



# What Works?

## Evidence Review on Capacity Building of Entrepreneurs



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*“Knowledge equals power”* or so the saying goes. But is it true? Knowledge is necessary, but it is never sufficient alone to lead to personal or business transformation. Entrepreneurship will continue to be a way out of poverty for millions of people around the world, both for business owners themselves and those they employ. However, we need evidence-based solutions for supporting entrepreneurs, who are scalable and have tangible business and Kingdom impact. Almost all entrepreneur training and support in emerging and frontier markets will require some form of subsidy (philanthropic or government funding). To ensure we are using this subsidy effectively, we also need to have clarity on “how much impact is created per \$.”

***Impact = scale (# enterprises engaged) x efficacy<sup>1</sup> (increase in revenue)/total cost of subsidy***

This report focuses on:

- The latest insights in behaviour change & learning
- Key components on effective entrepreneurship training & transformation
- The enabling role and limitations of technology
- Examples of best-practice organisations pioneering these new approaches (see Annex 1 for useful resources)

## The Failure of Traditional Training

Over the past few years, entrepreneurship training programmes have mushroomed across the world. This is in an effort to help enterprises address challenges such as financial education, business training, and access to finance. In addition, Faith

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<sup>1</sup> Other measures of efficacy can be used (related to behaviour change) but it is much harder to quantify and compare impact

Driven Capacity Builders typically integrate biblical training and discipleship. The problem is many of these programmes simply don't work or have limited impact. Also many of these programmes are extremely expensive to deliver<sup>2</sup> (or impossible during COVID-19) and have limited scalability since they require significant face-to-face contact with experts.

Evaluations have shown that classroom-based training has limited impact on actual business outcomes—entrepreneurs who take traditional training programmes only marginally perform better in terms of revenue growth, productivity, profitability, business survival, or job creation, than those who don't<sup>3</sup>. Many of those who receive biblical training and discipleship become more knowledgeable, but it does not necessarily lead to transformed behaviors such as reduced corruption, improved treatment of employees, or greater spiritual or social impact. Given the cost of delivery, and the opportunity cost for entrepreneurs spending time in class instead of running their businesses, this is not good enough.

## How does Transformation Occur?

Where does that leave us? Is there a model that can deliver impact business growth and job creation at a price point that is viable at scale? We think so.

Sociological studies have shown that changed behavior is determined by three factors:

- Motivation
- Ability
- Triggers

**Motivation** is composed of our personal hopes and fears with the social pressure of our peer community. **Ability** consists of the environmental factors which enable or hinder us; such as the time, money, or effort we need to make. Finally, **triggers** are the implicit or explicit prompts which remind and nudge us in a certain direction.

We know that behavior change occurs when we are inspired by the Bible and sharpened by the Christian role models around us. This community can also encourage us and hold us to account. The power of the Holy Spirit convicts us and empowers us to change direction (repent). In addition to this, we can integrate

<sup>2</sup> Costs per enterprise supported ranged from US\$3,000 - 6,000 as reported by ANDE member survey 2019.

<sup>3</sup> [World Bank meta-review on the effectiveness of business training](#)

triggers (or spiritual practices) which help shape our behaviour and build our character, so we manifest the fruits of the Spirit. These include activities such as corporate prayer, regular Bible study, accountability partners, and being transparent with our finances.

Recent academic research suggests that business growth stems not from improving the individual competencies of entrepreneurs, but from embedding good management practices into the business itself. Academics from Stanford and MIT have found strong correlations between a list of core management practices and firm productivity, profitability, sales growth, and survival. They have tested this thesis with a range of organizations—from large companies in Western countries to micro, small, and medium enterprises (MSMEs) in Kenya, Nigeria, Ghana, and others.

Another recent report by GALI<sup>4</sup> on 52 accelerators showed that:

- There was a big difference between High Performing Accelerators and Low Performing Accelerators
- On average they doubled the Net Flow of Funds (revenue, debt, equity or grants) of a participating enterprise, compared to a non-participant.
- The High Performing Accelerators focused on: action learning, networking and collaborating with peers, and providing access to mentors/investors.
- Curriculum alone was shown to have little impact on performance outcomes<sup>5</sup>.
- Equity growth dominates are more common in North America, while those where revenue growth dominates are more common in Latin America and Sub-Saharan Africa.

Research on what is most effective in training and transforming enterprises has identified key components for implementing a practice-based approach that works. There are eight:

- 1. Market segmentation:** Each capacity builder needs to have a clear understanding of which segment of the market they are serving (unicorn, gazelle, oxen, or chicken), what their unique value proposition is, and what is the most impactful, cost effective business model to serve that segment.

<sup>4</sup> [Accelerating the Flow of Funds into Early Stage Ventures](#)—Global Accelerator Learning Initiative, 2018

<sup>5</sup> [World Bank meta-review on the effectiveness of business training](#)

2. **Less content, more action:** 'Less is more' when it comes to program content. Rather than spending copious amounts of time delivering program content, high-performing programs tended to set aside more time for entrepreneurs to work on their own business.
3. **Personalised business diagnostic:** Instead of forcing all entrepreneurs through the same one-size-fits-all curriculum, we invite each entrepreneur to create their own roadmap for success. We do this through a structured diagnostic survey which helps teams select four core practices they believe are most critical to the success of their business. This creates buy-in from the start and increases the likelihood that business owners will adopt new habits.
4. **Tools:** Instead of content-heavy, theory-based learning, we focus on providing entrepreneurs and their teams with the simple tools they need to develop good business habits. These tools can be accessed, downloaded, and used online (web or mobile) anytime, anywhere from our easy-to-use platform, and they are adaptable to any business. These tools focus on basic business habits such as tracking stock, keeping good financial records, regularly surveying customers, and planning for the future.
5. **The network effect of positive peers:** Adults learn best when interacting with peers, and entrepreneurs tend to be particularly social. Small support groups that hold each other accountable for implementing their chosen practices helps encourage behavior change. Well-structured peer learning drives down the cost of programme delivery without sacrificing impact, while also helping entrepreneurs expand their networks.
6. **Some mentors matter:** Mentors matter, but not all mentors are equal. Successful entrepreneurs are not necessarily good mentors. Mentorship is a specific skill and mentors should be vetted and equipped to be effective. Including potential customers as mentors is a good idea.
7. **Monitor metrics:** Many SMEs simply do not know what is happening in their businesses, and so they don't know where to focus their energies. It is compulsory for participants of our programmes to track core business metrics every month. Not only does this help us monitor our own impact, but it gives entrepreneurs visibility into core business drivers, and this introduces them to the critical habit of measuring success and making data-based decisions.
8. **Access adds value:** Finally, most entrepreneurs are looking for additional support beyond training and without these they are unable to thrive.

This includes; peer relationships, access to markets and ability to secure investment. The Capacity-building partner should provide these or be able to connect entrepreneurs to these.

## Enabling Role of Technology

The majority of support for entrepreneurs in emerging and frontier markets has historically been delivered in-person. This presents significant challenges to scale, particularly for the small or micro enterprises.

- **Cost**—The cost of delivering support to small and growing businesses is between US\$3,000-\$6,000. In many programmes these costs are partially or fully subsidised by donors as enterprises are unwilling or unable to bear the costs. For microenterprises, the costs of training needs to be reduced to a few dollars.
- **Time**—Time is an entrepreneur's most precious resource. Taking time out to join a programme can be challenging for many entrepreneurs, particularly where key activities cannot be delegated. Most programmes don't extend beyond major cities and so entrepreneurs must travel if they wish to participate.
- **Expertise**—Knowledgeable and experienced trainers are limited and expensive in most developing countries. As a result, many programmes end up being led by those without the relevant capabilities.

Access to technology is often cited as a limiting factor in using it as a medium. However, the situation across most of the world is changing rapidly and the vast majority have access to some form of technology, particularly in urban areas.

- In Africa, 84% of the population are expected to have access to a mobile phone by 2025.
- Smartphone ownership ranges from 14% in Tanzania to 51% in South Africa.
- By 2021, 75% of Africans will have access to television and up to 90% to radio.

Technology is not a magic bullet and it is usually most effective when integrated with other types of support. Additionally, technology possesses some inherent limitations, but it has enormous, untapped potential.

## Positive Potential

- Access to expertise and resources
- Access to people and markets
- Able to scale and reduce costs

## Limitations

- Knowledge alone rarely leads to action. Need to be combined with other support.
- Challenge to build deep, trusted relationships

## Examples of Best-Practice Organizations

- [Village Capital](#)—Rigorous accelerator programme which has a strong peer component and applied support. Focussed on unicorns/gazelles (rapid, scalable)
- [African Management Institute](#)—Provides a mix of online and offline support with a focus on changing practices. Focussed on oxen (small-medium, slower growth)
- [Mediae](#)—An info-tainment social enterprise which supports 9 million smallholder farmers in East Africa with knowledge and access to inputs and capital using TV, radio and SMS. [See TedX talk here](#). Focused on livelihood/microenterprise.

## **Annex 1—Useful Resources**

[World Bank Meta-Review on the Effectiveness of Business Training](#)

[Video series - How to Scale Business Development Services](#)

[Mentoring Best Practices](#)

[Networking and Peer Learning Best Practices](#)

[Ecosystem Building—Endeavor Report](#)

[Learnings from Technoserve](#)

[Learning from AMI](#)

[Learnings from Growth Africa](#)

[Learning from International Growth Centre](#)

[Learnings from Village Capital](#)