Emerging SMEs
Secrets to growth from micro to small enterprise

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Presentation roadmap

Study
- Focus and definitions
- Research methods

Outcomes
- Qualities of high growth business owners
- Growth progression
- Gender and aging implications

Discussion
- Q & A
Primary research focus

- To identify and learn from entrepreneurs who have grown their businesses from a micro-enterprise into an SME
  - Characteristics of these entrepreneurs and their businesses
  - Growth processes and obstacles encountered
  - Use of financial and non-financial services (e.g., advising or training)
Visualizing the SME Sector

- **SME SECTOR**
  - **MEDIUM ENTERPRISE**
    - 50–250 employees
  - **SMALL ENTERPRISE**
    - 10–49 employees
  - **VERY SMALL ENTERPRISE**
    - 5–9 employees
  - **MICRO-ENTERPRISE**
    - 0–4 employees

**FORMAL**

**INFORMAL**
Study sample from participating MFIs

Microfinance Context and Institutions

- Total microfinance borrowers (2015)
- Total clients with significant loan size growth (2015)

Total borrowers (2015):
- MiBanco: 877,712
  - Participating MFIs: 53,991
  - Total: 823,721
- Banco Solidario: 89,458
  - Participating MFIs: 2472
  - Total: 91,930
- Banco ADOPEM: 217,971
  - Participating MFIs: 131
  - Total: 218,102

Graph showing the distribution of borrowers among MiBanco, Banco Solidario, and Banco ADOPEM.
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Micro-to-SME clients represent less than 2% of MFIs’ total client pool

Poverty Impact

- Direct benefit to low-income families
- Job creation
- Contribute to BoP economies

This shows us ...

- Characteristics of “growth entrepreneurs”
- Common growth hurdles
“Growth Entrepreneurs” are...

- **Visionaries** — They have a clear vision of growth for their business.

- **Employers** — They effectively involve non-family employees in their business.

- **Focused** — They devote their time and resources to growing only one business.

- **Organized** — They keep financial records and increase administration as their business grows.
Stories of “growth entrepreneurs”
Classification of interviewees

- "Growth Entrepreneurs": 25%
- "Strivers": 20%
- "Sustainers": 22%
- "Slowing Down": 33%
## Lower growth groups

<table>
<thead>
<tr>
<th>STRIVERS  (20%)</th>
<th>SUSTAINERS  (22%)</th>
<th>SLOWING DOWN  (33%)</th>
</tr>
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<tbody>
<tr>
<td>Clear vision for growth</td>
<td>Still seeking modest business growth</td>
<td>Seeking to maintain or reduce business involvement</td>
</tr>
<tr>
<td>Seeking to add sites, employees, equipment</td>
<td></td>
<td>Tendencies: more women, older age, and trade sector businesses; greater investment diversification</td>
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Enterprise growth hurdles

<table>
<thead>
<tr>
<th>Hurdle</th>
<th>Percentage</th>
<th>Issue Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of Fixed Assets</td>
<td>69%</td>
<td>Capital</td>
</tr>
<tr>
<td>Incorporation of Non-Family Employees</td>
<td>58%</td>
<td>Management will and capacity, financial administrative systems</td>
</tr>
<tr>
<td>Secured a Strategic Business Site</td>
<td>55%</td>
<td>Capital</td>
</tr>
<tr>
<td>Expansion to Additional Sites</td>
<td>15%</td>
<td>Capital; Management capacity and administrative systems</td>
</tr>
</tbody>
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**ACENT for FINANCIAL INCLUSION**
Women in emerging SMEs

- Very few women are the lead owners of high growth enterprises (only one of the GEs was a woman).

- They are often joint-owners, occupying a support role (64% of GEs fell under this category).

- In several cases, the leadership of a growing female-owned enterprise was subsequently handed off to a male family member.

- Family care responsibilities are the primary reason for “leaning out.”
Rental units – the popular pension plan

• Many interviewees expressed fatigue and a desire to eventually slow down and stop working.

• Few have access to pension funds, and view saving as a poor investment.

• Rental units emerged as the de facto pension plan for entrepreneurs across the three countries.

“Como tengo ya 57 años, y no quiero más fuerte.” (Since I’m already 57, I don’t want to work any harder).

- A market vendor in Lima