IGL2019 Research Meeting

A Discussion of

Stimulating Marketing Strategy Innovation with Entrepreneurs in Uganda: Examining the Impact of Skype-aided Business Coaching on Firm Sales

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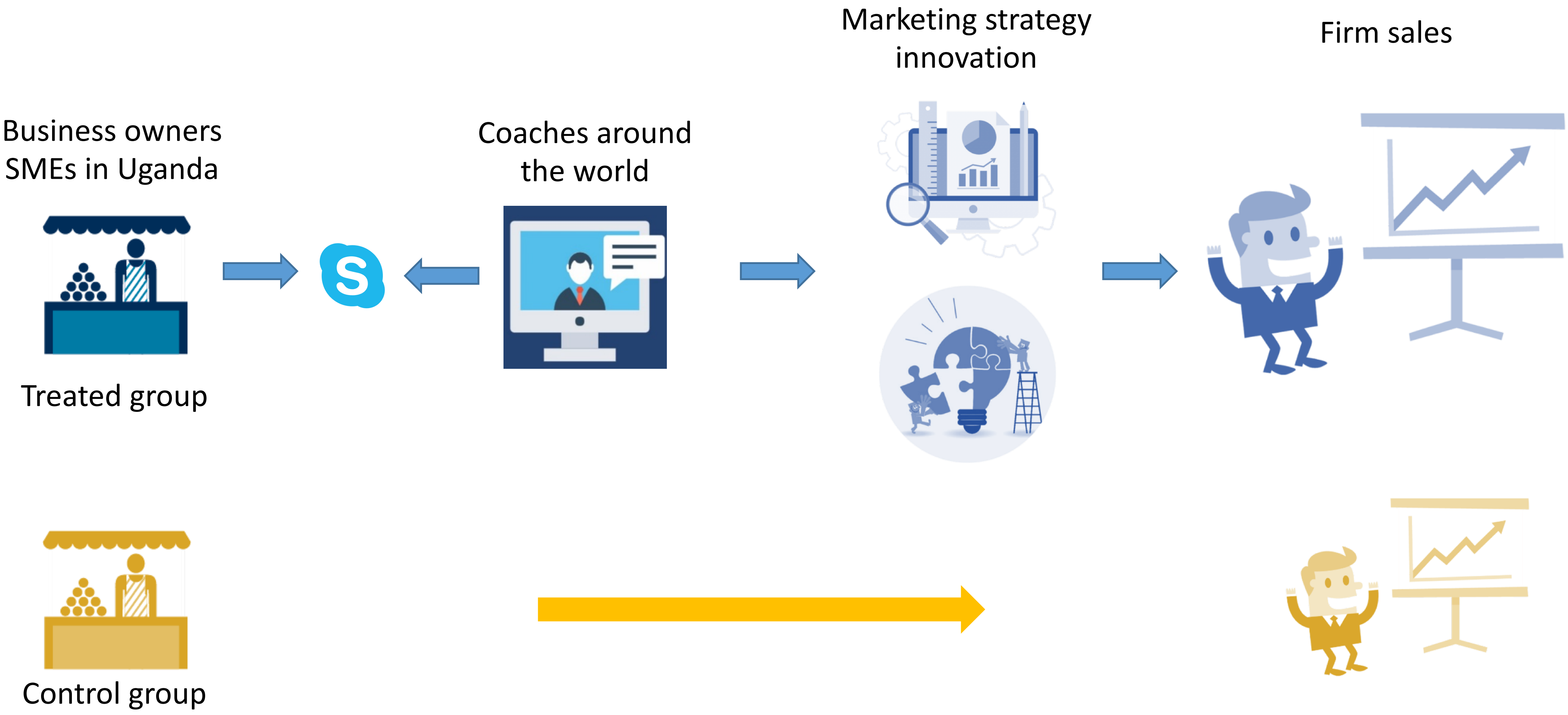
A Very Quick Summary



Overall

- Well-designed experiment with careful implementation
- Excellent measurement of outcomes
- Careful analyses with intensive robustness checks
- New findings with many implications for management, marketing and for development policies

Question 1: Are there externalities—learning-related or driven by market interdependence?

- Knowledge can diffuse from the treated group to the control group:
  - Control-group members can learn general knowledge (directly or via third parties) from the treated group—for instance, through friendship ties or through observing the treated group members' behavior.
  - Under this scenario, the treatment effect is underestimated.
  - Yet this underestimation may be quite small in this setting, since the intervention is 1-to-1 coaching, and coaches did not provide general knowledge but personalized advices (less transferable).

Question 1: Are there externalities—learning-related or driven by market interdependence?

- Market as network: Strategic shifts undertaken by the treated group may impose competitive pressure on the control group (unfavorable or favorable, depending on their reaction)
  - If treated firms and control firms share the same market (the same customers and/or same suppliers), any change in the business strategies of the treated firms will exert an effect on all business variables (i.e. cost, demand, supply) of the control firms.
  - Given these complex interactions, the treatment effect could be over-or under-estimated.

Question 2: Strategic thinking or cognitive / behavioral biases?

- Measurement of (lack of) strategic focus: inconsistent preferences, impulsiveness, myopic views, temptation-unawareness, lack of self-control, unpreparedness, and impatience.
- Do these measures capture cognitive and/or behavioral biases more than strategic thinking?
- Different implications:
  - Strategic thinking: can be enhanced through learning → it's easy to imagine that, after the intervention, entrepreneurs can continue improving their strategic thinking skills and thus are able to improve their business.
  - Cognitive / behavioral biases: are very difficult to correct (consider the I.O. literature). Biases are, at best, *reduced* through group-level decision-making or by intensive interactions with coaches → it's hard to imagine that the effect can last long post-intervention.

Question 3: A more innovative business model or a better "sweet spot" in explorer-exploiter space *that's distant from (unpleasant) exploitation?*

- Exploration-exploitation trade-offs, especially for SMEs in developing countries
- Alternative explanation of the treatment effect:
  - Can the negative treatment effect of coaching on the number of operating practices that entrepreneurs implemented be driven the explorer-exploiter tradeoff?
  - Can the treatment effect on future sales be driven by the better balance between exploration and exploitation, not by innovative business models alone?
- A structural approach that takes into account these interdependencies may be valuable in a follow-up study.

Question 4: Does the independence assumption hold for the IV estimation of ATT?

- Independence assumption requires that the intervention does not change the outcomes of the non-compliers in the treatment group.
- Among top reasons for non-compliers: Coaches disappeared
- Is it possible that a demotivation effect occurred for the non-compliance group? Does the motivation shape outcomes?

Out of the paper's scope but of interest to me: How is successful coaching different from unsuccessful coaching?

- Matching between coaches and entrepreneurs
- Path-dependence in the coaching process