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Original Article

'Helping a Large Number of People Become a Little Less Poor': The Logic of Survival Entrepreneurs

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Abstract Survival and growth-oriented entrepreneurs follow qualitatively different logics. In this article we retrace the scattered previous theorization of this distinction and present a consolidated set of key characteristics of the two types of enterprises, enriched by our own observations in the field. Our main purpose is to typify the different rationalities of the two groups of entrepreneurs. Second, we argue that because most existing interventions are based on the implicit assumption that all entrepreneurs are growth-oriented, they often fail to address the specific needs of survivalists. Finally, we outline an intervention rationale more attuned to the logic of survival entrepreneurs.

Les entrepreneurs axés sur la survie suivent des logiques qualitativement différentes de ceux dont l'objectif est la croissance économique. Dans cet article nous revenons sur la théorisation déjà vaguement esquissée de cette distinction et présentons un ensemble consolidé des caractéristiques clés des deux types d'entreprises, en nous appuyant sur nos propres observations de terrain. Nous cherchons, en premier lieu, à caractériser les logiques des deux catégories d'entrepreneurs. Puis, nous montrons que les interventions sont généralement fondées sur l'hypothèse implicite que tous les entrepreneurs sont axés sur la croissance. De ce fait, celles-ci répondent mal aux besoins spécifiques des entreprises axées sur la survie. Enfin, nous décrivons une approche d'intervention plus en lien avec la logique des entrepreneurs qui sont axés sur la survie.

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Introduction

Almost since the discovery of the 'informal sector' of urban economies in the 1970s, researchers have noticed the existence of a subcategory that faces particular barriers to growth, and has been termed 'street economy', '(sub-)subsistence production', 'necessity-driven entrepreneurs', 'informal proletariat' or 'survival(ist) enterprises'. However, a deeper economic and sociological analysis of this group's specific characteristics is largely missing. This article seeks to characterize the different rationalities of the various categories of entrepreneurs in order to better understand their behaviour and distinct needs. We adopt the concepts of 'survival' and 'growth-oriented' entrepreneurs to reconstruct the respective logics of their strategies. We will stress the importance of social relationships in determining their objectives, motivations and preferences. Our focus is on the different logics of entrepreneurship in the informal economy, and we aim at reflecting on these differences in order to link groups of entrepreneurs and policy interventions in a more consistent manner. Other researchers like Mead and Liedholm (1998) and Rogerson (1997) have also identified these two distinct groups and chosen to focus on growth-oriented entrepreneurs. Our complementary focus in this article is on survival entrepreneurs.

The next section sets the scene by means of an 'anthropological slum walk' to emphasize the vibrancy of economic activity among the urban poor and the moral economy in which these entrepreneurs are embedded. In the subsequent section, we follow the trail of the various academic contributions discovering a duality among poorer entrepreneurs, usually without much reference to earlier accounts. This leads us to propose a consolidated typology in the section after that, based on a re-interpretation of the literature in combination with our own observations in the field. Our main argument is that there is a fundamental and qualitative difference between survival and growth-oriented enterprises with regard to a number of key variables. The penultimate section reviews the empirical evidence of graduation, the process through which survival enterprises are supposed to expand and transform into growth-oriented enterprises. The final section demonstrates that much of the intervention practice still attempts to push survival entrepreneurs towards expansion, resulting in inefficiency and unsustainability. We argue for a more realistic and consistent link between business development policies and the rationales of the two groups of entrepreneurs, and we outline a policy approach that fits the logic of survival entrepreneurs.

The Moral Economy of the Slum

Few visitors to poor urban neighbourhoods fail to notice the tremendous intensity and vibrancy of economic activity. Houses, yards, alleys and streets are sites of construction, production, service provision and trade, a seedbed of entrepreneurship. Yet on closer inspection a lot of these businesses seem to defy the basic logic of entrepreneurship: to invest available capital, apply specialized skills, and make a profit while accepting a risk. Demand for services is limited because most households have more under–utilized labour at their disposal than they have money to pay for someone to cut their hair or wash their clothes. The range of commodities on offer in the numerous shops is rather narrow, such as snacks, soft drinks, alcohol, cigarettes, toothpaste, detergents and other goods of daily need. Typically, every seventh building along a street houses a store like this, limiting the prospective customer base to some 10 families, who in addition patronize open markets and discounters for bulk purchases. What looks like a desperate situation in business terms is clearly quite attractive to slum dwellers. In Manila we asked how they would use a US$1000 lottery win, and the majority responded that they would open up yet another neighbourhood store (Berner, 1997, p. 83). Are the poor wasting their precious time and money?

The explanation for this apparently 'irrational' behaviour has several dimensions. First, a truly international proverb provides a rationale for the proliferation of these shops; never put all your eggs in one basket. The store is in most cases part of a strategy of increasing security through diversification, and profits are only one part of the household income, whereas other sources such as formal or informal wage labour are more often irregular and insecure. The shop brings in inadequate but steady earnings that help to bridge more difficult periods. Moreover, the stock is a form of saving that can be consumed in case of emergency, or sold at buying (that is, supermarket) price to a 'competitor'. In most cases the shops are run by mothers of young children, elderly persons or anyone else who has no chance to earn money in another way – people with so-called zero opportunity costs. Finally, many of the sales are on credit. Store owners allow customers to postpone payment to the next payday, and know them well enough to calculate the risk of default.

Among the most baffling observations in slum shops are the ubiquitous strings of portion-packed items such as shampoo or detergent, and the habit of buying cigarettes and chewing gum in singles or pairs while it would be ultimately cheaper to buy a pack. The obvious explanation – poor people just do not have enough money at a given point in time to buy a standard pack or bottle – does not hold water for several reasons. First, a poor person would hardly pay a unit price that is two or three times higher than necessary. In addition, the total sum could be paid later if, as in most cases, the purchase is done on credit anyway. However, the purchase of larger quantities exposes the buyer to the desires of others; a woman who takes a bottle of shampoo or a pack of detergent to a public faucet will have to share with relatives, friends and neighbours. Buying single-portion packs makes economic sense as users can reserve at least small luxuries – but not for instance staple food – for themselves. It is a culturally acceptable way of circumventing the powerful obligation to share, exposed in James Scott's (1976) *The moral economy of the peasant*, that is prevalent among the poor.

The implications of the moral economy of the slum for entrepreneurs go far beyond petty saving strategies. On the one hand, reciprocity is an essential mechanism to cope with volatility and vulnerability. The life of the poor can be best described as a series of crises, and so being able to turn to somebody in an emergency can literally make the difference between life and death. On the other hand, it also creates a situation that prevents small businesses to accumulate. Once an entrepreneur is more successful than others, that person is expected to pay for the medicine for an aunt's sick child, give loans to customers with questionable creditworthiness, or employ a nephew who is neither capable nor willing to work hard. The aspiring entrepreneur is then likely to slip back into his or her own next crisis, remaining caught in the web of shared poverty.

The permanence in poverty of these risk-avoiding copycats begs the question of whether the concept of entrepreneurship really applies to them. Indeed, they do not fit the model of a Schumpeterian entrepreneur who introduces path-breaking, truly new combinations of factors of production which command a decisive cost or quality advantage. But even in the mainstream economy, very few entrepreneurs engage in such catalytic events which open up a whole new range of economic opportunities (Binks and Vale, 1994). By far, most entrepreneurs in all types of firms, countries and sectors undertake larger or smaller variations on such initial catalytic ideas. In turn, the entrepreneurs in the slums risk their own assets and independently allocate factors of production, apply their knowledge to their business and make decisions about stocking, changes in their offer and contracting credit. Therefore, they are entrepreneurs indeed – but, as we will argue in the following, a different type of entrepreneurs with distinct support needs.

Differences Among Entrepreneurs: A Revisit of the Literature

A qualitative distinction between various categories of entrepreneurs has been noticed by different scholars, but rarely in relation to the rationale that drives the business. This section recaptures previous theorizations of the two groups of entrepreneurs.

Since the discovery, or invention, of the 'informal sector' by the International Labour Office in 1972 a dualistic view prevailed in analyses of urban economies. The analytical strength of the distinction has been challenged from the start, leading to an endless debate on the definition and operationalization of the terms 'formal' and 'informal' (Turnham *et al*, 1990 for an early overview). We conclude that these do not denote distinct categories but ideal types or poles of a segmented continuum. Purely formal or informal businesses do probably hardly exist; relations with workers and buyers may be characterized by different degrees of formality; and entrepreneurs react to changes in the regulatory environment by various strategies of formalization and informalization. Moreover, degrees of (in)-formality do not provide much analytical information in terms of predicting performance.

Assessment likewise varied sharply from the beginning of the debate. The ILO (1972, p. 5) optimistically stated that 'the bulk of employment in the informal sector far from being only marginally productive is economically efficient and profit making'. In contrast, Colin Leys (1973, p. 420) observed that 'the informal sector is in fact a euphemism for cheap labour employment, based on landlessness and unemployment … it denotes primarily a system of very intense exploitation of labour, with very low wages and often very long hours'. Both optimism and pessimism found multiple support in the vast literature of the following decades.

John Friedmann and Flora Sullivan (1974) were the first to propose that both sides could be correct, respectively, with regard to one specific segment of a deeply divided informal economy. To them, 'small-scale family enterprises' are able to accumulate some capital 'as a result of competitive advantage and/or superior business acumen' (p. 394), while an irregular or 'street' economy of low-status, low-skilled trading and service delivery offers subsistence-level returns. These findings were echoed by Guy Standing (1977) without reference to Friedmann and Sullivan, the first in an unfortunate tradition of rediscovering and renaming the categories.

Still without dropping informality as distinctive feature, another two-sector model of the informal economy was elaborated by ILO advisor William House in various combinations with other scholars (Rempel and House, 1978; House, 1984; House *et al*, 1993). In a programmatic definition,

> (t)wo very different groups of people are hypothesized to exist in the informal sector and are distinguished by their activities, attitudes, and motivation. They are labelled 'the community of the poor' and 'the intermediate sector'. Those in the former group are attached to the city in order to gain entrance to employment in the formal sector. (…) They lack the motivation and perhaps the means to seek informal activities with growth potential or to invest in their current activity because they view their situation as temporary. (…) The alternative group in the intermediate sector includes people who have consciously decided on a particular artisan skill or line of business with the intent of making it a means of a more permanent livelihood. Their motivation is to invest and build for the future. (House 1984, p. 280)

That House's work did not find the deserved recognition may be partly explained by the not very illuminative and appealing terminology. However, his merits lie in the insight that the division is a *qualitative* one, correlated to but not determined by differences in size of investment, number of workers, degree of formality and so on. Instead, the distinction implies different logics, precisely the point we will reflect on in our further analysis.

Building upon his research in South Africa, Christian Rogerson was the next to observe that 'a useful conceptual distinction can be drawn between two categories of informal enterprise':

> First, are those *survivalist enterprises* which represent a set of activities undertaken by people unable to secure regular wage employment or access to an economic sector of their choice. Generally speaking, the incomes generated from these businesses, which tend to be run by women,

> usually fall short of even a minimum standard …, with little capital investment, virtually no skills training and only constrained opportunities for expansion into a viable business. Overall, poverty and a desperate attempt to survive are the prime defining features of these enterprises. The second category are *micro-enterprises* or *growth enterprises* which are very small businesses, often involving only the owner, some family members and at most one to four paid employees. These enterprises … have only a limited capital base and their operators possess only rudimentary business skills. Nonetheless, many micro-enterprises have the potential to develop and flourish into larger formal small business enterprises. (1996, p. 171; original emphasis)

Rogerson (1996, p. 174; 1997, p. 348f) has meritoriously emphasized the gender dimension of the divide and raised attention to urban agriculture as an important sector for survival activities. His well-founded pessimism about the growth potential of survivalist businesses led him to focus on the dynamic growth sector where upgrading and clustering can be pursued (1997, p. 352ff).

In a similar manner, Tellegen (1997) distinguished between 'necessity-driven' and 'opportunity-driven' entrepreneurs, a distinction now used in the Global Entrepreneurship Monitor (Reynolds *et al*, 2001). This contribution highlights again the differences in motivation to start up a business, apart from the results obtained once in business. While the former are in business to satisfy part the basic needs of the household, the latter seek to expand the business and improve the living standards of the household at the same time.

Donald Mead and Carl Liedholm, whose unique empirical work we discuss extensively below, also observed the divide: 'Many new and very small MSEs that do not expand in terms of employment are primarily survival-type activities', and thus are particularly appropriate target groups for those concerned with poverty alleviation. These enterprises can be extremely important in 'helping a large number of poor people become a little less poor' (1998, p. 70). However, like Rogerson, Mead and Liedholm chose to focus on supporting more dynamic growth-oriented businesses in their policy recommendations. We take up the challenge to focus on survival entrepreneurs.

A more recent contribution analyses the immediate business system in which enterprises are embedded, apart from the characteristics of the individual entrepreneurs. Survival entrepreneurs operate in an environment characterized by overcrowded market 'niches', negligent or predatory government agents, and multiple but volatile sources of household income – in Geof Wood's (2003) term, by 'destructive uncertainty'. As they have to cope not just with short-term shocks but also predictable hazards, avoiding unnecessary risks is absolutely imperative. At the same time, personalized relations of patronage and reciprocity that offer some security have to be maintained regardless of their long-term costs. To cut off links with exploitative suppliers, buyers or credit providers, and to break away from the moral economy of sharing, would imply foregoing all claims for emergency assistance. According to Wood, the consequence is a 'Faustian bargain', a discounting of the future in favour of survival in the present, that contributes to chronic poverty: 'The dangers of not being a client, of not being protected, of losing "membership" of the local commander led community are immense. Better to be with the devil you know – … *security at the price of graduation*, individual or collective' (2003, p. 468, emphasis added).

From a structural point of view, Alejandro Portes and Kelly Hoffman elaborated a class analysis of the informal economy based on Latin American cases (2003). In line with most previous approaches but again without any reference to them, they propose a bipolar division of the informal sector. The characteristics of the 'petty bourgeoisie' or 'class of microentrepreneurs' (ranked higher than formal workers) are the 'possession of some monetary resources; some professional, technical or artisanal skills; and the employment of a small number of workers supervised on a direct, face-to-face basis' (Portes and Hoffman, 2003, p. 45). The remainder is defined in a residual way by an absence of these traits, and subsumed to a class of the 'informal proletariat' together with non-contracted wage workers, unpaid family labour, and domestic servants at the bottom of the hierarchy.[1] The number of own-account informal entrepreneurs is in all countries much higher than that of capitalists and petty bourgeoisie combined; earnings are in most cases lower than those of formal workers, and insufficient to sustain a household without additional income sources (Portes and Hoffman, 2003, p. 63).

A Consolidated Typology of Entrepreneurs

Distinct categories of entrepreneurs in the informal sector have thus been discovered no less than five times independently. In his *Planet of Slums*, Mike Davis (2006, p. 180) unearthed at least some of this literature and invented 'sub-subsistence' and 'micro-accumulation' as yet another set of labels. While all contributions have touched upon elements of the logic of survival business and its difference from 'regular' entrepreneurship, none of them has captured all of them. Most importantly, they have failed to establish a coherent research tradition and consistent, informative terminology – illustrated by the fact that the term 'microenterprise' has been used for businesses on both sides of the fence, for a third category in between, or as an umbrella term for the whole universe.

The absence of clearly distinct conceptual frameworks as a basis for defined rationales and appropriate performance indicators, leading to a misdirection of scarce resources, has been severely criticized by practitioners (Cotter, 1996; Billing and Downing, 2003). In Table 1 we propose a typology of entrepreneurship[2] as a basis for further research and design of appropriate policy interventions. We have incorporated the contributions from the informal economy literature and enriched it with findings from own research projects across several developing countries.

Table 1: Characteristics of survival and growth-oriented enterprises

Survival(ist)	*Growth(-oriented)*
(Street economy, community of the poor, [Microenterprise], necessity-driven, informal own-account proletariat, sub-subsistence)	(Small-scale family enterprise, intermediate sector, [Microenterprise], opportunity-driven, petty bourgeoisie, micro-accumulation)
Ease of entry, low capital requirements, skills and technology	Barriers to entry
Female majority	Male majority
Maximizing security, smoothing consumption	Willingness to take risks
Part of diversification strategy, often run by idle labour, with interruptions, and/or part-time	Specialization
Embedded in networks of family and kin	Embedded in business networks
Obligation to share income generated	Ability to accumulate part of the income generated

We do not consider the *scale* of the enterprise and the number of workers it employs as the main distinctive characteristic between survivalist and growth-oriented entrepreneurs. 'Survival enterprise' is not a direct synonym for micro-enterprise. The latter may start with one or two workers, as most survivalists do; some growth-oriented micro-enterprises are able to multiply the number of workers in the business within a few years. These additional employees would be rather specialized or have relevant skills, in contrast to the usually unskilled family members employed out of reciprocal obligation in survival businesses.

In turn, we do not see informality as a necessary common characteristic of both categories. Most survival enterprises would start up and remain within the informal economy, a feature that goes together with the low barriers of entry typical of these enterprises. Growth-oriented micro-enterprises, in contrast, typically start in the informal economy, but often acquire some more formal characteristics when becoming more successful. We would expect almost all of the businesses that significantly formalize at some point in their life to be growth-oriented enterprises. We observed that accessing loans or supplying formal clients often trigger formalization processes, but many growth-oriented enterprises choose not to take this step if such incentives do not exist. In that sense, our analysis of survival versus growth-oriented entrepreneurs crosscuts the formal–informal dichotomy.

It is important to notice that the two columns in the table are not directly juxtaposed, but that regular employment may have an intermediate position in both functional and hierarchical terms. Many survival entrepreneurs would prefer the stability of a regular and stable job, even if at a similar low income as from their enterprise. At the same time, some regular wage workers may accumulate skills and savings that enable them to start a growth-oriented business. Barriers to upward mobility are significant in both instances, so we expect very few people to be able to cross them. A relatively higher likelihood of intergenerational upward mobility, as observed by Barbara Grosh and Gloria Somolokae (1996), supports rather than refutes this argument: Survival businesses cannot lift their owners out of poverty, but may enable some of them to get (continuous) education for their children – a critical precondition for both regular employment and growth-oriented entrepreneurship.

The Elusive Mirage of Graduation

Experience shows that the growth potential of survival entrepreneurs is very limited even if they are targeted with well-intended business development programmes. Surprisingly, few solid empirical studies on graduation rates exist,[3] in contrast to websites and project documents of development NGOs and donor agencies that abound with 'success stories' without much information about which type of enterprise did succeed and which did not. The main exception is the Gemini project led by Carl Liedholm and Donald Mead, which systematically collected information on enterprises to empirically test assumptions about survival, death, growth and graduation. Over a time span of 15 years starting in 1980, the group gathered data on more than 50 000 enterprises employing up to 50 workers in the Dominican Republic, Botswana, Kenya, Malawi, Swaziland, Zimbabwe, Sierra Leone, Bangladesh, Jamaica, Honduras, Thailand and Egypt. It was estimated that fewer than 20 per cent of those enterprises with four or less workers grew at all (Mead, 1994, 1999). Even when there was growth, it was only marginal: in the segment of enterprises of four or less workers only 1 per cent graduated to the next size category of more than 10 workers (Liedholm and Mead, 1987; Mead and Liedholm, 1998). Other research teams reported similar findings. A study in Mexico found that only 12 per cent of the single-worker firms expanded (Fajnzylber *et al*, 2006).

Explanations for the absence of growth and graduation can be derived from the characteristics laid out in our typology; survival and growth-oriented entrepreneurs are, in fact, qualitatively different categories. The first one is motivation: Survival entrepreneurs are simply not interested in expanding their business. A survey in eight districts in West Bengal found that the median family had three working members and seven occupations (Banerjee and Duflo, 2007). The specialization necessary to develop a larger-scale micro-enterprise (and the exposure that comes from it) is not what the poor are looking for. Research in Zambia found that as much as half of the enterprise owners saw their business as a survival effort and did not show any entrepreneurial traits, while another 30 per cent saw their micro-enterprise as a temporary activity while a market gap existed or until they could find (waged) work (Phillips and Bhatia-Panthaki, 2007).

A second characteristic that differentiates survival and growth-oriented entrepreneurs is that the former barely have an income to satisfy the needs of the household, let alone reinvest profits in the business. Estimating earnings is evidently a very difficult task, but was attempted in Kenya by the Gemini team (Daniels, 2001). For two-thirds of the firms surveyed, earnings were even below the minimum subsistence wage set by the government for unskilled workers, which is considered too low for a family to satisfy its basic needs. Entrepreneurs kept their business open, nevertheless, because half of them had this business as a complementary source of income that provided less than half of the household needs.

There is also a gender dimension distinguishing survival and growth-oriented enterprises. Most of the survival-oriented entrepreneurs are women struggling to balance their productive and reproductive roles (Karim, 2001; Marcucci, 2001). They can hardly work on the expansion of their enterprises when they become pregnant again or are overworked in the household, uneducated and unexposed to markets. In addition, they have limited access to social support networks with economic relevance. 'Poor women prefer to expand only to the limits of their own labour and management capabilities', so not expanding their business makes a lot of sense to them (Marcucci, 2001, p. 71).

A final characteristic is their differential access to business development services, credit and social networks. While survival entrepreneurs may qualify for micro-credit schemes, the amounts loaned are normally too small to allow for growth-oriented investment (Zandniapour *et al*, 2004). These programmes often target only women, use group lending and group-based collateral arrangements that are not appropriate for growth-oriented entrepreneurs (Richardson *et al*, 2004). In contrast, a study of evaluation papers of Business Development programmes in Africa, Asia, Middle East, North Africa, Latin America, the Caribbean and transition countries commissioned by USAID revealed that firms with 10–45 workers benefited more from access to credit than micro-enterprises with one to nine workers (Zandniapour *et al*, 2004).

While graduation of micro-enterprises from the very small scale to a medium-size rarely happens, it is still possible. But a closer look at these rather exceptional cases actually reinforces the argument that survival and growth-oriented entrepreneurs are different groups, rather than different stages in the trajectory of firms. An early trace of growth potential among micro-enterprises is the hiring of labour. Even if they start very small, growth-oriented entrepreneurs show the capacity to accumulate capital, create jobs already in the initial stages of the firm and subsequently expand it vigorously (Mead and Liedholm, 1998). It is precisely this capacity for job creation that makes micro-enterprises worth supporting, but it is also a characteristic that only few of them exhibit (Mead, 1994, p. 1884). In contrast, survival entrepreneurs with surplus revenues typically prefer to create new enterprises instead of enlarging the existing ones (Afenyadu *et al*, 1999; Nichter and Goldmark, 2009) because they give priority to risk diversification rather than growth (Richardson *et al*, 2004). This horizontal or lateral growth trajectory (multiplication of enterprises) is seen as a weaker strategy than a vertical one (expansion of a core business) (Olomi *et al*, 2001). The salience of micro-credit programmes seems to have exacerbated the preference for horizontal growth due to the ceilings imposed by micro-finance institutions and 'savings groups'.

We fully agree with Mead and Liedholm (1998) that identifying and supporting growth-oriented entrepreneurs is worth the effort. However, given the huge number of survival entrepreneurs and the fact that the overwhelming majority of them will remain in this group and use their business as a buffer more than a means for upward mobility, we feel that more dedicated attention should be given to specific policies for this group. In short, survival entrepreneurs are a different target group, requiring different interventions based on a different logic.

Conclusions: Aligning Entrepreneurs and Policies

Existing policies for micro-entrepreneurs are impregnated by a focus on the few of them who have growth potential. This is partly because of a conscious choice to concentrate on those entrepreneurs 'who can make a difference' and provide 'role models' (see, for example, Rogerson, 2001), and partly because almost all enterprise development professionals use characteristics of growth-oriented businesses as outcome indicators for their interventions. Such behaviour leads to a bias in the 'income and employment generation' dimension of poverty alleviation programmes, in which the 'entrepreneurship and business development' component takes on a life of its own. Instead, such programmes should aim at providing a modest but crucial contribution to poverty alleviation interventions by bolstering the role of survival businesses as a buffer against slipping deeper into poverty.

This requires restating a well-established dichotomy within (chronic) poverty reduction schemes between promotion approaches (which aim to increase incomes, productivity or employment prospects of poor people) and protection approaches (which aim to reduce the vulnerability of the poor) (Matin and Hulme, 2003, p. 647). Just like broader poverty reduction programmes, effective survival entrepreneur policies require both a promotional and a protectional component. Numerous critical studies in the tradition of Portes *et al* (1989) and de Soto (2000) have not shattered widespread optimism about the informal economy as an engine of growth. This optimism has led to a prevalence of promotional strategies and a neglect of protective components, leaving the neediest enterprises without appropriate support.

The enterprise-development intervention practice focuses squarely on promotion and uses an implicit growth-oriented lens. The protection component, a cornerstone of a more critical strand in the informal sector literature (Cook *et al*, 2008, Lund, 2008), has in recent years entered also the mainstream informal sector policy debate (see, for example, World Bank, 2007). However, the promotion and protection components are not integrated: The promotion interventions continue to start from the mental image of growth-oriented entrepreneurs, while separate protection interventions try to address the needs of informal sector workers and 'self-employed' survivalists.

Enterprise development policies, including those explicitly targeting the smallest types of enterprises and the more informal and poorer entrepreneurs, are implemented at three levels. The least tangible are macro-level policies meant to promote a more enabling environment which is expected to 'unleash' the available entrepreneurial talent among the poor (UNDP, 2004). In its more advanced versions, this would go beyond simply 'levelling the playing field' by including specific measures to counteract existing systematic discrimination against smallness and informality. Once these institutional hurdles have been demolished, survival entrepreneurs are expected to see opportunities for successful businesses and will want to specialize and invest (de Soto, 2000). Such policies are based on the premise that most or at least many survival entrepreneurs are potential winners who simply need a 'break' – like access to microcredit – to lift themselves out of poverty. However, as argued in earlier sections this is not a realistic premise for the overwhelming majority of survival entrepreneurs.

The second set of policies focuses on the meso level of analysis: value chains, clustered economic activities or local economic development initiatives. These policies go by fashionable labels like 'pro-poor value chain upgrading' (Altenburg, 2007) or 'pro-poor local economic development' (Rogerson, 2006). Especially, the value chain and cluster level policies start from the idea of an 'engine of growth', either larger firms in a value chain or sectorally and spatially clustered groups of firms at local level which generate economic dynamism. The pro-poor dimension is about improving ways to connect smaller and weaker businesses to these 'engines of growth'. Recent policy practice has made significant progress in trying to adapt a value chain-and-upgrading approach to poorer producers (see, for example, the 'From behind the veil' project at www.bdsknowledge.org), as part of a shift from Business Development Services (BDS) to a 'Markets for the poor' (M4P) approach. They aim to give due weight to the different rationale of survival entrepreneurs by 'incorporating a livelihood security perspective' based on diversification instead of specialization (Miehlbradt *et al*, 2005, p. 65). Nevertheless, the M4P approach maintains a basic accumulation stance. The adjustment is to go slower and in smaller steps, providing survival entrepreneurs more time and resources. The goal becomes a more gradual graduation, but graduation from survival to growth-oriented levels of specialization remains the ultimate benchmark. While this may work for some groups and in some situations, it is not a likely generic scenario (Meyer-Stamer, 2006).

The local economic development approach offers more space to accommodate the separate logic of survival entrepreneurs when distinguishing between business development (stimulating the local 'engines of growth') and community economic development, which is 'to facilitate household diversification of economic activity' (Helmsing 2003, p. 69). Nevertheless, LED implementation practice suffers from similar problems as identified by Cotter (1996): Practitioners are divided between those who prioritize economic benefits from the engines of growth, and those who focus on issues of redistribution (poverty alleviation, inequality and exclusion), and too often these groups of practitioners do not systematically cooperate. As a result, the economic dimension of an intervention strategy for survival entrepreneurs has not materialized.

The third and final level of intervention is the micro level of supporting individual entrepreneurs and/or businesses. Much of this type of policies is inspired by the 'missing ingredient' assumption: By providing this ingredient entrepreneurs can start climbing the ladder towards graduation.[4] The two main types of missing ingredients are financial services – including (micro-)credit – and BDS, and these are offered to entrepreneurs in various combinations. The credit–poverty relationship is well-documented; from Paul Mosley's and David Hulme's work (1998) onwards it has been clear that mainstream micro-credit programmes are more suitable to less poor clients. Entrepreneurs with growth potential are better able to use the credit in the assumed fashion, to start and develop a business on which they can increasingly rely for their improving and specializing livelihood. At the same time, poorer clients use loans more often for coping with crises, are less able to repay along pre-determined schedules, and are more likely to be excluded from group-lending schemes. More innovative schemes for poorer clients connect to the rationale of survival entrepreneurs by offering very small and flexible loan facilities at individual level without ordaining clients to use loans for income-generating purposes.

The conventional wisdom in delivering BDS has evolved with a very strong focus on financially sustainable, business-like and demand-led interventions where entrepreneurs need to prove their anxiousness to absorb a service by paying (almost) a market rate (Donor Committee for Enterprise Development, 2001). While many of these principles make sense for SME programmes, they also effectively prevent access to these services for survival entrepreneurs. As most of them are tailored to the needs of growth-oriented entrepreneurs anyway, this might not be a real issue if and when a parallel system of BDS for survival entrepreneurs would exist. However, while such interventions are attempted in bits and pieces in a wide variety of projects (see, for example, van de Bogaert, 1992), they do not constitute a recognizable set with a common identity or corresponding research tradition.

In all, the existing enterprise and entrepreneurship development policies provide inexcusably few handles for supporting the bulk of survival entrepreneurs, that is, those who are not on the way towards possible graduation. It is as if the elephant in the room has fallen between two stools and become invisible.

A better consideration of the differences between groups of entrepreneurs could have several other ingredients. All policies for supporting survival entrepreneurs have to recognize the 'destructive uncertainty' (Wood, 2003) under which they operate, and primarily aim at increasing security in several dimensions. Bureaucratic bottlenecks, harassment and corruption affect all enterprises, but it is the smallest and least formal ones that suffer most. Home-based firms in illegal settlements are hampered by deficient infrastructure, inaccessibility for outside customers, and an imminent threat of demolition; street businesses are subject to bribe extortion, temporary or permanent eviction, and confiscation of goods. There is ample evidence that security of tenure leads to increased investment, particularly in immobile and productive assets, and reduces overcrowding in petty trade and services (Berner, 2001; Ghafur, 2001).

Survival entrepreneurs – not surprisingly as most if not all of them are poor – benefit disproportionally from improvements in basic services and infrastructure. Improving water provision, sanitation and solid waste management and reducing environmental hazards and exposure to disaster diminish the health and time burden that especially poor women have to shoulder; availability of electricity and transport connections mitigates the severe competitive disadvantage that survival entrepreneurs have to cope with; and providing accessible health and education services enhances human capital and contributes to upward mobility for the next generation.

Specific policies to assist survival entrepreneurs to cope better with their insecurities through supporting one or more of their present businesses can only be a modest yet important element in a comprehensive poverty alleviation strategy. Survival entrepreneurs are in no position to pay market rates for credit and BDS, so cost-recovery is in most cases unfeasible. Support for survival businesses cannot be seen as a temporary 'kick-start' intervention which, by providing one or more missing ingredients, set in motion a self-sustaining process of improvement. As a qualitative change in the nature of the business is highly unlikely, many people will be able to better cope with poverty only as long as they receive assistance.

In this article we have pulled together earlier attempts to identify a categorical difference among small entrepreneurs, and have tried to extend and solidify this basic distinction between survival and growth-oriented entrepreneurs. Second, we went beyond the previous literature and tried to systematically develop the policy implications for supporting survival entrepreneurs. We have argued that the present policy practice which claims to target survival entrepreneurs is imbued with pushing entrepreneurs onto the ladder of graduation towards more specialization and growth orientation. Much further work is necessary, as only through careful research, experimentation and evaluation can we hope to develop the capacity for 'helping a large number of poor people become a little less poor' (Mead and Liedholm 1998, p. 70) – not so modest a goal after all.

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Notes

1. Portes and Hoffman build on a (mainly Latin American) theoretical tradition that attempted to salvage the 'working class' as emancipatory agent by incorporating 'petty commodity producers'. Indeed work for a fixed wage is only one of various forms of labour relations in the informal sector, including piece-rate homework and 'renting' assets (such as taxis and trucks) from an employer. We see a *qualitative* difference between these ways of organizing dependent labour (mainly found in production and transport) and 'own-account' survival entrepreneurs (typically in trade and petty services).
2. Possible sub-categories within the group of growth-oriented entrepreneurs, for example distinctions between small, medium and large businesses, are outside the scope of this article. We would assume these to be predominantly quantitative in nature. We also do not go into more detailed sub-categories of survival entrepreneurs, like distinctions between basic survival pre-entrepreneurs and subsistence entrepreneurs, as proposed by Eigen (1992).
3. For a recent literature review on graduation among micro and small businesses, see Gómez (2008).
4. From our personal experience in visiting and evaluating enterprise development programmes, we found the 'ladder' metaphor to be one of the most popular among project staff.

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