

**I. GENERAL PROJECT INFORMATION**

PROJECT NUMBER	<b>CO-M1102</b>		
PROJECT TITLE	Accelerating High-Potential SMEs through Access to Human Capital		
PROJECT OBJECTIVE STATEMENT	The project's <b>impact</b> objective is to accelerate growth and job creation among high-potential SMEs in Colombia. At the <b>results</b> level, the project will address the human capital constraints faced by high-potential growth-oriented SMEs by providing them with access to business advisory services.		
EXECUTING AGENCY (EA)	Fundación BizCorps Colombia		
DESIGN TEAM LEADER(S)	Elizabeth Boggs-Davidsen and Norah Sullivan		
SUPERVISION TEAM LEADER	Christine Ternent		
OTHER TEAM MEMBERS			
BENEFICIARY COUNTRY	CO (Bogotá and Cali)	<b>BUDGET</b>	
UNIT WITH DISBURSEMENT RESPONSIBILITY (UDR)	MIF/CCO (18-month project)	MIF GRANT	\$150,000
MIF ACCESS AREA	Access to Markets and Skills	MIF LOAN	\$000,000
MIF AGENDA	N/A	MIF EQUITY	\$000,000
NUMBER AND TYPE OF BENEFICIARIES	64 high-growth SMEs	TOTAL MIF CONTRIBUTION	\$000,000
PREVIOUS OPERATIONS WITH EA	N/A	COUNTERPART (GRANT) LOCAL EA OTHERS	\$300,000
COMPLEMENTARY IDB OPERATIONS	N/A	CO-FINANCING (LOANS) IDB GROUP OTHERS	\$000,000
OII'S 5 QUESTIONS/AFIDAVIT	Not yet	CO-INVESTMENT (EQUITY)	\$000,000
WORLD CHECK	Not yet	TOTAL PROJECT BUDGET	\$450,000

**II. PROBLEM DIAGNOSIS**

Over 95% of companies in Latin America and the Caribbean are small and medium-sized enterprises (SMEs) that contribute significantly to employment (between 60% and 70%) and to GDP (between 20% and 35%).<sup>1</sup> Despite being key drivers of many economies, SMEs have a higher productivity gap, fewer linkages to global value chains, and more informality than larger companies.<sup>2</sup> Moreover, not all SMEs have high-growth potential. However, the relatively small portion of SMEs with high-growth potential represents an especially important engine of innovation, economic growth, and job creation. A recent Endeavor study,<sup>3</sup> using data from the 2010 World Bank Enterprise Survey, found that from 2008-2010, a mere 8% of firms in Colombia created 45% of all new jobs. These companies, which the report dubbed “scale-ups,” were more than three years old and were adding jobs at a rate of at least 20% each year during this period.

<sup>1</sup> Garcia-Alba, J., and Llisterri, Juan, “High Growth SMEs in Latin America’s Service Sector: Six Case Studies.” Chapter 4 in High Growth SMEs: What Governments Can Do to Make a Difference. (OECD, 2010).

<sup>2</sup> Ibid

<sup>3</sup> The 8-45 Report: Why Scale-up Companies are Critical for Job Creation in Colombia (2013). [http://share.endeavor.org/pdf/The\\_8-45\\_Report.pdf](http://share.endeavor.org/pdf/The_8-45_Report.pdf)

Moreover, these fast-growing firms tend to create higher quality jobs.<sup>4</sup> Similarly, INNPulsa, a public agency that promotes SME “hyper-growth” in Colombia, found that out of a sample of 6,178 SMEs, about 5% were high-growth firms responsible for generating 75% of the entire sample’s combined operating income.<sup>5</sup>

Despite their potential, growth-oriented SMEs face a number of challenges during their most critical periods of growth that can prevent them from realizing their full potential. According to a survey of more than 900 business leaders from around the world, in addition to access to markets, financing, and support systems, one of the main contributing factors to a firm’s growth and success is access to human capital<sup>6</sup>, particularly management and technical talent, with the right skills, experience, and leadership capacity to fuel and maintain enterprise expansion. Growing a company rapidly requires a different set of skills than founding a start-up or managing a small, stable company. High-potential companies — even those with market-proven products or services — often struggle to build the management teams they need to address key strategic questions, build the organizational foundations for scale, and achieve their long-term goals. Original founders often do not have all of the skills needed to get from one stage to the next and family-run SMEs often lack awareness of the global management best practices required for scale.

While Colombia has a number of policies in place to support entrepreneurs and SMEs, as well as a system of support services to nurture entrepreneurship, there is limited access to high quality management talent to help growth-oriented SMEs with their human capital constraints as they scale, particularly as they go from small or medium to large.

The primary causes of this problem include:

1. **Uneven support services throughout the entrepreneurship spectrum.** There tend to be more incubators and other kinds of support services for early-stage start-ups, often cost-free and funded by local government or philanthropy. At the other end of the spectrum, companies that grow to a significant level of scale and profitability can afford high-priced, purely commercial talent recruiting, consulting, and coaching services. That leaves established SMEs with high-growth potential in the “middle” with fewer support service options. The business advisory or technical assistance programs that do exist for SMEs “in the middle” tend to be quite limited, short-term, light-touch services, often diagnostics or training services provided in concert with loans or private equity investments. Moreover, SMEs have limited access to international experiences and networks critical for competing in global markets today.
2. **Insufficient coordination among key ecosystem actors.** To successfully transition high potential SMEs through the entrepreneurial pipeline into growing and more established ventures with higher value-creation potential requires better coordination among the various existing organizations, initiatives, and networks offering pre- and post-creation support to nascent, early-stage, and more established entrepreneurs.<sup>7</sup>

### III. INTERVENTION MODEL

The project’s end goal is to help high-potential SMEs in Colombia accelerate growth and create quality jobs. To this end, the project will strengthen the BizCorps model, which addresses the human capital constraints faced by high-potential growth-oriented SMEs by providing them with access to high-quality business advisory services.

The BizCorps program selects high-quality globally-trained talent (“BizCorps Associates”<sup>8</sup>) and matches that talent with SME clients<sup>9</sup> that have high potential for growth and are actively seeking high-quality talent in order to achieve that

<sup>4</sup> Surveys conducted by Endeavor among employees of firms led by Endeavor Entrepreneurs illustrate higher job quality: on average, firms founded by Endeavor entrepreneurs create jobs 5.4x faster than those created by comparable entrepreneurs in their countries. Employees report greater access to healthcare and education, as well as more job satisfaction than their peers.

<sup>5</sup> <http://www.innpulsa.com/en/about-us>

<sup>6</sup> The 8-45 Report: Why Scale-up Companies are Critical for Job Creation in Colombia (2013). [http://share.endeavor.org/pdf/The\\_8-45\\_Report.pdf](http://share.endeavor.org/pdf/The_8-45_Report.pdf)

<sup>7</sup> Global Entrepreneurship Monitor (GEM) Policy Brief. Sustaining Colombians through the Entrepreneurial Pipeline – A Policy Challenge for Colombia? (2013). <http://www.gemcaribbean.org/our-publications/sustaining-colombians-entrepreneurial-pipeline-policy-challenge-colombia/>

<sup>8</sup> Associates must be MBA graduates with 4-8 years of prior professional work experience in addition to their management degrees.

growth in an accelerated manner. After an initial six week assessment process whereby Associates are placed with pre-screened SMEs to assess the client’s greatest challenges and opportunities, and collaborate with client leadership to refine growth objectives and identify the organization’s most critical talent needs, Associates are embedded as full-time members of the client team for the remainder of the one-year engagement. Associates engage directly with client leadership, managers, and employees to accomplish the key goals agreed to during the assessment phase. In addition to assessing client satisfaction on a quarterly basis, information on key metrics, including clients’ revenue growth, job creation, and/or market penetration are collected at the six and 12 month marks.

The proposed 18-month project will strengthen the Bizcorps model described above, paving the way for its scale both within Colombia and throughout Latin America and the Caribbean. To this end, the project’s **intervention model** will focus on the following:

1. **Building partnerships to strengthen the Bizcorps model.** The project will build partnerships with key local actors, such as chambers of commerce and local business schools, in order to better target Bizcorps’ approach towards accelerating high-potential SMEs within the local context and enhance value for SME clients by bringing to bear the resources and expertise of local partners. After the initial assessment phase, in addition to the strategic talent and managerial skills the Associate will provide, it is possible that other high-level financial and non-financial service offerings can be identified and connected to the firm to help in the growth process. Bizcorps will work with the Chambers of Commerce of Cali and Bogotá to select high-potential, growth-oriented SMEs to participate in the project that both meet Bizcorps’ criteria and fit the cities’ economic development priorities (e.g. firms from high-priority “clusters” or sectors, or that are part of other Chamber of Commerce programs, etc.). While Associates will be placed in eight selected companies (four in each city), a broader circle of at least 56 high-growth SMEs will also be identified to participate in awareness-raising activities to be organized with the Chambers of Commerce, and will also benefit from connections to the broader local support system. Efforts will also be made to build new partnerships for global talent sourcing, strengthen global business school relationships, and seek global funding collaborations.
2. **Strengthening local support systems and talent networks.** Activities will include building a network of senior business leaders and other experts and support resources (local banks, investors, local talent providers, coaches and consultants, etc.) in Bogotá and Cali who can serve as mentors and advisors to both Associates and to SME management teams, as well as matching students from local business schools with Associates to gain experience as interns with SME clients.
3. **Learning and evaluation.** Bizcorps will work closely with Chamber of Commerce partners to track progress on key metrics, assess learnings, and implement improvements to enhance impact.

#### IV. INNOVATION AND SCALE

The project is supporting three primary innovations to the existing Bizcorps model to be consolidated in the Colombian context: (i) the development of local partnerships with chambers of commerce to integrate BizCorps’ efforts into local economies and better target high-growth SMEs; (ii) the development of local mentor and advisor networks for high-growth SMEs and Associates; and (iii) the incorporation of an internship model with local business school students from CESA University (*Colegio de Estudios Superiores de Administración*), as well as with ICESI University in Cali in order to develop local talent networks.

By consolidating mechanisms to enhance local involvement in Bogotá and Cali, these partnership-focused innovations will demonstrate the effectiveness of this collaboration in furthering shared impact objectives for local economies and industry clusters, and will form the foundation for similar partnerships in cities such as Medellín and Barranquilla, and

<sup>9</sup> Selected SMEs must either already meet the “scale-up” definition (more than three years old with a minimum 20% average annual employment growth rate) or demonstrate strong potential and desire to achieve that status. Participating SMEs cover a portion of the cost of the Associates.

for scaling the model throughout the region. In addition, through this project, Bizcorps will also consolidate its new collaborative funding approach, whereby local partners (client companies and Chambers of Commerce) will also contribute to program operating costs, enhancing the model's sustainability.

## V. KNOWLEDGE VALUE

The **lessons learned** applied to the project's design include:

- **Matchmaking is important.** Bizcorps has learned that one of the model's critical success drivers is ensuring a good fit between the talent and the company – in terms of both hard and soft skills. For this reason, Bizcorps breaks Associate engagements into two parts, starting with a six-week assessment phase during which the Associate assesses the needs of the company and both client and Associate determine if their match is a good fit before proceeding with the year-long engagement commitment.
- **Mentoring networks provide key support for growing companies.** The MIF's broad array of projects focused on promoting entrepreneurship have demonstrated the key role that business mentors play in guiding entrepreneurs and firms through the various stages of growth. To this end, the project will be developing a support system of senior business leaders and other experts and support resources to help both high-growth SMEs and Associates.
- **Targeted, hands-on business advisory services are most effective.** The MIF has rich experience with promoting business development services for SMEs and has learned that the more targeted and hands-on the support provided, the better. The placement of high quality Associates with SMEs for a year-long engagement provides the opportunity for ongoing strategic support and advice directly in line with the firm's business plan and growth objectives.

**Knowledge gap.** Given their critical role in job creation and economic development, many initiatives and substantial resources have gone towards accelerating the growth of SMEs in emerging markets like Colombia, with particular emphasis on increasing SME access to affordable credit and capital or on "light touch" technical assistance or business advisory services. However, few efforts have directly tackled the issue of internal human capital or management talent constraints within the SMEs themselves, which is the knowledge gap this project will attempt to address. By focusing on this particular barrier to growth, the project will generate knowledge on how the addition of human capital to a high-growth SME can contribute to key metrics, such as net job creation, net changes in revenues and profits, and net changes in SME growth rates.

**Potential evaluation questions.** (i) What is the best way to target and select the SMEs with the highest-potential for growth and job creation?; (ii) Was there a measurable difference in company performance (net job creation, net changes in revenues and profits, and net changes in SME growth rates) after the year-long engagement with the Bizcorps Associate?; (iii) Did the internship model incorporated in the project effectively spark the creation of a local talent network?; (iv) What kinds of partnerships were most effective for incorporating local actors in the model?; and (v) Should Bizcorps pair its talent interventions with financial investments in the highest-potential companies?

## VI. EXECUTING AGENCY AND STRATEGIC PARTNERS

Established in 2011, BizCorps Inc. is a small US-based organization headquartered in Washington, D.C., with a local branch (Fundación Bizcorps Colombia) in Bogotá, Colombia. BizCorps' mission is to provide high-potential, growth-oriented businesses in emerging markets with the access to the human capital that they need to unlock their full potential, expand more rapidly, and drive job creation and economic growth. Bizcorps launched its model in 2013 in Kenya and Colombia, but starting in 2015, it is only focusing on Colombia in order to invest deeply in local partnerships and to improve its model before expanding further within the LAC region. Bizcorps has placed 12 Associates to date with 12 SME clients. Strategic partners include the Chambers of Commerce of Bogotá and Cali, CESA University in Bogotá, and ICESI University in Cali.

**VII. COUNTRY OFFICE COMMENTS**

This project clearly addresses the needs of a middle income country like Colombia in that it selects SMEs with high-growth potential and addresses one of the most critical barriers to growth which is high-level business knowledge and talent. By teaming up graduates from some of the world's leading business schools with high potential SMEs, the MIF will be helping to unleash the firms' growth and productivity potential while at the same time allowing firms to access international talent at an affordable price. The project will also expose local SMEs with high-growth potential to a different mindset that will better prepare local SMEs to understand, prepare and compete in the global marketplace. The project is totally aligned with the new EBP as it seeks to support increases in business and institutional productivity and social mobility, especially growing the middle class, which is where SMEs are uniquely positioned. It is one of the first projects of the MIF to work, in Colombia, with high-impact growth firms as a strategy to move the country toward higher levels of income and productivity.