

Researchers

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Timeline

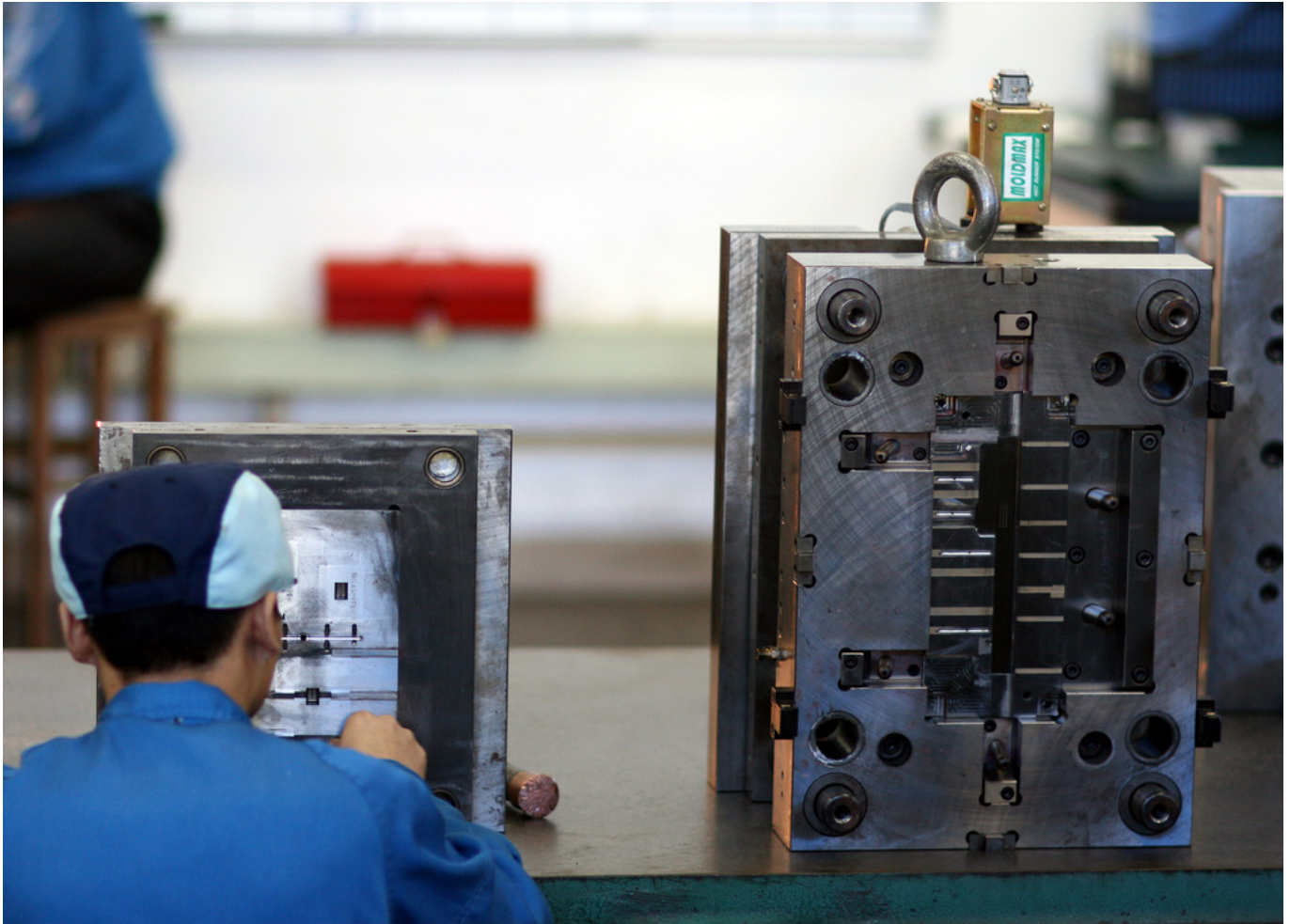
2013-2015

Networking to Improve Business Performance in China

Abstract

A manager networking program was scaled up in Jiangxi Province in response to positive findings from an IPA-supported evaluation.

In China, researchers conducted a randomized evaluation to study the impact of business relationships on firm performance and found that monthly meetings among SME managers substantially and persistently increased firm performance, in part by facilitating learning and partnership development. In response to these findings, the Commission of Industry and Information Technology in Jiangxi Province has scaled up the program to another 5,000 firms, about half the average number of new firms created in a year.



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The Challenge

A robust and growing small and medium enterprise (SME) sector is correlated with strong economic growth in a given country¹. Yet, firm productivity across the globe, and in developing countries particularly, varies widely², presenting researchers and decision makers in the sector with a substantial challenge as they devise solutions to boost firm performance and growth. Research has found that the quality of management strongly correlates with firm productivity³, so, in response, programs such as training and consulting have emerged to raise the management capacity of entrepreneurs⁴ with smaller firm sizes. However, mixed evidence on the effects of training, and the high cost of consulting present challenges for the scale up of effective solutions, in particular among larger firms. While notable productivity gains from peer learning have been documented^{5,6}, more evidence is needed to understand the mechanisms of networking and its effects, if any, on firm performance in developing countries.

The Evidence

A randomized evaluation found that monthly networking meetings among SME managers substantially and persistently increased their performance. Firms whose managers attended the meetings saw an eight percent increase in sales, relative to a 0.4 percent increase for comparison firms, and this effect persisted one year after the intervention concluded. Profits also rose by an average of RMB 257,500 (US\$36,000) for treatment firms and this continued for one year after the intervention ended. Other business outcomes such as employment, formal and informal borrowing, and the number of suppliers and buyers also increased for firms who attended meetings relative to those in the comparison group. The profit gains among program participants was also more than twice the aggregated cost of attending the meetings for the manager and the organizer's cost, making the program cost-effective.

The Impact

In response to these findings, the Commission of Industry and Information Technology began scaling the program to an additional 5,000 firms (about half the average number of new firms created in a year) in Jiangxi Province in mid-2017. The commission made the decision shortly after the research team presented results to them in late-2016. The scale-up is not randomized, but researchers plan to follow up with firms to gauge participants satisfaction with the program.

Have updates or know more about this scale-up? Please contact comms@poverty-action.org.

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Sources

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