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Surviving and thriving

Can innovation among micro-entrepreneurs in South Africa teach global corporations a lesson? Rajesh Chandy, Stephen Anderson-Macdonald and Bilal Zia reckon so

Mass poverty is a huge world problem, typically addressed through multibillion aid programmes. But a grassroots research project in South Africa's impoverished townships suggests another, sustainable solution. It isn't the first study into the impact of skills training on micro-entrepreneurs in developing countries. But prior initiatives have tended to show that any benefits are small or short-lived. This project is remarkable because it is the first to demonstrate the opposite. "You can solve many of the problems of poverty and growth in the world by doing better business," says LBS's Rajesh Chandy, one of the three academics who devised the project. "Micro-entrepreneurs represent the most common type of business in the

world. Yet we tend to ignore them - even though they are hiding in plain sight. If we can help them transform their business lives, then we will probably also transform the lives of their communities, given the prevalence of the so-called 'businesses.' Not only that, but the lessons learnt from it inform policy in emerging economies such as those in southern Africa could also be applied in developed markets. "By studying the lives of entrepreneurs, many thousands of miles away, we might even learn a bit about ourselves," says Chandy.

There are a few factors. With a co-researcher here in England, Anderson-Macdonald (formerly of LBS, now at Stanford University) and Bilal Zia of the World Bank, Chandy worked with Business Bridge, a not-for-profit organisation that offers business skills training. Anderson-Macdonald moved to South Africa and was

personally involved in establishing the base for the work, which formed his LBS PhD dissertation. This involved door-to-door visits to 50,000 micro-entrepreneurs, who himself that participants could be selected differently from previous studies.

"Our definition of an entrepreneur is a person who sets up a business or businesses taking on financial risks in the hope of profit," explains Anderson-Macdonald. "But we realised that to benefit from business skills training, people had to display aspiration to grow and needed basic capability. So we asked the entrepreneurs: 'Do you want to grow your business in the next five years?' A lot of people said 'No'. They were entrepreneurs out of necessity, not choice. They were making ends meet until they could get jobs. Yet defined basic capability when they were even if those promises were a shock." The team studied the progression

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