

Impact case study (REF3)

Institution: LONDON BUSINESS SCHOOL		
Unit of Assessment: 17 – Business and Management studies		
Title of case study: The Value of Marketing		
Period when the underpinning research was undertaken: Since 2010		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s): Rajesh Chandy	Role(s) (e.g. job title): Professor of Marketing; Tony and Maureen Wheeler Chair in Entrepreneurship; Academic Director, Wheeler Institute for Business and Development	Period(s) employed by submitting HEI: From 01/08/2008
Period when the claimed impact occurred: Since 2013		
Is this case study continued from a case study submitted in 2014? N		
1. Summary of the impact		
<p>Some 270 small businesses in South Africa increased sales by almost two-thirds, as a direct impact of the research, which was conducted in collaboration with the World Bank and an NGO. As a result, on average each company was able to take on a new member of staff.</p> <p>In significant indirect impact based on the research results, the World Bank included marketing as a major new aspect in a \$200m investment programme to support thousands of small firms and boost employment prospects in Nigeria, and in a similar \$50m programme that focuses on 200 tech start-ups in Peru. The bank and the Mexican government have also applied the research in a joint programme to support 1500 entrepreneurs.</p>		
2. Underpinning research		
<p>The research tested a basic assumption across the business world: that formal training and education has beneficial effects and makes a positive difference among small businesses in developing countries. Not everyone agrees. Previous research – by academics as well as researchers at the World Bank - has suggested that the effect of business skills training on these businesses might be negligible or even negative. But, until now, there has been little reliable evidence to support either side of the argument.</p> <p>Using a gold standard of academic enquiry – a randomised controlled trial – this project was able to show conclusively that business training does indeed boost the financial performance of small companies in an emerging market.</p> <p>The researchers developed, in collaboration with an NGO partner and funding from London Business School and the World Bank, a business skills training programme that is customised to the needs of small businesses in emerging markets. As Tom Parry, then CEO of the NGO partner – Business Bridge South Africa – notes in a CNBC TV interview [5.1], the researchers “helped us refine our model, include as many innovations as we could, and make sure we learned from previous World Bank Studies and previous research projects. [The researchers] then got other major partners on board, received funding from the World Bank, and helped us to scale on a global scale.”</p> <p>The researchers randomly assigned training to owners of hundreds of small businesses in South Africa. Some 266 businesses were given several hours of training a week for two months that</p>		

focused on finance skills, such as accounting and balance sheets. Another 270 businesses received the same amount of time on a training course that instead **focused on marketing skills**, such as promotion and customer relations. A third group of 316 businesses, the control arm, did not receive any initial training. (They did however receive it some 18-months later, once the trial had finished.)

Company **sales, profits and staff** levels were recorded and compared at the start of the trial and then six and twelve months after the end of the training (i.e., in 2013). Compared with the control group, the companies in the finance-training group saw profits increase by 41%. And those in the marketing-training group saw **profits rise by 61%**.

The study reported an **important difference in the paths** taken by these firms to higher profits, and one which reflects the training they received. The firms in the finance group made more money because they cut costs and increased efficiency. But those who received the marketing training made more **because they grew their business**. They typically **increased sales by 64%** and hired an **extra employee** each.

Given that firms in the control group hire on average two employees, the study showed that the marketing training represents a **57% increase in employment**. In deprived contexts such as South African townships (where the unemployment rate hovers around 50% and micro-businesses are the most common form of business), this **increase in hiring** implies significant numbers of **job opportunities** that would not otherwise have existed.

David McKenzie, Lead Economist in the Development Research Group at the World Bank, summarises the direct impact of the study thus [5.3]; “This is the strongest set of results that I have seen of any attempt to do business training in a developing country, and I think this is a fantastic study.”

3. References to the research

[3.1] Anderson S, **Chandy R** & Zia B. Pathways to Profits: The Impact of Marketing vs. Finance Skills on Business Performance. *Management Science* **64** (12) p5559-5583 (2018)

DOI: <https://doi.org/10.1287/mnsc.2017.2920>

[3.2] Anderson S, **Chandy R** & Zia B. Pathways to Profits: Identifying Separate Channels of Small Firm Growth through Business Training. World Bank Policy Research Working Paper; No. 7774. (2016) <https://openknowledge.worldbank.org/handle/10986/24855>

[3.3] Anderson S, **Chandy R** & Zia B. Pathways to Profits: Can Entrepreneurship Training Really Work for Small Businesses? VoxDev (2019) <https://voxdev.org/topic/firms-trade/pathways-profits-can-entrepreneurship-training-really-work-small-businesses>

[3.4] Anderson S, **Chandy R** & Zia B. The Impact of Marketing and Finance Training on Firm Performance in South Africa. Innovations in Poverty Action (2016) <https://www.poverty-action.org/study/impact-marketing-and-finance-training-firm-performance-south-africa>

[3.5] Anderson S, **Chandy R** & Zia B. Managerial Capital and Business Transformation in Low-Income Countries, Centre for Economic Policy and Research, <https://pedl.cepr.org/content/managerial-capital-and-business-transformation-low-income-countries-0>

4. Details of the impact

The intervention described in the research led to a direct impact - documented in [3.1] and described for practitioner and policy audiences in [3.2-3.5] - on the hundreds of firms that were part of the study, and on the individuals who were **given jobs** by those in the marketing training group. For example, Dawn Warden, a participant who runs a clothes shop, says that **sales increased**. [5.2] Another, entrepreneur Mvikeli Biyana, says: "I've got more contracts and I **employ more people**". [5.2] Wafaa Abdurahman, who worked as a trainer for the project, says: "It created a different vibe, a different understanding, a different mindset". [5.2]

Additionally, the research had indirect impact through the actions of entities such as the World Bank, which invest large sums in business skills training in emerging markets. Given the importance of the research findings [3.1], they were disseminated widely in World Bank and policy-maker oriented outlets [3.2-3.5], as well as in the London Business School Review [5.8] even while the core academic paper was still undergoing peer review. Results that show how marketing skills increase sales and so allow businesses to take on more staff have **directly influenced** the design of multi-million dollar **programmes run by the World Bank** to boost the economic and employment contributions of hundreds of small and start-up firms in **Nigeria and Peru**. Specifically, both programmes have been **designed to offer access to marketing expertise**, alongside the more traditional finance skills.

Bilal Zia, a senior economist at the World Bank – and a co-author on [3.1] -- notes: "The implications of this research are **compelling**. The World Bank alone spends over \$1 billion dollars per year on business training programs. Yet the impact of these programs has been unclear. What this paper shows is not just that the impact is "there"; it also shows the mechanism of the impact: of "how" the impact happens. The insights from this study **have already been applied to other World Bank projects**, for example in Nigeria, where business training programs have been moulded **based on the insights** from this study." [5.4]

The Nigeria program ran from 2015-2018, backed by an initial \$200m World Bank loan. It offered support to thousands of small and medium sized enterprises across the country, to help them expand and reach new markets. For the **first time** in such a project, this programme paid for marketing professionals to be made available to the firms: some two-thirds of the companies accepted the marketing help. The full results of the programme, including **boosts to sales and employment**, are still being processed. But early findings confirm that the introduction of the marketing skills have been beneficial and have **significantly improved** aspects including the use of best practice.

The Peru project started in 2020 and is funded with \$50m from the World Bank. It focuses on growing some 200 innovative tech start-up firms. Again, based on the results of the academic study [3.1], the **programme has been designed** to make marketing support a major component.

Leo Lacovone, a lead economist with the World Bank says the results of the academic study [3.1] were **a game changer**. He says: "These significant financial programmes would not have been designed in this way to include marketing skills if it wasn't for the **results of the South Africa study**." Previous programmes focused on the financial aspects of running a business, such as accounting, he says. "Marketing aspects were a bit of a blind spot because there was no evidence that they had any benefit. **Now there is**. That makes a fundamental difference to the way we design and implement these programmes." He expects the findings and the value of

marketing skills on sales and employment will influence **more programmes** in the future, both those run by the World Bank and by national governments. [5.9]

The World Bank has also worked with the government of **Mexico** from 2016 to 2019 to design and run an exercise to improve the performance of **1,500 entrepreneurs**, mostly in the service industries such as restaurant and shop owners, which offer significant opportunities to create new jobs. Marketing skills were a large component, again because the **results of the study** [3.1] showed their impact on sales and employment.

The UK charity Grow Movement used the results of the study to help design a \$500,000 project to offer **remote business consulting support** to some 500 small firms in Uganda. The scheme, which used volunteers to deliver marketing and other advice over the telephone, **raised sales by almost a third** (28%) to an average \$352 a month. [5.6]

Chris Coghlan, co-founder of the charity, said: “Because of the positive results of the work in South Africa we deliberately designed some of the Uganda projects to have a marketing focus. And I think it had a **real impact in helping to grow the sales** of these companies. The project was covered in the *Economist* and has sparked interest among other organisations who may now start remote coaching projects in developing countries.” [5.5]

The research [3.1] **won** the 2016 Gary L. Lilien ISMS-MSI Practice Prize, given every two years to a research project that represents the “most outstanding **implementation of marketing science** concepts and methods”. The award recognizes work that “had significant, verifiable and, preferably quantitative impact on the performance of the client organization.” Practice Prize Committee Chair John Roberts, Professor of Marketing at the University of New South Wales noted: “This work—as well as that of the other finalists for the award—represents the finest of what marketing scientists have to **offer practitioners**. Each finalist used targeted marketing science modeling approaches to help the client organization improve its profits and performance substantially.” [5.7]

5. Sources to corroborate the impact

[5.1] Tom Parry, CEO, Business Bridge - appearance on "Beyond Markets" (Launched in South Africa in 2010); Link: <https://www.youtube.com/watch?v=1IsxHjBBVyo&feature=youtu.be>

[5.2] Client Videos:

Dawn Warden, Gaboozie Trades, and Egbert Wessels, Business Bridge Trainer:

<https://youtu.be/4hOdpRku-Uc>

Mvikeli Biyana, Mvikeli Investment, and Karabo Makgoane, Business Bridge Trainer:

https://youtu.be/bzKrVXd8_dl

Mahmood Chikte, Solar Joy, and Wafaa Abdurahman, Business Bridge Trainer:

<https://youtu.be/SsaqORshWdo>

[5.3] Video statements by Dr David McKenzie, Lead Economist, The World Bank:

<https://www.youtube.com/watch?v=Y5dWtaXwJIA&feature=youtu.be>

and by Dr Bilal Zia, Senior Economist, The World Bank:

https://www.youtube.com/watch?v=pnHJ_zjyHos&feature=youtu.be

[5.4] Dr Bilal Zia, The World Bank – Beneficiary Statement

[5.5] Chris Coghlan, Grow Movement – Beneficiary statement

[5.6] Grow Movement news feature, "UK AID funded study by top global business schools finds coaching African micro-entrepreneurs over mobile phone is effective in relieving poverty", 05/10/2019; <https://www.growmovement.org/uk-aid-funded-study-by-top-global-business-schools-finds-coaching-african-micro-entrepreneurs-over-mobile-phone-is-effective-in-relieving-poverty/>

[5.7] 2015 INFORMS award to Stephen Anderson-Macdonald, 2015 Gary L. Lilien ISMS-MSI Practice Prize: Winner(s)
Winning material: "The Impact of Marketing Skills on Business Growth, Prosperity, and Survival: Insights from a Randomized Controlled Trial in Collaboration with the World Bank."; <https://www.informs.org/Recognizing-Excellence/Award-Recipients/Stephen-Anderson-Macdonald>

[5.8] Chandy R, Anderson S, Zia B. Surviving and Thriving: Can Innovation Among Micro-Entrepreneurs in South Africa Teach Global Corporations a Lesson? (2016) London Business School Review; <https://www.london.edu/think/diie-educating-the-worlds-microentrepreneurs>.

[5.9] Leonardo Iacovone, Lead Economist, Finance, Competitiveness & Innovation Global Practice, the World Bank: from conversation with David Adam, Impact Case Consultant; 18/01/2020