



1324 GREENLEAF RD.
WILMINGTON DELAWARE 19805
www.iidstudies.org

PRACTICE GUIDE

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Analyze the IIDS Working Paper Igbo Entrepreneurship with focus on how the Igbo apprenticeship system works as a model for stakeholder capitalism. Extract the methodology using 2000 entrepreneur sample, mentor-mentee dynamics, and findings about revenue, start-up capital, and business survivability. Relate results to broader theories of stakeholder capitalism and economic development practices. Build a clear policy relevance summary, highlight limitations, and propose how law and development students could integrate lessons into comparative policy coursework.

Provide 3 concise discussion questions for seminars.

Overview and core argument

The paper positions the Igbo apprenticeship system as a lived, endogenous form of stakeholder capitalism. Instead of firms maximizing value only for owners, the system organizes production around community, family, and mentor–mentee relationships that deliberately spread opportunity, capital, and know-how. The empirical core tests whether this cultural–institutional system actually delivers measurable economic advantages in revenue, start-up capital, and business survivability.

Methodology and sample structure

Sample and design

- **Sample frame:** 2,000 entrepreneurs across Nigeria, with a focus on Igbo entrepreneurs but including comparison groups who did **not** pass through traditional apprenticeship.
- **Treatment vs. control:** **Treatment group:** entrepreneurs who underwent the Igbo traditional apprenticeship system (Igba boi / Imu ahia / Igba oso-ahia). **Control group:** entrepreneurs without such apprenticeship, including those who started via formal employment, self-start, or family capital without structured mentoring.
- **Outcomes of interest:**
 - **Weekly business revenue**
 - **Business survivability / time-in-business**
 - **Start-up capital** (with special attention to capital received as “settlement” from a mentor and capital from family inheritance).

Econometric strategy: Propensity Score Matching (PSM)

- **Purpose:** To address selection bias—apprenticeship is not randomly assigned; more motivated or better-connected youths may self-select.
- **Approach:**
 1. Estimate the **propensity** to undergo apprenticeship based on observable characteristics (age, education, sector, location, family background, etc.).
 2. **Match** apprentices to non-apprentices with similar propensity scores.
 3. Estimate the **Average Treatment Effect on the Treated (ATT)** for:
 - Revenue

- Years in business / survivability
- Start-up capital.
- **Interpretation:** Differences in outcomes between matched groups are interpreted as the effect of the apprenticeship system, conditional on observables.

Mentor–mentee dynamics as stakeholder capitalism in practice

Core features of the Igbo apprenticeship contract

- **Verbal, trust-based contracts:** Agreements are often unwritten, grounded in kinship, reputation, and community enforcement rather than formal law.
- **Stages of formation:**
 - **Igba boi / Igba odibo:** serving the mentor, learning discipline, networks, and basic operations.
 - **Imu ahia / Imu oru:** learning the trade or craft in detail—suppliers, pricing, negotiation, inventory, credit.
 - **Igba oso-ahia:** acting as a middleman, gradually managing customers and transactions independently.
- **Settlement and capital transfer:** At the end of the apprenticeship, the mentor “settles” the mentee—typically with start-up capital, inventory, and sometimes access to supplier credit and customer lists.

Stakeholder logic embedded in the system

- **Mentor as stakeholder:** The mentor’s payoff is not only profit from the apprentice’s labor but also **reputational capital** and long-term network benefits when the mentee succeeds.
- **Mentee as future stakeholder:** The mentee is expected to **replicate the system**, becoming a mentor and capital provider to the next generation—creating an intergenerational chain of inclusion.
- **Family and community as stakeholders:** Families often facilitate placement, provide social insurance, and sometimes supply complementary capital; communities enforce norms and sanction exploitative mentors.
- **Cooperation over pure competition:** The system encourages **business clustering and mutual support**—traders in the same line of business share information, suppliers, and sometimes customers, prioritizing ecosystem growth over individual dominance.

Key empirical findings: revenue, start-up capital, survivability

1. Revenue effects

- **Finding:** Entrepreneurs who passed through the Igbo apprenticeship system have **significantly higher average weekly revenue** than matched non-apprentice entrepreneurs.
- **Interpretation:**

- Apprenticeship builds **practical business skills** (pricing, negotiation, inventory management).
- It embeds entrepreneurs in **dense networks** of suppliers and customers, lowering transaction costs and information asymmetries.
- This is classic **stakeholder capitalism**: value is co-created through relationships, not just individual capital.

2. Start-up capital and mentor settlement

- **Finding:** Entrepreneurs who received **financial settlement from a mentor** have **higher start-up capital** than comparable entrepreneurs who did not.
- **Mechanism:**
 - Settlement capital is **bundled with trust and reputation**—mentors often vouch for mentees with suppliers, enabling trade credit.
 - The capital is **relational**, not just financial; it comes with embedded expectations of reciprocity and future mentoring.
- **Stakeholder angle:** Capital allocation is **not purely market-based**; it is governed by norms of obligation, fairness, and shared prosperity. Mentors internalize the welfare of mentees as part of their own success.

3. Business survivability and family inheritance

- **Finding:** Businesses **inherited from family** or built within strong family support structures **survive longer**, controlling for other factors.
- **Interpretation:**
 - Family firms benefit from **intergenerational knowledge transfer**, pooled savings, and risk-sharing.
 - The family acts as a **stabilizing stakeholder**, smoothing shocks and providing labor, advice, and informal credit.
- **Combined with apprenticeship:** Where apprenticeship and family support intersect, survivability is especially strong—showing how **multi-layered stakeholder structures** (mentor, family, community) reinforce resilience.

Connection to broader theories of stakeholder capitalism and development

1. Freeman's stakeholder theory

- The Igbo system operationalizes Freeman's idea that firms should **create value for all stakeholders**, not just shareholders.
- Mentors, mentees, families, suppliers, and communities are all **explicitly recognized** in the economic arrangement.
- The system **minimizes transaction costs** through trust, reputation, and repeated interactions—exactly the institutional design Freeman and others argue is needed to move beyond narrow shareholder primacy.

2. Davos Manifesto and shared prosperity

- The World Economic Forum's Davos Manifesto emphasizes “**shared and sustained value creation**” for employees, customers, suppliers, and communities.
- The Igbo model is a **bottom-up, indigenous version** of this:
 - It creates **employment pathways** for low-capital youth.
 - It spreads **ownership and entrepreneurial capability** rather than concentrating it.
 - It treats community cohesion and fairness as **core business objectives**, not externalities.

3. Culture, institutions, and productive entrepreneurship

- The paper aligns with work showing that **culture and informal institutions** shape entrepreneurship quality and outcomes.
- The Igbo system demonstrates how **informal, culturally embedded institutions** can function as a **developmental state “from below”**—allocating capital, training, and risk in ways that formal markets and weak states often fail to do.
- For development practice, it suggests that **effective entrepreneurship ecosystems** may emerge from **indigenous norms and networks**, not only from imported microfinance or incubator models.

Policy relevance and implications

1. Recognizing and supporting indigenous business incubators

- **Policy insight:** The Igbo apprenticeship system is effectively a **large-scale, informal business incubator**.
- **Policy options:**
 - **Legal recognition** of apprenticeship contracts without over-formalizing them.
 - **Tax incentives or matching grants** for mentors who settle apprentices and create new firms.
 - **Public–traditional partnerships** where government programs plug into existing mentor networks rather than building parallel structures.

2. Access to capital and blended finance

- **Insight:** Settlement capital is a powerful but **informal** financing channel.
- **Policy options:**
 - Design **credit schemes that leverage mentor guarantees** and track records.
 - Create **co-financing facilities** where formal lenders match mentor settlement capital, reducing risk and scaling successful models.
 - Use **apprenticeship histories** as a form of “collateral” or creditworthiness signal.

3. Institutional frameworks that protect without destroying informality

- **Challenge:** Over-regulation could undermine the trust-based, flexible nature of the system.

- **Policy direction:**
 - Focus on **light-touch regulation**: basic dispute resolution, anti-exploitation safeguards, and recognition of verbal agreements through community attestations.
 - Strengthen **local chambers, trade associations, and customary institutions** that already govern mentor–mentee relations.

4. Inclusive development and employment policy

- The system offers a **scalable pathway for youth employment** in contexts of high unemployment and weak formal sectors.
- National and subnational governments could:
 - Integrate apprenticeship into **national skills and employment strategies**.
 - Support **market infrastructure** (transport, security, storage) in Igbo trading hubs to amplify the returns to this ecosystem.

Limitations of the study

1. Data and measurement constraints

- **Cross-sectional design:** Limits causal inference over time; we see correlations and PSM-adjusted effects, not full dynamic trajectories.
- **Self-reported variables:** Revenue, start-up capital, and years in business may be subject to recall bias or strategic misreporting.
- **Unobserved heterogeneity:** PSM cannot fully address unobserved traits (e.g., innate entrepreneurial ability, risk preferences, family reputation).

2. External validity

- The system is **deeply embedded in Igbo culture**—kinship, migration patterns, and communal enforcement.
- Direct transplantation to other societies may fail without similar **social infrastructure**.
- The paper points to **replicability in principle**, but more work is needed on **contextual adaptation**.

3. Legal and rights dimensions not fully explored

- The study notes but does not fully analyze whether the system meets **UN Guiding Principles on Business and Human Rights**.
- Issues like **child labor, working conditions, and power asymmetries** in mentor–mentee relations are acknowledged as areas for future research.

Integration into law and development / comparative policy coursework

Here's how law and development students could work with this paper in a structured way:

1. Case study in “Law, Markets, and Development”

- **Use:** As a core case on **informal institutions and economic outcomes**.
- **Focus areas:**
 - How informal contracts (verbal apprenticeship agreements) function as **enforceable legal orders** through community norms.
 - Comparison with **formal apprenticeship statutes** in civil law and common law jurisdictions.
 - Analysis of how **legal recognition** could support or undermine such systems.

2. Module on stakeholder capitalism and corporate purpose

- **Use:** As an empirical counterpoint to Western debates on stakeholder capitalism.
- **Assignments:**
 - Ask students to **map the stakeholder set** in the Igbo system and compare it to a standard corporate stakeholder map.
 - Draft a “**Stakeholder Charter**” for an Igbo-style trading network, translating norms into quasi-legal language.
 - Compare the Igbo model with **B-Corp frameworks, German co-determination, or Indian CSR mandates**.

3. Comparative policy design exercise

- **Use:** As a template for designing **context-sensitive entrepreneurship policy**.
- **Activities:**
 - Students design a **policy brief** for a non-Igbo African country seeking to adapt elements of the system.
 - They must address: legal reforms, financial instruments, safeguards against exploitation, and mechanisms for community enforcement.
 - Encourage critical reflection on **what must remain informal** and what should be formalized.

4. Law, culture, and economic pluralism

- Integrate the paper into discussions on **legal pluralism**—how customary, religious, and state law interact in shaping markets.
- Students can analyze how **state law might recognize customary apprenticeship** without erasing its cultural logic.

Seminar discussion questions

1. **To what extent can the Igbo apprenticeship system be formalized through law without eroding the trust, flexibility, and communal enforcement that make it effective?**
2. **Does the Igbo entrepreneurship model challenge the assumption that stakeholder capitalism is a “post-capitalist” Western innovation, or does it show that such models have long existed in the Global South under different institutional forms?**

3. If a government sought to scale this model nationally, what specific legal and policy instruments would you design to protect mentees' rights while preserving the system's capacity to generate shared prosperity?

LAW & ECONOMIC DEVELOPMENT BLOCK

Using the Igbo Apprenticeship System as a Core Case of Indigenous Stakeholder Capitalism

This block is designed for a 1–3-week segment in a Law & Development, Comparative Law, or Economic Governance course. It integrates the working paper's empirical findings with legal theory, institutional economics, and comparative policy design.

Core Conceptual Frame

A. Law & Development Problem

Most developing economies struggle with:

- Weak formal institutions
- Limited access to capital
- High youth unemployment
- Fragile entrepreneurship ecosystems

Traditional L&D literature often assumes that **formal law must precede markets**. The Igbo apprenticeship system challenges this by showing how **informal, trust-based institutions** can generate: • Capital formation • Skill transfer • Business survivability • Intergenerational mobility.

B. Why This Case Matters

The Igbo system is:

- The **world's largest informal business incubator**
- A functioning model of **stakeholder capitalism**
- A real-world example of **legal pluralism**
- A demonstration that **informal institutions can outperform formal ones** in certain contexts

This makes it a perfect anchor for a law-and-development teaching block.

2. Empirical Foundation (from the Working Paper)

Methodology

- **2,000-entrepreneur sample** across Nigeria
- **Treatment group:** Apprenticeship graduates
- **Control group:** Non-apprentices
- **Propensity Score Matching (PSM)** to address selection bias
- Outcomes measured:
 - Weekly revenue
 - Start-up capital
 - Business survivability

Key Findings

- **Higher revenue** among apprenticeship graduates
- **Higher start-up capital** when settlement is provided
- **Longer survivability** when family inheritance or support is present
- Mentor–mentee relationships function as **relational contracts** with enforceability through community norms

These findings give students a quantitative anchor for legal and institutional analysis.

3. Legal Theory Integration

A. Property Theory (Rose, Dukeminier)

- Apprenticeship relationships operate as **informal property regimes**
- “Settlement capital” resembles **relational property**—rights embedded in social ties
- Community enforcement mirrors **commons governance**