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**INTERFIRM RELATIONSHIPS AND BUSINESS
PERFORMANCE***

JING CAI AND ADAM SZEIDL

We organized business associations for the owner-managers of young Chinese firms to study the effect of business networks on firm performance. We randomized 2,820 firms into small groups whose managers held monthly meetings for one year, and into a “no-meetings” control group. We find the following: (i) The meetings increased firm revenue by 8.1%, and also significantly increased profit, factors, inputs, the number of partners, borrowing, and a management score. (ii) These effects persisted one year after the conclusion of the meetings. (iii) Firms randomized to have better peers exhibited higher growth. We exploit additional interventions to document concrete channels. (iv) Managers shared exogenous business-relevant information, particularly when they were not competitors, showing that the meetings facilitated learning from peers. (v) Managers created more business partnerships in the regular than in other one-time meetings, showing that the meetings improved supplier-client matching. *JEL Code: D22, O12, O14, L34.*

I. INTRODUCTION

Much research has focused on barriers to firm growth that act at the level of the individual firm, such as limits to borrowing or lack of managerial skills. But firms do not operate in a vacuum: business relationships, which provide information, training, referrals, intermediate inputs, and other services, are potentially central. Because of networking frictions such as lack of information or lack of trust, these relationships may not form efficiently,

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