
WHAT SMALL AND GROWING BUSINESSES NEED TO SCALE UP

The Case for Effective
Technical Assistance

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THANK YOU

We thank our peers and the participating organizations who offered their insights and feedback in contribution to this research.

Letter from the Argidius Foundation

When we conducted our first country ecosystem mapping (of Guatemala in 2014), we noticed that the vast majority of business development services were targeted at businesses at their ideation or early stage of development. This prompted the question, 'Who helped them to grow and scale?'

'It must be the investors,' we thought. Whereas this is true, we failed to find truly robust models of consistently delivering the technical assistance (TA) small and growing businesses need to scale. There appeared to remain many barriers to effective provision; and an inadequate ecosystem of TA providers with the right specialism to help both entrepreneurs and investors deliver.

This prompted us requesting Spring Impact and Numbers for Good to look, together with entrepreneurs, investors and TA providers, at what those barriers might be and how better we collectively, including donors, might address them going forward.

The result is this report that we trust both provides practical recommendations and prompts further investigation of this challenging, and necessary, space if we are to deliver growing businesses that reduce poverty and build a more inclusive and sustainable economy.

As a donor, we remain committed to this space and with others building a more flourishing ecosystem of support and look forward to the ongoing conversation, and work, that this report enables.

Nicholas Colloff,
Executive Director, Argidius Foundation



Letter from Spring Impact & Numbers for Good

What does it take to scale up impact and profit?

That was the question we asked ourselves when we began this research. We weren't looking for a neat answer, but rather the start of a journey. Our aim was to initiate a wider dialogue in the sector, while introducing some recommendations to potentially test in the market. At Numbers for Good and Spring Impact, our focus is on helping socially-focused ventures scale their impact in a more strategic and sustainable way. We believe in the power of business to drive positive social and environmental change, and we know that small and growing businesses (SGBs) are the heart of this change.

Being an SGB in a developing economy is already challenging: talent acquisition, currency fluctuations, slim profit margins, changing political landscapes, and lower negotiating power with suppliers are a few of the issues SGBs have to tackle every day. It is a testament to the ingenuity, skill and tenacity of these organizations that despite this, there are thousands of successfully operating SGBs across the globe, with increasing numbers in developing economies.

This report looks at how we can support SGBs to scale their success. *What technical, practical and material assistance is needed to help SGBs scale so more people are positively impacted?*

Our hope is that this report isn't just an interesting read, but rather a practical roadmap, and a call to action. We hope you'll join us on the long, challenging, but exciting journey ahead and join the conversation.

The Numbers for Good and Spring Impact team



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EXECUTIVE SUMMARY

Introduction

Small and growing businesses (SGBs) are viewed as one of the most promising avenues for economic development and poverty alleviation across emerging and mature economies.¹ Through the growth of quality jobs and the provision of goods and services locally, SGBs help lift families and communities out of poverty and create larger-scale socioeconomic prosperity. Yet, given the context in which they operate, SGBs face a host of barriers to sustaining growth and rarely scale to new markets.

We believe supporting SGBs to scale is a critical component of driving inclusive socioeconomic growth. Yet despite a growing ecosystem of technical assistance (TA) to support their transition to sustainable and scalable businesses, SGBs struggle to access, manage, or absorb scale TA effectively. The body of research conducted on TA, SGBs, and scale has expanded in recent years, yet there remain significant gaps in our understanding of how to design and deliver high quality scale TA for SGBs.

The SGB Technical Assistance Landscape

The TA market has grown in recent years to the scale of a sector and covers a spectrum of activities including investment readiness, financial systems, strategy and operational support. TA is provided through various delivery modes with cohort-based trainings common at the early stages of SGB development and more customized approaches used at later stages of SGB development.

Although TA can support efforts to scale, most TA lacks a structured, systematic, and strategic approach to maximizing the SGB's potential for scale. The common challenges to scale can be characterized as a lack of scale-related tools and knowledge, access to human and financial capital, and a lack of connections to local suppliers/vendors, supply chains, implementation partners, and consumer markets. In addition to these challenges, there is a lack of understanding regarding what it takes for SGBs to be scale-ready and scale, and thus how to best support SGBs for effective scale. In short, while SGB TA has come a long way, when it comes to supporting SGBs to scale, limited market connections, underdeveloped TA ecosystems, and lack of proven approaches to executing scale TA persist.

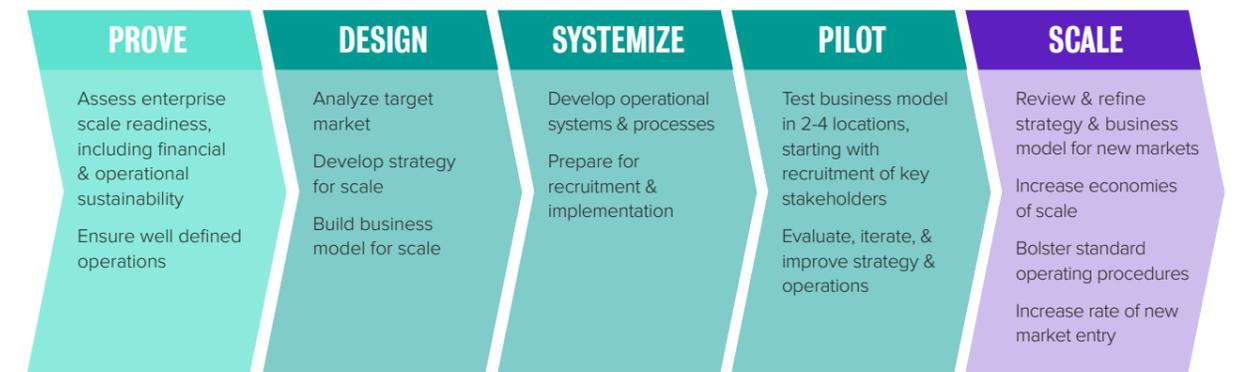
Scaling Process

Spring Impact and Numbers for Good have used the Five Stages of Scale, in Figure 1 below, to frame the report and set the foundation of what scale entails. For this research, we focus on replication when referencing scale.² We start with an assessment of when an SGB is ready to pursue scale, to designing, codifying, testing, and improving a strategy and business model before moving on to further scale.

¹ BCIA, UNDP Kenya, KEPSA and SIB, New Horizons (2017): 'Accelerating Sustainable Development through Inclusive Business in Kenya'. As cited in ANDE, (December 2017): 'State of Measurement in the SGB Sector' Page 23. Inclusive businesses are considered a subset of SGBs.

² We define replication as the process of taking an organization, product, service, or a set of core principles to other geographic areas or markets, or leveraging others to do so.

Figure 1: Spring Impact's Five Stages of Scale



Source: Spring Impact

In the first stage, Prove, scale-readiness is assessed in detail. In Design, the second stage, SGBs develop their strategic goals for scale, as well as their business model to enter new markets. The third stage, Systemize, consists of codifying the operations of the model and any supporting systems. In Pilot, the fourth stage, the focus is on testing and improving the strategy and business model. The final stage, Scale, focuses on increasing the rate of scale: bolstering economies of scale, standardizing operations further, and quicker iterations on the business model.

We recognize that the three stages, Design, Systemize and Pilot are iterative and that creating and responding to feedback loops is a critical determinant of success in the pursuit of scale.

Barriers

We found common themes among the barriers that hindered access to and engagement with effective scale TA. About 30% of our SGB interviewees had not received scale TA, although most of them desired it. Of those that received scale TA, there were a number of issues that limited the potential for impact, many of which were echoed by the investor experience. We identified seven main barriers to accessing and receiving effective scale TA:



Most SGBs and their stakeholders lack a systematic and strategic approach to scale and have a limited understanding of the activities, skills, and resources required at each stage of the scale process.



Assessing an SGB's real scale-related needs is often under resourced and not well understood resulting in poor TA provider selection, inappropriate scopes of work, delivery models, duration, and deliverables.



Limited understanding of the local context and knowledge of the SGB's operations on the part of TA providers leads to ineffective TA engagements.



Little provision of TA further along the scale journey into implementation (*Pilot and Scale Stages*). None of the SGBs we interviewed had received TA at these stages despite SGB demand and this being part of the TA offering for many of the investors interviewed. This highlights the gap in access to TA between those who are securing later stage investment and those who are not.



Many SGBs do not have the capabilities and capacity to effectively absorb scale TA. This includes capabilities such as codifying operations or stakeholder management to capacity of the staff's time to engage and implement scale TA.



SGBs generally lack funding to pay for scale TA and to implement recommendations that arise from scale TA. Though investors would like to provide more scale TA directly to their investees, the investors interviewed state that capacity constraints prevent their additional involvement and support.



Scaling to new markets relies on connections to local suppliers, implementation partners, supply chains, and other peers, but SGBs struggle to find TA providers that can sufficiently navigate and access these networks.

Recommendations

We believe there are ways SGBs, funders, scale TA providers, and other intermediaries can overcome these barriers and enable broader access to, and absorption of, effective scale TA. The five recommendations below offer a high-level description, while the report dives into the practical and tactical ways each stakeholder can contribute towards implementing the recommendations.



Approach scale early: Stakeholders should approach scale early. SGBs can budget for the necessary funding for scale TA, while funders can approach scale TA in a customized and holistic manner for each SGB.



Start with deeply understanding the SGB's scale needs: A deep understanding of the SGB's scale needs is a prerequisite to designing effective scale TA. TA providers can take steps to improve their needs assessment of the SGBs and co-design the scope of engagement with the SGB, while SGBs can allocate time to identifying their scale TA needs prior to engaging providers.



Plan scale strategically and systematically: For SGBs, this means moving from an opportunistic mindset to a strategic and systematic one and accounting for staff capacity and capabilities to better engage and execute scale TA. Funders can incorporate standard approaches to scale assessment and support for SGBs. TA providers can use a more robust methodology, such as the Five Stages of Scale, to improve depth of support and maximize the potential impact of scale TA.



Scale is an iterative process: tailor support accordingly and incorporate sustainability: SGBs can assess scale priorities and available internal and external resources, and work with funders to incorporate feedback loops as they scale. Funders can develop timelines and resources that reflect the SGB's needs to build in feedback loops and support the governance of TA projects to ensure value. For TA providers, we recommend developing exit plans with the SGB so that the SGB is equipped to engage and implement the TA expertise in the long term.



Bolster the scale TA ecosystem: Bolster the scale TA ecosystem by developing networks and creating and distributing knowledge and tools related to scale TA. We suggest funders share resources for sourcing vetted providers and increasing knowledge on best practices. TA providers can help identify and recruit local suppliers and implementation partners, while intermediaries can build a more objective directory for SGBs and funders or connecting and facilitating more SGB engagement specifically around scale. To improve knowledge and tools, TA providers can develop and promote a value proposition for why TA increases social and financial returns to de-risk investments. Intermediaries can build awareness and consensus on the best practices to scale SGBs successfully, and facilitate linkages to high-quality TA providers as well as SGB peers.

Best Practices: Early Indicators of Effective Scale TA

Through our research we found a few best practices, which though not yet widely used, can be built upon and promoted to drive more effective scale TA.

1. TA engagements should be structured to create long term relationships with providers, through tailored engagements that are typically four months or longer. This allows for flexibility in the timing of each project, eliminates the necessity to relearn the complexities of the SGB and rebuild working dynamics and is thus conducive to higher quality scale TA.

2. There should be a diverse range of scale TA delivery modes (from cohort-based work to individualized support) and providers (such as global consultancies or mentors) to meet a wide range of SGB needs.
3. A combination of adequate on-site support supplemented with ongoing remote support that is responsive to the needs and capacity of the SGB is a promising format.

Conclusion

Our insights build upon the existing body of knowledge on TA, SGBs, and scale by exploring the current state of the scale TA market for SGBs. We have found that although scale TA is growing more prevalent, there are large gaps and barriers that stunt its efficacy and thus the scale efforts of SGBs. Based on these considerations, we have put forth recommendations that each stakeholder—SGB, funders, TA provider, or intermediary—can use to improve the scale TA ecosystem. By collectively building and supporting a stronger ecosystem for SGBs to scale successfully, we create the potential to drive significant economic growth and social change.