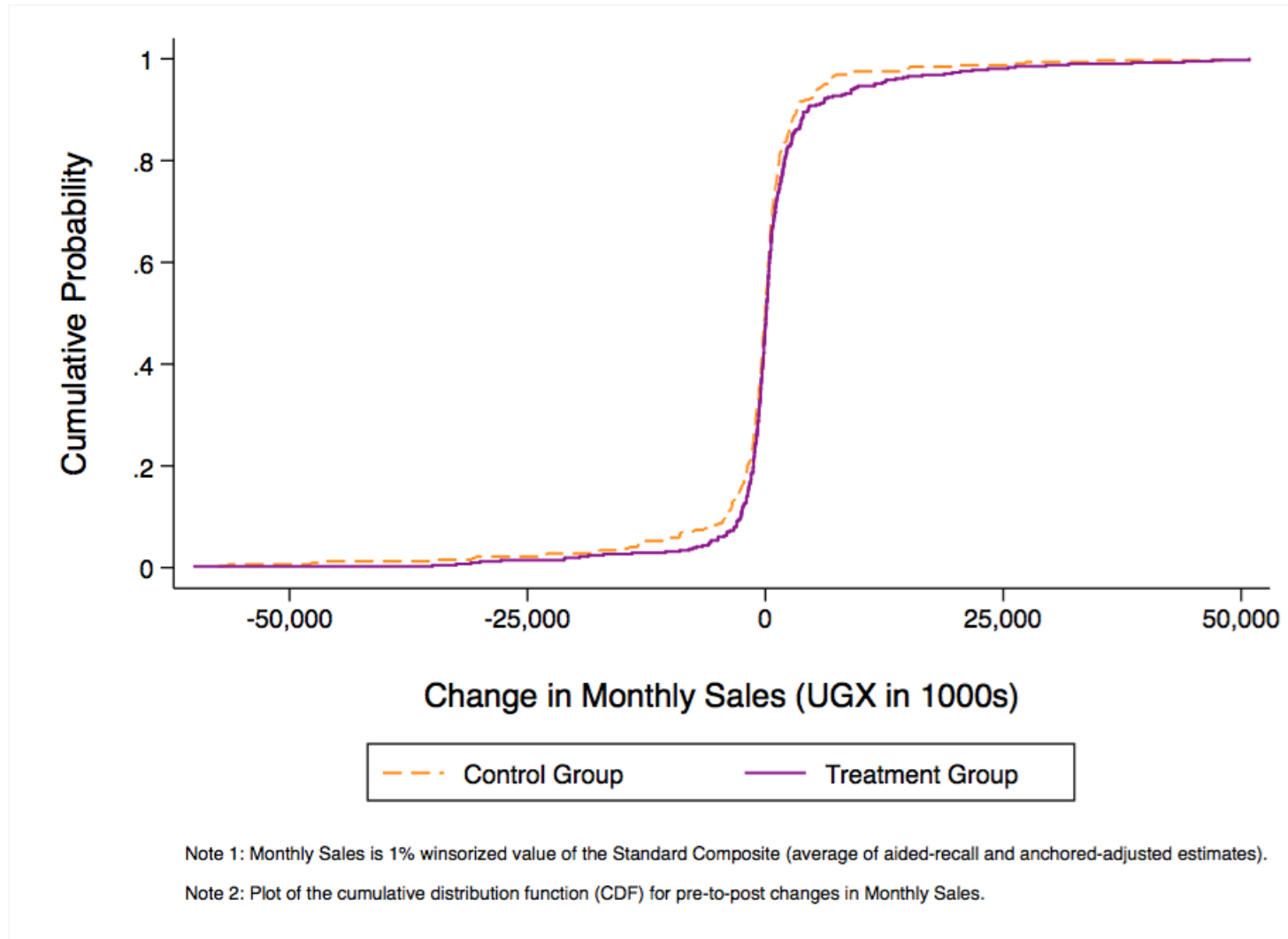


Note 1: Monthly Sales is 1% winsorized value of the Standard Composite measure (average of aided-recall and anchored-adjusted estimates).

Note 2: The pre-to-post change in Monthly Sales is significantly different ($p=0.006$) between the Treatment and Control groups.

Sales: 24 months later

CDF: Change in Sales (across full distribution)



Summary of Results

(1) Main Effect: Coaching on Performance

Model

↑ sales 27.6% (ITT, 1% winsorized)

↑ sales 42.7% (ATT, 1% winsorized)

Substantive

- \$398 USD per month
- ~6 employees' monthly salary
- ~4 months in rental costs
- Measured 24 months after start of intervention

Research Questions

Main Effect:

(1) What is the effect of remote business coaching on firm sales?



Mechanism:

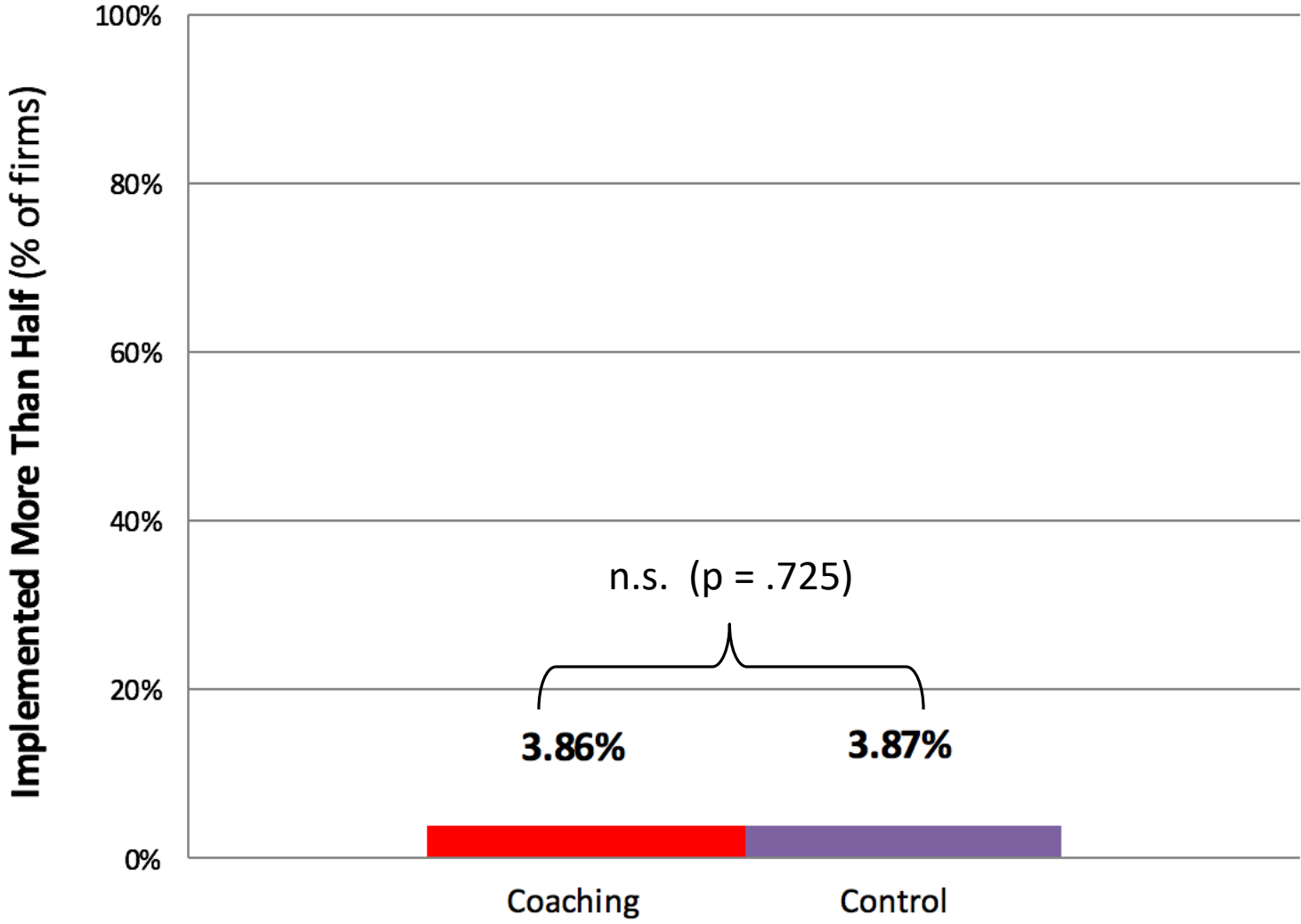
(1) Does the international coaching lead to implementation of more business practices?

(2) Does the international coaching stimulate changes in marketing strategies (pivots)?

(3) Do entrepreneurs benefit more from coaching when they are *ex ante* less strategic in their decision-making?

Alternative Mechanism: Composite of Business Practices

(dummy equals '1' if firm scored at least 14 of 27)



Business Transformation?

Pivoting:

Marketing & Business Strategy Innovation

<https://www.fastcompany.com/3002026/what-pivot-we-asked-intel-zappos-instagram-pandora-box>

[Description](#)

Definitions of Pivots

Ries

(2011, p.149)

A. *“structured course correction of a business model”*

-- change some aspect(s) of the firm's business model while keeping to overall structure

What is a 'pivot?'

The New Yorker view



Change the value proposition, while keeping to the overall structure

DONNELLY

"I'm not leaving you. I'm pivoting to another man."

Pivoting: marketing strategy innovation

A. “structured course correction of a business model”



Ries
(2011, p.149)

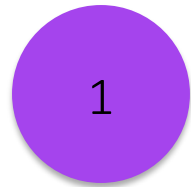
A. “a deliberate shift in how the business model components are designed to create and deliver value for customers”



- Shift: there must be a distinct stopping, starting and spending of resources as the entrepreneur and business moves to a new focus.
- Deliberate: studying or systematic analysis of business model components to assess if economics are viable (i.e., customer, product, market and company economics).

Anderson,
Chintagunta &
Vilcassim
(2019)

Pivots: ITT



vs.

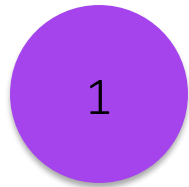


International
Coaching

Control
(no coaching)

Coaching: ↑ 63%***
(more likely to have pivoted)

Pivots: ATT



vs.



International
Coaching

Control
(no coaching)

Coaching: ↑ 80%***
(more likely to have pivoted)

Summary of Mechanism Findings

- Remote Coaching not only helps improve business performance
- It is also Transformational (Pivoting) helping in meeting better the needs of the customers – addresses one of the shortcomings of focussing only microfinance
- In addition we show that it also leads to increased ‘value creation’ for the firm based on an assessment along the dimensions of increased willing-to-pay, loyalty, satisfaction, advocacy, margins, product or service improvements, usability and differentiation

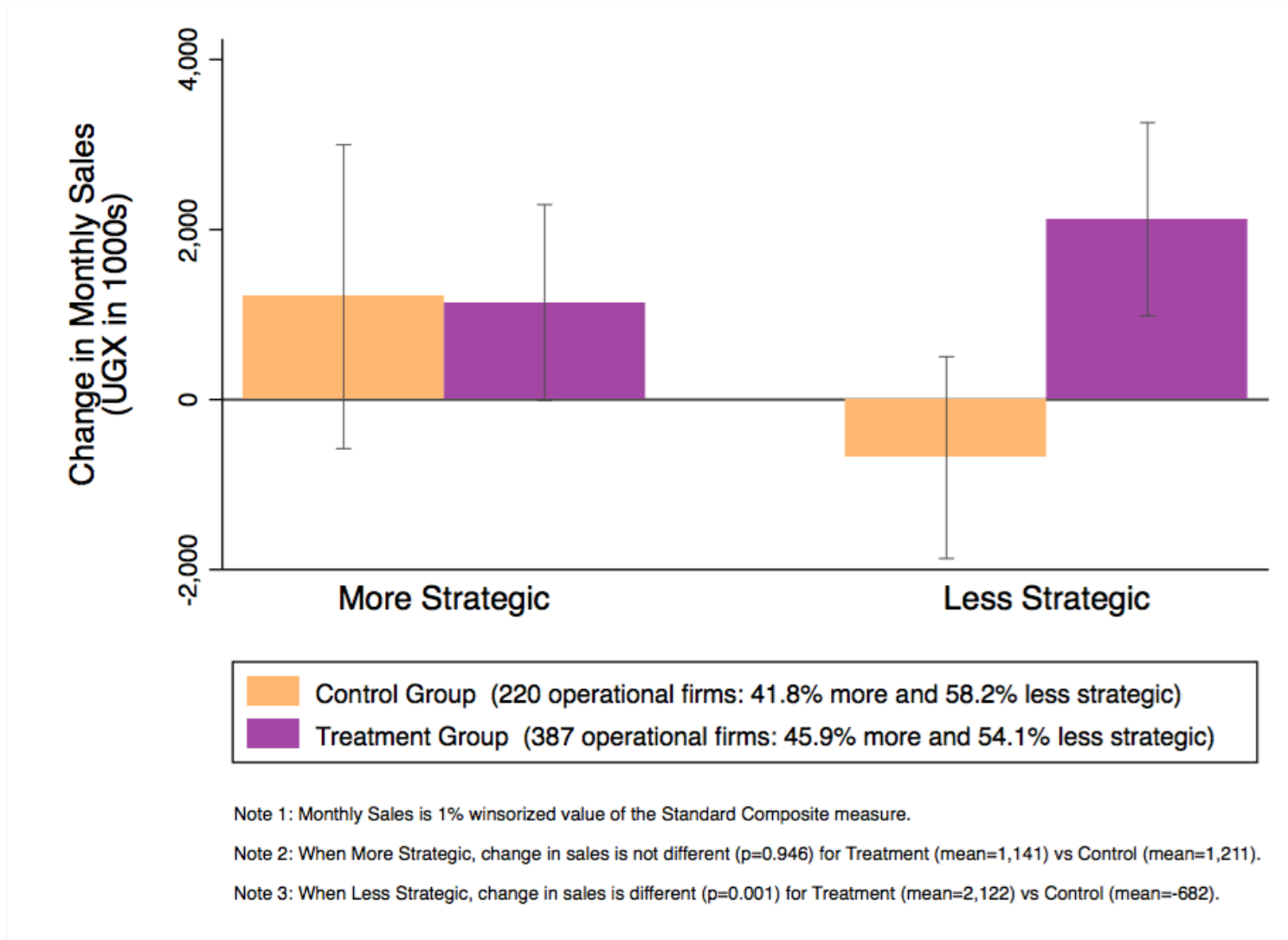
Check: Do pivots create value 12 months out?

- Compute a measure of “pivot value” based on an assessment along the dimensions of increased WTP, loyalty, satisfaction, advocacy, margins, product or service improvements, usability and differentiation
- Compute a measure of “product value” of the top 3 products sold in terms of margins, availability at competitors, purchase with other products
- Both measures indicate the creation of value because of the pivot

Mechanism:
Interaction Effects

Heterogeneous effects by 'strategic focus'

Post Intervention



SUMMARY

Findings

- (1) Coaching has effect on sales
(non-zero, positive, medium term)
- (2) Marketing Strategy Innovation
(pivots not practices)
- (3) Benefits 'less strategic' entrepreneurs more



Impact

- (1) \$398/mo. sales gain (~6 FTEs)
- (2) Pivots by more than 50% of firms
- (3) Scalable: cost (\$800) vs. benefit

Caveats

- Sample
 - **generalizability** of target population to other contexts (e.g. less 'growth-oriented' entrepreneurs in Uganda?)
- Intervention
 - **heterogeneity** in coaching (across entrepreneur-coach pairs).
 - adoption and compliance to coaching is not always high.
- Measurement
 - only **24-month 'post'** survey data (persistence of effects?).
 - lack of admin/financial records (of sales) for all firms.
- Market Stealing?

Contributions

- Substantive
 - find **significant “main effects”** on performance (e.g. sales, value creation) of international coaching.
- Theoretical
 - examine **new “mechanism” evidence** on stimulating strategic marketing innovation (pivots)
- Empirical
 - use **randomized controlled trial** to isolate effect of coaching on marketing strategies and sales (address endogeneity issues)
 - development of a measurement instrument for screening entrepreneurs (GPI)
 - paying careful attention to measurement issues

Thank You !



**Taken at Burundi
National Forest**

7:43 4/AUG/2017