

Acquisitions, Management, and Efficiency in Rwanda's Coffee Industry

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Summary

- **Big picture:** How improve firm performance in low-income countries?
- **Medium picture:** What constraints diffusion of good management?
- Do ownership changes improve firms' management and performance?
- Context: coffee mills in Rwanda

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- **Key findings**
 - (1) Only foreign firms improve performance (diff-in-diff)
 - (2) They successfully implement management changes (survey)
 - (3) Local firms try to implement changes but face resistance (survey)

Main Comment 1

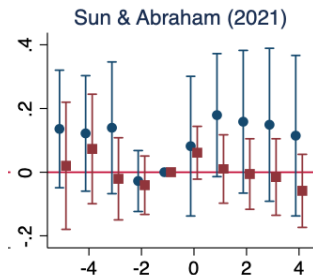
Foreign Firms Target Liquidity Constrained Mills

- Identification: difference-in-difference
- Positive for foreign firms
 1. They genuinely improve performance
 2. They target poorly performing mills and turn them around

Main Comment 1

Foreign Firms Target Liquidity Constrained Mills

- Identification: difference-in-difference
- Positive for foreign firms
 1. They genuinely improve performance
 2. They target poorly performing mills and turn them around
 3. They target liquidity-constrained mills on a positive trend



Main Comment 2

Do Domestic Firms Have Enough Time to Positively Influence Mills?

- Foreign firms buy mills and hold them
- Domestic firms buy mills and sell them to foreign firms

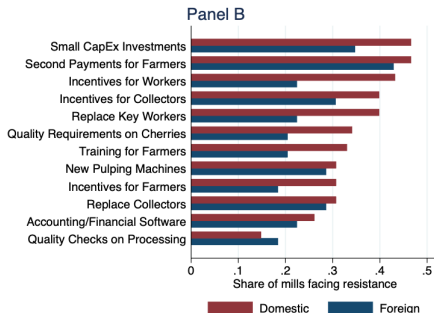
	(1)	(2)	(3)	(4a)	(4b)	(4c)
	Mill ownership status at entry	Mill ownership status in 2017	Total mill ownership changes	Mills to one- mill firms	Mills to domestic groups	Mills to foreign group
One-mill firms	218	148	62	20	24	18
Domestic group	83	97	44	11	10	23
Foreign group	9	52	1	1	0	0
Total mills	310	297	107	32	34	41

- Do domestic firms have **enough time** to improve mills?

Main Comment 3

Social Desirability Bias

- Does **social desirability bias** play a bigger role for foreign firms?
- Their acquisitions are likely to be more controversial
- Concerns about revealing resistance



Minor Comments

1. Is the **control group affected**? The control group in most cases are stand-alone mills. As a mill gets acquired by a (foreign) firm, the control group experiences increased foreign competition
2. This might be important especially in the very **competitive cherry sourcing** market
3. Generally, would we see different results for domestic ownership changes **holding constant (or restricting) foreign ownership**?
4. When discussing knowledge and resistance also discuss actual **implementation** (Figure 4)

Minor Comments

- Is this a story about **ruthless foreign firms**? Should the objective be to increase firms' performance or workers' well-being? One practice that faced a lot of resistance was incentives for workers
- What are the **costs of foreign ownership**? Do previous owners get an adequate price? Or are they blackmailed in when liquidity constrained? Is the capital reinvested in the country or does it flow abroad? Does backward integration cut out local middle man?
- Is this a story of **big fish eat small fish**, the story of increase in big (monopoly) firms?
- **Other types of ownership changes**, e.g. inheritance or mergers?

Thank You

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