



The Coronavirus and Entrepreneurs in the Developing World:



Learning to Support Businesses in Crisis



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Supporting entrepreneurs is more vital now than ever.

As the coronavirus pandemic grows, it is threatening the survival of micro and small businesses around the world. Quarantines, shelter-in-place orders, and social distancing make it difficult for many of these enterprises to carry out business. While there has understandably been a great deal of attention paid to the question of how to save small businesses in North America and Europe, micro and small businesses in developing countries are in many ways even more vulnerable to the impacts of this crisis.

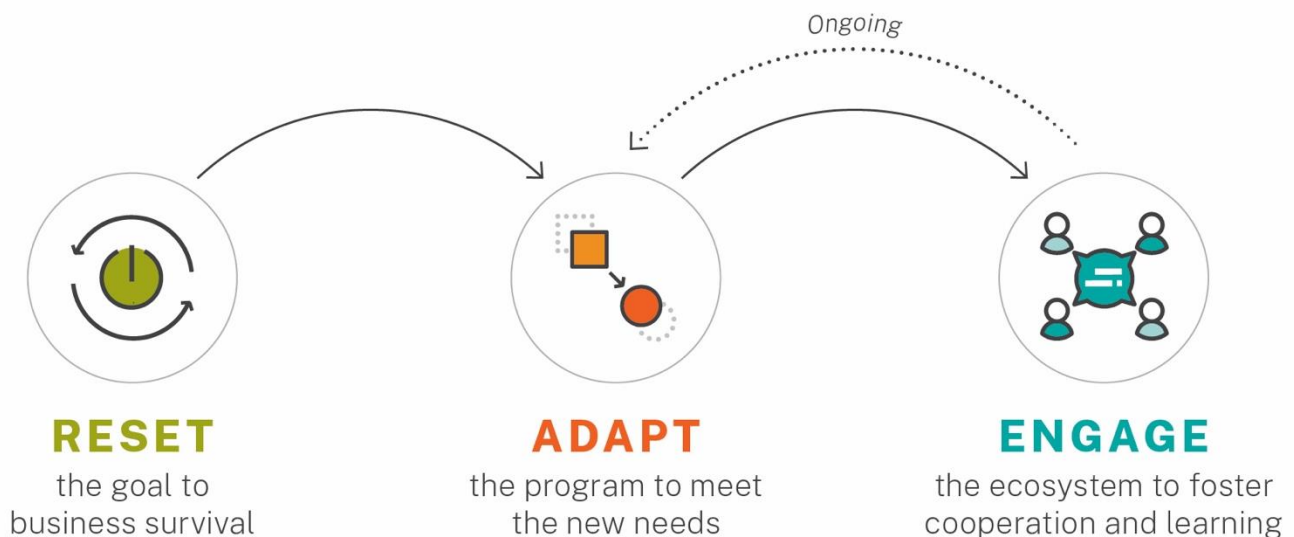
Nevertheless, it is vitally important to save these businesses. Micro and small businesses form the backbone of emerging economies: according to the International Labor Organization, approximately 90% of employment in Sub-Saharan Africa and South Asia is in enterprises with fewer than 49 employees, as is 75% of employment in Latin America and the Caribbean. These businesses also provide a market for local producers and a source of basic goods and crucial services for vulnerable communities—more important now than ever—reaching populations often overlooked by larger firms.

As governments from El Salvador to Kenya to India enact strict measures to halt the spread of the coronavirus, what can development organizations do to help micro and small businesses survive? Drawing from TechnoServe's past experience working with entrepreneurs in times of crisis, as well as early learnings from the response to the coronavirus pandemic, we've put together this quick guide of ideas for supporting these enterprises.

It's important to note that this is a preliminary document: we are all in a learning mode right now, and as our programs continue to innovate in the face of the pandemic, they will generate and share new insights. However, given the urgent need to provide support to these micro and small businesses around the world, we wanted to share TechnoServe's initial recommendations.

In response to the crisis, our programs are responding through three steps:

TECHNOSERVE'S FRAMEWORK FOR SUPPORTING ENTREPRENEURS DURING THE CRISIS



I. Reset the Goal to Business Survival

In times of economic stability, TechnoServe's entrepreneurship programs help enterprises identify and seize new business opportunities. The focus is on growth: improving profitability, increasing sales, and expanding community impacts like hiring and sourcing from local suppliers. In a crisis like the coronavirus pandemic, however, that kind of growth is often impossible. **It's essential that programs re-orient their short-term goals to helping businesses survive.** Once the crisis passes, the focus on growth can be resumed.

The decision to focus on business survival is the vital first step, because it guides the kind of advisory services programs offer. In our experience, it is important to:

- Start a dialogue with donors, project partners, and other stakeholders to share the challenges that the businesses face, build consensus around the new focus, and develop new targets and indicators. We have seen that funding partners are eager to understand the situation on the ground and receptive to adaptations that address the crisis.
- Reach out quickly to entrepreneurs to let them know that the project will continue to support them and focus on helping them weather the crisis. Time and again, we've heard from entrepreneurs that one of the greatest contributions of the programs was the peace of mind that came from knowing that there was someone there to help them during a time of upheaval.
- Rally all program staff, including business advisors and others, around these new goals

TECHNOSERVE'S EXPERIENCE IN NICARAGUA AND CHILE

Many of the learnings reflected in this document are based on the experiences of TechnoServe's programs in Nicaragua and Chile during recent crises. In Nicaragua, conflict between the government and large segments of the population erupted in April 2018 and have continued with varying intensity ever since. In Chile, social unrest began in October 2019. In both countries, these sudden disruptions created a number of challenges for small businesses:

- Uncertainty and stress
- Difficulties for entrepreneurs and their staff to make it to the place of business
- Disrupted supply chains
- Changes in demand and customers' ability to physically access goods and services

While these crises presented grave challenges for entrepreneurs, TechnoServe's experience is that well-targeted support can make a critical difference in helping businesses survive. In Nicaragua, for example, the Chamber of Industries estimates that approximately 30-40% of small businesses failed during the crisis, while businesses participating in the Impulsa tu Empresa program—an accelerator from TechnoServe and the Argidius Foundation—had an 87% survival rate.



II. Adapt the Program to Meet New Needs

Shifting from a growth orientation to a survival orientation has important implications for programs. At TechnoServe, our entrepreneurship projects help micro and small businesses build skills, better manage their finances, and seek new market opportunities. During a crisis like the coronavirus, these levers continue to be important, but each one needs to be adjusted to fit the changing needs of entrepreneurs. Based on an initial conversation with the entrepreneur, programs can provide tailored advisory services.

Building a mindset for survival

One of the most pressing needs is addressing entrepreneurs' new emotional needs. When faced with a crisis like the coronavirus pandemic, entrepreneurs (like the rest of) can often feel overwhelmed, distracted, or defeated. This can even lead to business challenges, as **entrepreneurs (and staff) face a kind of "analysis paralysis" that prevents them from making key decisions.** Programs need to address these psychological needs. They can do this by creating a safe space for entrepreneurs to share their experiences and concerns, lifting their spirits, and helping them to focus on addressing the most urgent problems they face without jeopardizing their post-crisis future.

Financial management for resilience

Having a clear picture of a business's financial position and being able to make sound decisions based on the numbers are always important skills, and they become indispensable in a crisis. We should help entrepreneurs:

- Evaluate the financial status of their business in the current situation, with particular focus on liquidity
- Analyze the business's break-even point and estimate the financial impact of different scenarios
- Find potential cost savings to help the business survive
- Reduce the mark-up for selected products and services in order to maximize sales and increase cash flow
- Gather information about government aid, grants, and deferred tax collection
- Negotiate more flexible terms with suppliers
- Identify bank initiatives to make loan repayment terms more flexible and other programs offered by the private sector and civil society to help small businesses

It's important to note that laying off staff is an excruciating decision for entrepreneurs struggling to keep their business alive. To the extent possible, we help them identify opportunities to reallocate staff to new, vital roles—for example, a restaurant shifting waiters to food delivery—to avoid losing key personnel and jeopardizing the long-term profitability of the company. It is also important to consider that government aid is becoming available in some countries.

SUPPORTING YOUR TEAM

Emotional support isn't just important for entrepreneurs: it's also vital for program staff. The coronavirus pandemic is a difficult and scary situation for all of us, so it's helpful to create a space for team members to talk about how they're feeling. Some of our programs have brought in psychologists and other professionals to help in this process. Working with entrepreneurs in crisis can add an additional layer of stress, so it's important to provide extra support to business advisers in these situations. In Chile, one of our programs has created "critical case clinics" to support advisors in their recommendations and prevent staff from shouldering these burdens alone.

Revisiting the business model and Identifying new revenue opportunities

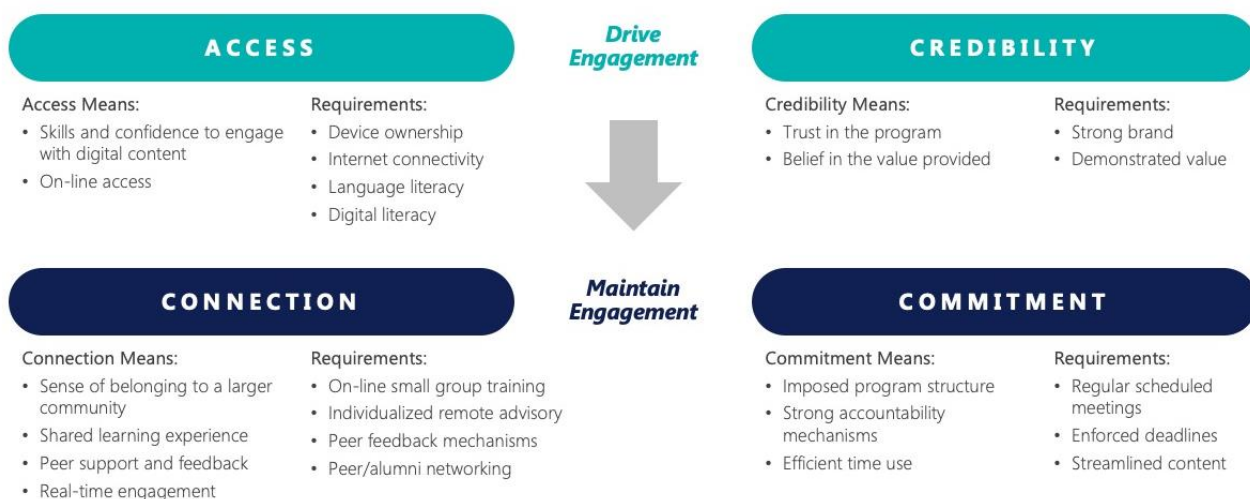
Entrepreneurs show a remarkable ability to identify new channels, approaches, products, and services that meet the needs and purchasing abilities of consumers in a crisis. Programs should encourage this kind of innovation. Entrepreneurs in our programs have:

- Shifted from product and service lines with falling demand to ones that are less affected by the crisis. This often happens between related businesses, like a sit-down restaurant shifting to food delivery. However, if a business has the necessary resources and skills, it can shift between sectors; for example, a handicrafts manufacturer we worked with in Nicaragua started producing food when demand for crafts fell
- Identified new sales and distribution channels that were able to reach consumers in spite of curfews and travel restrictions, such as online marketing and/or door-to-door delivery
- Positioned their business as a safe place to shop. For instance, micro-retailers have addressed the current pandemic by discouraging the use of cash and making hand sanitizer available
- Redefined their relationship with the supply chain to ensure access to key products and ingredients (see Profile in Perseverance on pg. 8)

Providing remote support

As programs change the content they are sharing with entrepreneurs, they must also change how it's delivered. The coronavirus is not only disrupting businesses; it's also disrupting how organizations like TechnoServe reach the businesses they support. The same restrictions and obstacles that keep shoppers out of stores also keep business advisors from visiting entrepreneurs. It's therefore very important to quickly find effective ways to provide remote support to entrepreneurs. We recently [conducted research](#) on how to move support to remote delivery, and we found that the support should reflect four principles: accessible, credibility, connection, and commitment.

FOUR CORE PRINCIPLES FOR DIGITAL PROGRAM DESIGN



IN A CRISIS, OUR EXPERIENCE HAS TAUGHT US THAT:

- There is not time to build bespoke solutions or introduce complicated platforms
- It's better to harness tools that entrepreneurs already use. In Nicaragua and Chile, instruction was provided through a combination of videoconferencing on platforms like Skype, WhatsApp messages, and phone calls. If your program already has a working platform adopted by the entrepreneurs, it's best to use it
- If you don't already know which tools entrepreneurs in your program use or could use, it's important to quickly gather that information
- Limit remote sessions to approximately 10 participants to make the sessions interactive and participatory
- In very remote settings where entrepreneurs don't have access to phones or the internet, TechnoServe has used radio programs to reinforce key messages.
- While the medium has changed, it's important to keep using behavior change techniques to keep entrepreneurs engaged

Finally, advisory sessions will likely need to be shortened as they move online because the attention span for remote support is shorter than in-person advisory. Our experience suggests that programs should:

- Limit webinars to approximately one hour in length, but supplement these sessions by sharing other instruction materials like short videos and readings
- Limit entrepreneurs' total time on online program activities to no more than 2.5 hours per week
- Check in more frequently with entrepreneurs to make sure that they are engaged

LEARNING & ADAPTIVE MANAGEMENT

Coronavirus is a new challenge, and not everything you try in response to it will work. The important thing is to make sure you have systems in place to test and measure results and capture key learnings. These insights can help you identify what's working and what isn't and to refine your programs so that they become more effective and create a body of learnings to prepare for the next crisis.

III. Engage the Ecosystem

The coronavirus pandemic is a new challenge for micro and small businesses, and no single organization has all the answers for how to address it. That's why it's more important than ever to build partnerships and sustain dialogues between implementing organizations, governments, foundations and donor organizations, the private sector, convening organizations, and others in the entrepreneurial ecosystem. Working together, we can:

- Identify effective practices and promote their adoption during the coronavirus pandemic
- Prepare our organizations for future crises
- Provide practical, on-the-ground information for organizations to use in their grantmaking processes
- Help financial institutions and private-sector actors tailor their services to micro and small businesses in difficult situations
- Build the case for policies that support entrepreneurs in times of crisis
- Facilitate the communication of new government policies and procedures to entrepreneurs

PROFILE IN PERSEVERANCE: IDALIA MEDINA

When the political disturbances in Nicaragua caused blockades on many roads, cheese manufacturer Las Delicias struggled both to source milk from the countryside and reach buyers with its cheese. Owner Idalia Medina solved the first problem by deepening her relationship with the farmers in her supply chain, offering them agricultural inputs and other products to ensure that they would continue to sell to Las Delicias despite the transportation issues.

With the help of Impulsa tu Empresa, she has also worked to control her costs by overhauling the firm's production process to more efficiently use resources, establishing better accounting processes, beginning to process and sell dairy by-products, and reducing her expenditure on electricity. She also identified new sales channels. Since joining the program, her sales have increased 22 percent and Las Delicias is more profitable.



"I've learned a lot through the program, but planning and organization have been the most useful. It made my plans more assured because I could see what should happen in a successful business."

ABOUT TECHNOSERVE'S ENTREPRENEURSHIP PRACTICE

TechnoServe has partnered with large corporations, multilateral institutions, and governments to provide life-changing support to entrepreneurs in a variety of settings. For instance, we help young entrepreneurs in rural Africa to start new businesses; we support established enterprises to accelerate their growth and impact in Latin America; we work with food processors in Africa to expand their business, sourcing more products from small-scale farmers; and we help small shop owners to improve their businesses and profits. Our programs are built on four pillars:

- Careful adaptation
- A market-driven approach
- Effective capacity development
- Rigorous measurement and continuous learning

We estimate that in 2019, 45,000 people earned an additional \$67 million in revenue thanks to the work of our entrepreneurship programs.

If you would like information about TechnoServe's work in crisis situations, or have ideas about how to partner to support entrepreneurs during the coronavirus pandemic, please contact Juan Carlos Thomas, global entrepreneurship director, at jthomas@tns.org.

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