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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 microentrepreneurs 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 their actions policy in emerging economies can then be applied in developed markets. "By studying the lives of business people many thousands of miles away, we might even learn a bit about ourselves," says Chandy.

There are a goodly lot. With a current of 1.2 billion, South Africa is one of the world's most rapidly growing economies. It is a country of 52 million people, with a population that is growing at a rate of 1.2% per year. It is a country of 52 million people, with a population that is growing at a rate of 1.2% per year. It is a country of 52 million people, with a population that is growing at a rate of 1.2% per year.

personally involved in establishing the base for the work, which formed his LBS PhD dissertation. This involved door-to-door visits to 10,000 micro-entrepreneurs, with a focus 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 need to do 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 and they could get a job. We defined basic capability as being someone - even if those previous ones were a shock." The team studied the progression

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the three academics who devised the project. “Microentrepreneurs 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 these kinds of businesses.” Not only that, but the lessons learnt that will inform policy in emerging economies such as those in southern Africa could also be applied in developed markets. “By studying the lives of business people many thousands of miles away, we might even learn a bit about ourselves,” says Chandy.

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