

NETWORKING WORKS

Peer-to-peer networks help Small and Growing Businesses grow revenues and create jobs

THE DIVERSE NEEDS OF SMALL AND GROWING BUSINESSES IN EMERGING MARKETS

Small and Growing Businesses help drive inclusive economic growth in emerging market but often need different types of support

Small and Growing Businesses (SGBs) are critical actors in economic development in emerging markets. Recognized for their role in driving inclusive growth, creating more equity, and fostering innovation, there are now nearly 300 different organizations that support SGBs and belong to ANDE's network, an increase of more than 50% compared to just five years ago.¹

Many SGBs in emerging markets underperform relative to their potential. Like growing businesses everywhere, SGBs face challenges such as access to finance, talent, and markets, but in emerging markets these problems can be particularly acute. SGBs

in emerging markets may also face additional barriers such as high production costs due to lower-quality infrastructure and a complex partnership landscape.

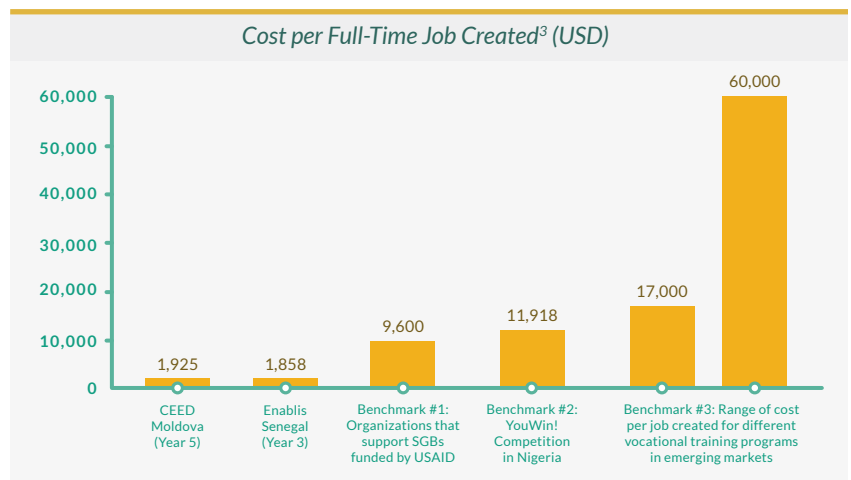
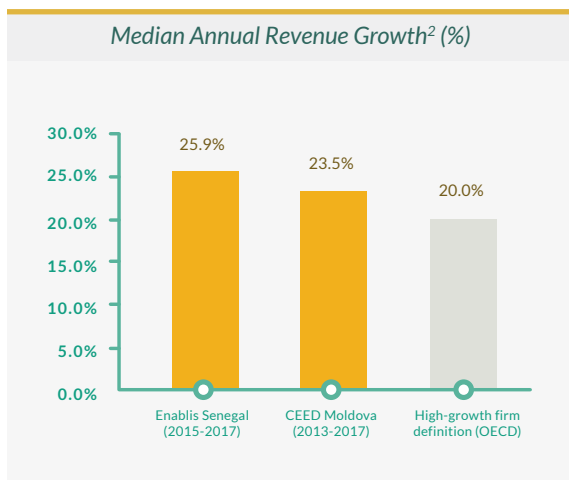
These challenges do not impact all SGBs in the same way at the same time. As they grow and evolve, SGBs need different and often very specific types of support, both business and personal. Peer-to-peer networks have shown promise as an effective way to match relevant resources to the changing individual needs of SGBs, providing each SGB with the personalized support it needs to grow.

THE POTENTIAL OF PEER-TO-PEER NETWORKS TO HELP SGBs GROW

Peer-to-peer business networks such as Enablis Senegal and CEED Moldova are cost-effectively helping SGBs grow revenues and create new jobs

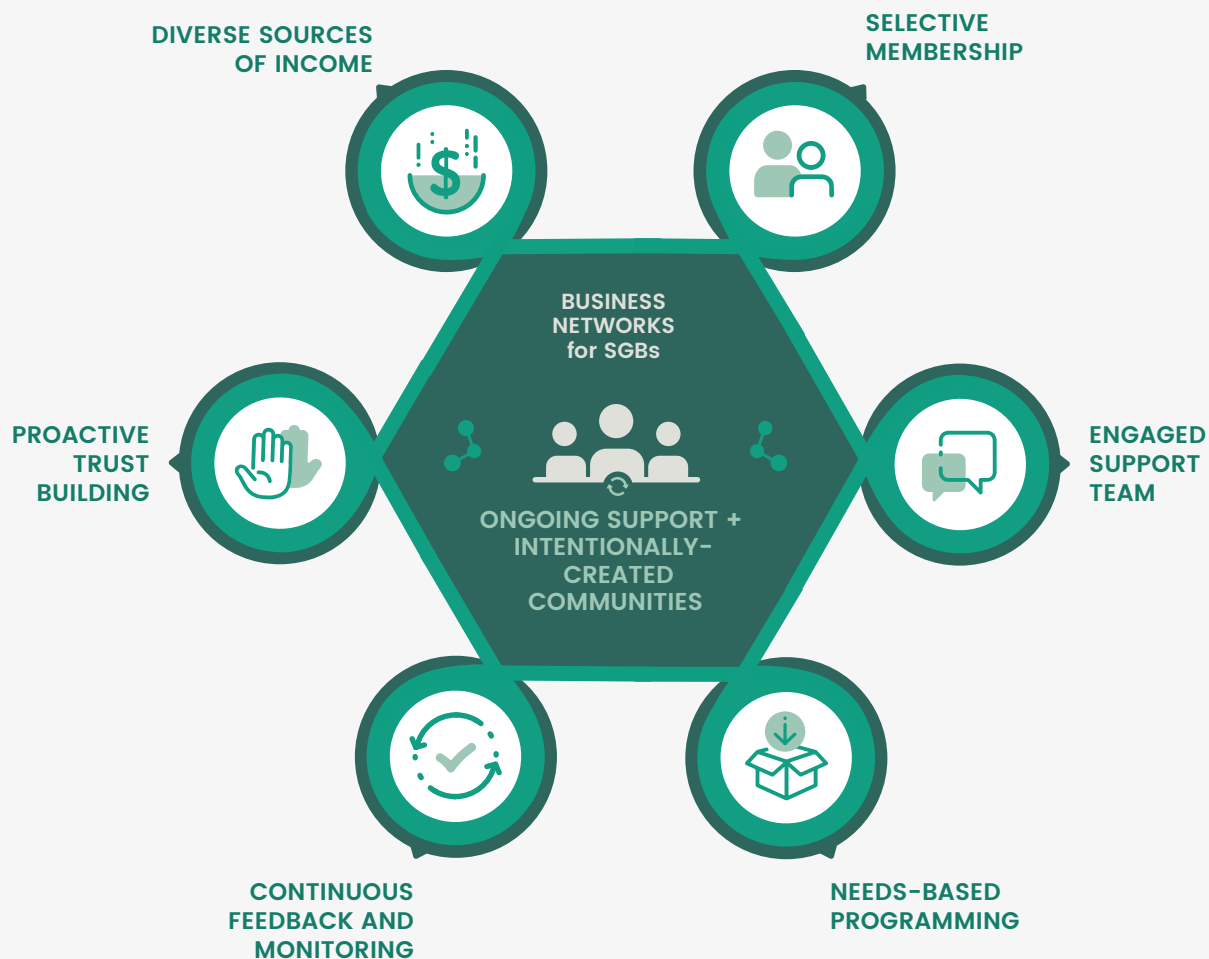
Enablis Senegal and CEED Moldova are two peer-to-peer networks with similar models that have helped their SGB members generate strong results in two very different markets. Both organizations build curated communities of SGBs that provide members with peer support, mentorship, training, and access to the specific networking and technical assistance they need both as people and business leaders. Each SGB member uses the network in different ways and at different times.

The impact of both Enablis Senegal and CEED Moldova has been impressive. The median revenue growth of network members in both countries has averaged 20% or more the last three years, with visible increases in enterprise growth rates after six months of membership.² The rates of job creation have been significant and relatively low cost.



Donor support to each organization has proven to be cost-effective—per enterprise, support costs have been four to seven times lower than other types of interventions, and once the network has been operating for several years, members generated an additional 30 dollars of revenue for every dollar of support cost.

What explains this high impact? Argidius has identified six interconnected and mutually-reinforcing success factors that explain how peer-to-peer networks are helping their SGB members become more resilient and grow.



THESE SIX SUCCESS FACTORS ARE:

1. Selective membership. Leading business networks and their members directly recruit and select a diverse range of members—primarily SGB entrepreneurs, but also coaches, mentors, and others—based on values such as openness to learning, commitment to their venture, and passion.

2. Engaged support team. Leading business networks have a people-based model and consequently employ support staff who can build long-term relationships with SGB entrepreneurs and other network members rather than provide just specific types of technical assistance.

3. Needs-based programming. Leading business networks assess the specific needs of members upfront and then work with them to create individualized development plans without a fixed start or end date, reassessing and updating the plans on an ongoing basis. Staff, peer members, partners, and external references are all deployed to address member needs.

4. Continuous feedback and monitoring. Leading business networks are constantly collecting performance data and feedback from members in a variety of ways, and then using that information to learn and make both strategic and tactical changes to their programs.

5. Proactive trust-building. Leading business networks proactively build trusting communities so that information flows more freely and SGB entrepreneurs feel comfortable asking for help.

6. Diverse sources of income. Leading business networks reduce their reliance on single donors over time by generating income from members, local partners, development organizations, and others.

Enblis Senegal and CEED Moldova are true member-driven organizations due to their approach to each of these six success factors. For example, members recruit and support other members, members shape programming directly through their feedback and participation, and members make the network more financially sustainable by paying membership fees. Emerging evidence⁴ suggests that each the six success factors on its own drives impact; on-the-ground results from Senegal and Moldova suggest that collectively they have a multiplier effect.

IMPLICATIONS FOR FUNDERS AND SGB-SUPPORT ORGANIZATIONS

Funders and other organizations that support SGBs should consider learning more about peer-to-peer business networks for SGBs and applying the lessons learned more broadly

The impact that CEED and Enablis are having on SGBs suggests that organizations that support SGBs in emerging markets should consider learning more about peer-to-peer networks. Our work has also identified more specific recommendations for funders and organizations that provide direct non-financial support to SGBs.

Funders should:

- 1. Learn more about organizations that focus exclusively on building peer-to-peer networks for SGBs.** Many organizations that support SGBs have programs with network-like components but few are focused exclusively on building peer-to-peer support networks, and fewer still incorporate the six key success factors. These types of organizations are often less visible but they can have great impact.
- 2. Collect evidence on business networks for SGBs to better understand their impact on SGBs.** A broader understanding is needed on how business networks help SGBs and why SGBs join them. Funders should collect both quantitative and qualitative evidence in order to understand how these networks operate and develop the business case for either investing or not investing in them.
- 3. Consider financially supporting business networks for SGBs due to their impact and cost effectiveness.** Business networks can drive more impact at a lower cost than other types of interventions, especially once the network is well established. Total costs are often low because members can find the resources they need within the network and the staff required to operate the network is relatively small.

Organizations that provide non-financial support to SGBs should:

- 4. Use the key success factors to identify opportunities to strengthen their own networks.** Questions related to each success factor can help organizations identify potential improvements to their own programs. For example, are members organized into groups based on their specific needs, and are they learning from each other? Are former entrepreneurs on staff or in advisory councils?
- 5. Drive more peer-to-peer learning opportunities.** Evidence shows that having the right content is often not enough to drive behavior change in training programs. Peer-based training can be more effective than classroom-based models due to higher engagement, collective problem-solving, and holding members accountable.
- 6. Build more relevant content on top of strong networks.** Many existing SGB networks have strong communities and many have the opportunity to provide training or educational programs to help SGBs grow, by developing curriculum either directly or in collaboration with experts, members, or other organizations.

Enablis Senegal and CEED Moldova are clearly doing something right. Paying more attention to peer networks like them may generate new insights that will ultimately help more organizations, and more SGBs, drive more inclusive growth.

1. ANDE

2. Enablis Senegal, CEED Moldova, and Argidius Foundation.

3. The data for Enablis Senegal and CEED Moldova comes from Enablis Senegal, CEED Moldova, and Argidius Foundation; benchmark data for USAID comes from the USAID report "Accelerating Entrepreneurs: Insights from USAID's Support of Intermediaries," USAID (2018) and represents the average cost per job created across a range of USAID-supported intermediaries but it is worth emphasizing that the distribution was quite significant, from USD \$3,867 to USD \$31,121 of donor investment per job; the cost per job from the YouWin! competition has been well studied and used as a benchmark for other initiatives (McKenzie D. "Identifying and Spurring High-Growth Entrepreneurship: Experimental Evidence from a Business Plan Competition," American Economic Review, 107(8):2278-2307 (2017)); benchmark data from the vocational training programs comes from McKenzie D. "How effective are active labor market policies in developing countries? A critical review of recent evidence," The World Bank Research Observer, 32(2):127-154.

4. See, for example, "A research agenda for the small and growing business sector: Summarising the current evidence and research needs", available at <https://www.theigc.org/publication/a-research-agenda-for-the-small-and-growing-business-sector-summarising-the-current-evidence-and-research-needs/>