



Survival, Learning and Capabilities Development - Case Studies of East African Social Enterprises



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Presentation Outline

- Research Motivation
- Literature review
- Methodology
- Key findings and discussion
- Conclusion
- Policy Implications

Research Motivation - 1

Positive role of entrepreneurship in economic development

Research focus in literature - fragile business environment

More recently - firm level perspective - firms' capabilities and management practices
→ improved firm performance in SSA

Social enterprises (SEs) - multiple goals - resolve a pressing social problem while making profit → double bottom line

SEs also rely on resources and capabilities to overcome challenges

Growing number of SEs - estimate 40,000 SEs in Kenya in 2016 enterprises

Research Motivation - 2

Summary of gap in literature

- capabilities - both hard and soft important for “normal firms” and SEs
- limited understanding of how these capabilities are built.

Accelerator

- Tool to build capabilities
- Tool of de-risking SE innovation in new markets

Summary of Acumen / IKEA SE Accelerator

Key contributions

- 1) Literature on accelerator programmes in SSA
- 2) Literature on learning and capabilities development within SEs
- 3) Literature on entrepreneurship and development - *HOW* capabilities are developed
- 4) Literature on how SEs can be supported during crisis and build resilience.

Literature Review

Literature Review - Summary

- Theoretical - resource based view of the firm (Penrose, 1959)
- Empirical LR - Capabilities of African firms and African SEs
- Empirical LR - Accelerator programmes
- Empirical LR - Capability Building
 - LR - Understanding gaps in business
 - LR - Improvement in Vision and Leadership
 - LR - Improving resilience
 - LR - entrepreneur confidence building

Capabilities in African Firms & SEs

- Capabilities, resources, strategies and management practices matter in explaining firm performance across countries and over time, including in SSA (Bloom et al. 2016; McKenzie and Woodruff 2017; Wamalwa et. al. 2019; McCormick and Upadhyaya 2020)
- However question on how to improve capabilities is still debated
- Several randomised experiments delivering management training programmes to entrepreneurs have shown very small effects on business performance (Atkin et. al. 2019)
- See impact of accelerator and mentoring programme in this context
- What is the evidence of learning taking place, capabilities being development and **HOW?**

Literature on accelerator programmes

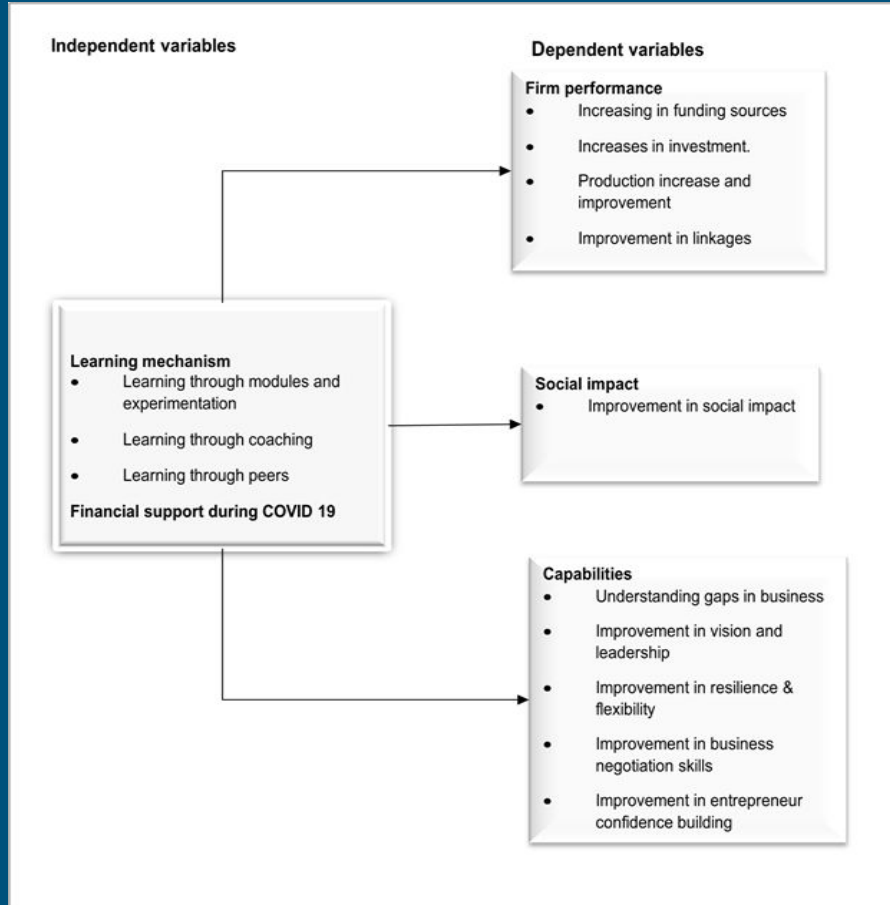
Literature on Capabilities Development

Methodology

Research Questions

- 1) What is the contribution of the modules, coaching and peer support in learning among SEs?
- 2) What is the contribution of emergency financial support to SEs?
- 3) What is the impact of participating in the accelerator programme on the performance and social impact of SEs?
- 4) How have capabilities of SEs improved through participation in the accelerator programme?

Conceptual Framework



Methodology

- KI interviews
 - Interview with Acumen - 21 Oct 2020
 - Interviews with IKEA SE - 15 Oct 2020
- CF developed from LR and KI interviews
- Due to the linkages between different concepts - difficult to isolate quantitatively the effects of the accelerator programme.
- Case study methodology based on qualitative data collection
- Two rounds of interviews with five SEs
- Interviews ran from 9 Nov to 11 Dec 2020
- Follow up KI interview with IKEA SE - 30 Nov 2020
- Observing resilience and accompaniment webinar - 9 Sept 2020
- Observing IKEA SE alumni event - 25 Nov 2020

The firms

SE	Country	Entrepreneurship goal	Social goal
Firm A	Ethiopia	Food processing	Improving nutrition of customers Improving employee skills Sustainable sourcing of inputs
Firm B	Ethiopia	Food processing	Income generating opportunities for rural youth, improving their skills and sustainable sourcing of inputs
Firm C	Rwanda	Manufacturing	Reduction in rubber waster Training of employees Training youth and women in business skills
Firm D	Ethiopia	Manufacturing	Creating employment opportunities Improving literacy through donation of books
Firm E	Kenya	Textile manufacturing	Income opportunities for employees who are refugee women Providing tailoring and entrepreneurship skills to employees to encourage economic independence

Key Learning from Acumen Modules

- SEs generally found all the modules useful
- As most SE were owner managed modules ensured
 - SEs saw gaps clearly
 - Move from “the dance floor to the balcony”
- Simple tools from the modules like filling and organisation chart helped identify gaps and once the gaps were filled, it was like magic (Firm D)
- We were able to develop a business model on one page, which means you don't forget (Firm B)

Key Learning from Acumen Modules - 2

- Experimentation led to key insights into customer expectations and reduction in mistakes based on preconceived assumptions
- “So based on that on our business experiment we try to make survey to understand the feeling of our customers that exist in the honey market, in local market, in supermarket in different areas. And based on that we try to develop our own marketing strategy” - Firm B

Learning from coaches

- Coaching was key to help absorb material in modules - complimented learning
 - “Coaches gave input in designing the interview questionnaires used in the business experiment to explore the local market” Firm B
- Coaching particularly helpful with COVID challenges
 - “Coach gave lots of feedback along the way – in form of challenging questions” Firm C
- Coaching helped in developing stronger visions for SEs
 - “Coaches pushed our thinking – due to different cultural and physical context, helped us to see beyond our limitations “ Firm A
- Coaches were viewed as having mutual respect and non-judgmental
 - “So it wasn’t judgmental nudging and telling us what to do. It was like questioning us how is it going to work with this? And have we thought about this what are the possibilities of maybe looking at it this way? So it was really like don’t feel like you are being judged or...they create the space to let you actually work through your problems and process them.” Firm D
- Coaching helped develop confidence and resilience - see examples later in presentation

Learning from peers

Value of financial support during COVID

- Emergency financial support key for survival
- Main use of support - maintain staff numbers for all SEs
- Also provided other softer, intangible benefits including hope of getting past COVID problems

- “..the first thing that the emergency funding did for us is that it helped us, it gave us hope. This is this way like when the application process even started like okay you know we can there is hope that we can survive the worst of this pandemic and that kept us going. And that allowed us to take more risks, experiment more and move forward but most importantly we knew that if we get the funding, when we get the funding that we would have enough cushion to kind of survive the worst of it..” Firm D

Evidence for changes in firm performance and capabilities

Firm performance

- Increase in funding sources
- Increase in investment
- Improvement in production processes
- Improvement in linkages

Improvement in production & processes

- Some evidence of complete pivot in product due to COVID challenges
- Evidence for product diversification either in terms of new products or new packaging
 - “while we were in the accelerator, we did create kind of a prototype of a new product for a new market. And we have been able to test that with retailers and with our targeted market and collect a fair amount of feedback.” Firm A
 - “So this is something we are changing from the bulk to the retail business.” Firm B
- Evidence for production process innovation
 - “rather intense training to use computer aided design (CAD) to design new products, prototyping and sampling.” Firm C

Capabilities

- Understanding gaps in business
- Improvement in vision & leadership
- Improvement in resilience & flexibility & organizational agility
- Improvement in business negotiation skills
- Improvement in entrepreneur confidence building

Understanding of gaps

- Evidence for clearer understanding of gaps the SE is facing, particularly human resource gaps
 - So after this training you know, I try to link everything together the finance, the supply chain, the marketing side you know, or the HR human resource side you know. We tried to link that gap together in our business model. The other thing is that there is a short human resource for example because of this we hire a consultant regarding marketing Firm B
 - “And then we also recognized, you know, some deficiencies that we have, just from a program standpoint, where we are really relying on function areas from the larger organization.” Firm E
 - So we didn’t have the business very structured background in business so we just moved forward and never realizing things continue to grow and we went with it. But I think this would prove important because we figured out like which part of our business was lacking enough resources. So for instance there was...we didn’t have a business development person....For the moment we hired the marketing person in business development and it was like magic” Firm D

Understanding SE in holistic way

- Evidence for accelerator programme helping SEs see firm in holistic way
 - “So, sometimes when you're in the dance floor, you don't have the space or the time to reflect back to look at the company as a whole and to project what the future looks like. So I think that, I appreciate that because it really allows us to look at our business and also to look at what does scale up look like? Like no... So so I think allows us to give us that that perspective that we would have not had before and that was helpful. “ Firm D

Improvement in vision

- Evidence for improvement in vision particularly seeing beyond COVID
 - “ we were really focused on here and now and how do we move on, how do we survive, it was interesting for them to especially our coaches to push us to think about other products and how to scale up and what else we can do in future s if COVID would end soon.” Firm D
 - “So we definitely, I think our growth strategy is a lot more ambitious, and, you know, much, much bigger than we have ever dreamed before. So that was a really, really cool experience to be a part of.” Firm E

Improvement in flexibility and resilience

- Evidence of flexibility - Change in product or process to cope with COVID challenges
 - Complete change in product line (Firm D)
 - Move from export of local market (Firm B)
- Sense of community helped with resilience
 - “But I think, you know, on a...on a larger...in a larger sense just being part of this community, that was all going through very similar issues at the same time. That was I think the strength of this was, you know, knowing that, you know, we are not the only ones that are that are dealing with, you know, crazy issues...It was kind of an unspoken strength of the program to have that solidarity,” Firm E

Conclusion



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Discussion
