The Impact of Enhanced Business Training for High-Potential Entrepreneurs in Colombia

Researchers:

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Sector(s): Finance

Fieldwork: Innovations for Poverty Action (IPA)

Location: Bogota, Colombia

Sample: 454 entrepreneurs

Target group: Entrepreneurs

Outcome of interest: Earnings and income Profits/revenues

Intervention type: Business skills training Coaching and mentoring

Partner organization(s): Bavaria Foundation, Inter-American Development Bank (IDB)

Small and medium enterprises are thought to be an important source of innovation and employment in developing countries, but entrepreneurs face a number of barriers to expanding their businesses. In Colombia, researchers are examining the impact of a combination of training, mentorship, and networking interventions on business outcomes.

Policy issue

Small and medium enterprises (SMEs) are thought to be an important source of innovation and employment in developing countries, due to their flexibility in responding to new market opportunities and their potential for growth. However, entrepreneurs face a number of barriers to expanding their businesses and employing more workers, including things like constrained access to credit, lack of management skills, and unfavorable government regulation. Business training, capital, and mentorship are possible tools that could help SMEs overcome these barriers, but rigorous evaluations of business training programs have found mixed results. Additional research is needed to understand how training programs should be designed and delivered, and how they might work in combination with additional inputs such as seed funding, in-kind donations, or mentorship.

Context of the evaluation

Fundacin Bavaria works to foster entrepreneurship in Colombia through an intensive, year-long program called "Destapa Futuro" (Open the Future). The program uses a competitive process to identify entrepreneurs whose businesses have the potential for high growth and provides them with training, capital, technical advice, and the opportunity to network with investors. Since 2005, Bavaria has spent close to $10 million on this program. A prior project evaluated the 5th round of Destapa Futuro in 2010-2012.

During the sixth round of Destapa Futuro in 2012-2013, Bavaria introduced several changes that were intended to make the program more financially sustainable while providing better support to entrepreneurs. First, they began partnering with Ventures Colombia, an NGO that promotes entrepreneurship in Colombia. Second, a new training curriculum was introduced, which taught

entrepreneurs to think holistically about their business models and prepared them to make presentations to potential investors. Third, Bavaria switched from granting cash prizes to granting loans through a large Colombian bank for a selected group of qualified entrepreneurs and smaller cash prizes for the rest.

Details of the intervention

Entrepreneurs were invited to submit online applications to take part in the Destapa Futuro program. Out of 5,000 applications, a group of approximately 1,000 entrepreneurs who passed Bavaria's initial selection process participated in a virtual training course based on the Business Model Canvas approach, which is designed to help entrepreneurs visualize and document various aspects of their business operations. They also received four virtual business training sessions on strategy, marketing, financial, and legal strategies. At the end of the month-long course, participants were asked to submit their business plans to the Ventures team for evaluation. All the business models submitted by the end of the training were evaluated by Ventures staff, and the top 73 entrepreneurs from this pool were selected to receive an in-person business training program. Because their participation in the training program was not randomly assigned, they are not part of the study sample.

Of the remaining business plan submissions, 454 were selected to participate in the evaluation. Of these 454 entrepreneurs, half were randomly allocated to a treatment group, which received in-class training and mentorship. The in-class training lasted two to three days and covered the same topics as the virtual training, but in more depth. The remaining 227 entrepreneurs served as the comparison group and received no new training or mentorship.

Researchers will measure the impact of the training, mentoring, and networking program on SME profits, sales, and business creation rates.

Results and policy lessons

Results forthcoming.