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If you missed the 2016 IGC Growth Week Conference, held at the London School of Economics, get caught up through our blog recaps looking at research highlights and policy insights. This post forms part of our blog recap series, looking particularly at ideas on firm productivity and trade-led development. See [here for other recaps from growth week](#).

Starting with the premise that all countries have the talent and potential to cultivate a vibrant and productive private sector, the question that naturally arises is what is holding back the rise of more productive firms in Africa and Asia? Recently, increasing focus has been given to constraints arising from limited management practices and difficulties in incentivising talent. Both constraints are the result of difficulties in identifying and allocating talented individuals to the right roles, as well as cultivating further learning and improvements to managerial practices. The path forward will require innovations in measurement and monitoring of management outcomes to separate and understand the equally important roles of innate ability and management practices.

Innovation, according to [Professor Eric Verhoogen](#) remains the biggest barrier facing firms in developing countries. Firms must find new ways to share knowledge and skills.

Barriers to growth: Eric Verhoogen



Other researchers and policymakers pointed to the importance of [private investment, financial inclusion, and trade relationships](#) as the key barriers to overcome to promote more wide-spread growth in developing countries.

Following the framework session, researchers presented on emerging ideas and projects on managerial practices.

- Establishing networks between managers across individual firms may improve firm productivity (Jing Cai). According to new research on Chinese firms, monthly intra-sectorial meetings may strengthen firm performance and productivity; in addition to expanding managerial networks, regular meetings encourage peer training, resource and information sharing, and improved relationships and trust among managers.
- Inter-firm skill transmission among Kenyan microenterprises may increase revenues (Brooks, Donovan, & Johnson). Researchers found that matching young firm owners with older, more successful firms owners through mentorship programmes could raise profits of microenterprises by as much as 20%, although the effect fades over time.
- Aligning incentives in entrepreneurial targeting requires careful consideration (Ben Roth). Targeting programmes and resources to raise entrepreneurship skills requires programmes to correctly identify high-productivity entrepreneurs. Researchers often rely on neighbourhood surveys or self-reported data, despite the fact when misrepresenting the truth could benefit an individual, their family, or their friends, they are incentivised to lie, a factor that should be accounted for when designing targeting mechanisms for public service programmes.

Framework talk: Firms – Trade

Poor management practises and lack of support to high-achieving entrepreneurs may be one piece of the puzzle of why firms in developing countries are less productive than those in developed countries. Another reason may be that firms from developing countries are less integrated into high value global chains. They export fewer goods into global markets, and provide a higher share of low value-added goods. Addressing this constraint, Professor's John Sutton (LSE) and Rocco Macchiavello (University of Warwick) led a framework session emphasising the importance of developing stronger domestic governmental institutions to promote trade and development more robustly. Examples from Ethiopia and Myanmar highlighted the potential for gains from greater foreign investment.

- The two central government bodies that can shape trade and foreign direct investment (FDI) are Investment agencies and local content units. Together, these institutions can address constraints to foreign direct investment, such as poor infrastructure and logistics as well as weak institutions – the biggest barriers to attracting foreign firms in developing economies. Business associations can likewise play a complementary role in promoting FDI and increasing the quality of logistics for domestic firms.
- Evidence from the experience of reforming Ethiopia's Investment Commission shows that the main challenge in improving investment agencies is achieving organisational change. It requires strong leadership, patience and slow introduction to new processes and procedures.
- In Myanmar, a joint project with the garment sector business

association digitised import licencing, likewise attempted to implement small changes that would improve the investment opportunities. This project showed that success can be achieved through careful relationship building, starting small and implementing new procedures to trigger broader systemic changes.