



Building Effective Entrepreneurial Ecosystems

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This input is primarily directed at points: c. International development cooperation, d. International trade as an engine for development, f. Addressing systemic issues, and g. Science, technology, innovation and capacity building. Far more resources are spent trying to use finance and trade to build stronger economies than put towards the supportive environment that allows for new markets to form and to precipitate an increase in firm creation and growth, which is the only durable path to sustainable development.

ANDE's vision for success is to create thriving entrepreneurial ecosystems that are locally owned and operated and from which increasing numbers of faster growing businesses emerge.

For an entrepreneur to access the resources they need to scale their business, create formal employment, and generate economic growth, they need to have access to local expertise that can help them address their specific business challenges with a deep understanding of the local context, markets, regulatory environment, capital providers etc.¹ While some programs attempt to solve these challenges through delivery by international consultants, NGOs, or direct interventions from donor to entrepreneur, the systemic effects of building local capacity for institutions in-country creates value far in excess of a single intervention. By developing local human capital with expertise in entrepreneurship, the local ecosystem can develop more accessible pathways for local businesses to find the support they need from peers and local networks.²

As countries transition from low to middle income status, the sources of funding available to enterprise support organizations (ESOs) shift from philanthropic foundations and international development agencies towards local and national government, regional institutions, corporate partnerships, and earned revenue sources. This gradual shift towards a self-sustaining entrepreneurial ecosystem requires that locally headquartered organizations have the internal capacity to access this range of funding sources, the knowledge necessary to run effective programs based on evidence, and the clout to play a role as thought leaders within their own context.

Building these local ecosystem organizations into more capable and evidence-based institutions will create an environment where more businesses can access the resources they need to grow. There is substantial evidence that the services provided by ESOs can have significant returns by

¹ Hume, V. and Davidson, A. 2021. [What We Know About Cultivating Entrepreneurial Ecosystems](#). Aspen Network of Development Entrepreneurs.

² Morris, R. and Török, L. 2018. [Fostering Productive Entrepreneurship Communities](#). *Endeavor Insight*.



helping the businesses that benefit from their services grow their revenue, attract capital, and create employment.³

Clarifying best practices for business development support (BDS) programs

Business development services (BDS) encompass a wide range of support programs designed to improve the management capacity, productivity, and investment readiness of small and growing firms. There are thousands of service providers around the world, with an estimated 8,000 accelerator programs – a particular type of BDS provision – having launched between 2014 and 2020 alone.⁴

Despite BDS programs commonly receiving government and donor funding, research shows that their effectiveness is inconsistent.⁵ One notable example comes from ANDE's Global Accelerator Learning Initiative (GALI). The eight-year research initiative, which gathered data from 23,000+ entrepreneurs that applied to more than 300 accelerator programs from 150+ countries, assessed accelerator impact by comparing the growth of ventures accepted into an accelerator program versus those that applied but were rejected. While on average, accelerated ventures outpaced rejected ventures, the gains were driven by the top quartile of performers, indicating that some programs have little to no measurable effect on venture success rates.⁶

Encouragingly, there is evidence that certain best practices do correspond with enterprise growth. For example, a quasi-experimental study of business accelerator Startup Chile found that the combination of coworking space, grant funding, and entrepreneurship “schooling” led to significant performance improvements among supported firms.⁷ Similarly, a study of 15 Village Capital accelerator programs found that programs that emphasized high quality selection, peer learning, and limiting classroom time saw greater firm growth in various regions around the world.⁸

This evidence underscores the importance of understanding when and why BDS provision is effective, so that service providers can adjust their methods based on evidence. The solution to better BDS does not lie in simply more advanced curriculum or training. Rather, research indicates that the shortcomings of BDS are not necessarily reflective of an insufficient amount of information or training materials offered to firms, but rather ineffective mechanisms for encouraging adoption and uptake of the knowledge.⁹

Using SCALE to “scale” the impact of local BDS provision

³ Guttentag, M. and Davidson, A. 2021. Does Acceleration Work? Five years of evidence from the Global Accelerator Learning Initiative. Aspen Network of Development Entrepreneurs.

⁴ Davidson, H. 2021. [The Incubator Investment in Network Events: Does the Business Incubator’s Quality of Programming and Founder Personality Traits Influence Startup Performance?](#) Pace University.

⁵ Amezcua, A. et al. 2013. [Organizational sponsorship and founding environments: a contingency view on the survival of business-incubated firms, 1994–2007](#). Academy of Management Journal.

⁶ Guttentag, M. et al. 2020. [Does Acceleration Work? Five Years of Evidence from the Global Accelerator Learning Initiative](#). Aspen Network of Development Entrepreneurs.

⁷ Gonzalez-Uribe, J. and Leatherbee, M. 2018. [The Effects of Business Accelerators on Venture Performance: Evidence from Start-Up Chile](#). *The Review of Financial Studies*.

⁸ Guttentag, M. et al. 2020. [Does Acceleration Work? Five Years of Evidence from the Global Accelerator Learning Initiative](#). Aspen Network of Development Entrepreneurs.

⁹ Woodruff, C. 2018. [Addressing constraints to small and growing businesses](#). International Growth Centre at the London School of Economics and Political Science.



In 2021, the Argidius Foundation released SCALE - a set of research and tools that outline best practices in BDS provision based on an extensive compilation of research and impact assessments on the effectiveness of BDS. SCALE offers a clear framework for how both BDS providers and donors can apply known best practices to their specific programs and contexts.

Evidence suggests that helping a BDS provider move from the median to a top quartile performer can increase the return on investment of the resulting program, and reduce the cost per job created, by a factor of 10x. Facilitating the widespread adoption of the SCALE principles across ESOs in the global south and funding the capacity of these organizations to deliver high quality BDS at greater scale has the potential to make a significant contribution to the creation of formal jobs and economic growth.

One example of this approach working in practice is BPeace,¹⁰ a capacity development provider working in Central America with ~75 dynamic enterprises per year. Through implementing the SCALE principles as it iterates on its model they have seen the number of full time jobs created per cohort rise 10x and a 50x increase in revenue growth. Bringing this kind of improvement in performance to bear benefiting business across developing economies, and scaling the work of those who succeed is an urgent imperative.

About ANDE

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in developing economies. ANDE's 230+ members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, we believe that SGBs can help lift countries out of poverty.

ANDE members support "the missing middle"—the small and growing businesses that are the engines of growth in developing economies, and have the potential to address critical social and environmental challenges. Members include both for and nonprofit investment funds, capacity development providers, research and academic institutions, development finance institutions, foundations and corporations from around the world. As a membership network, ANDE develops unique initiatives to address systemic challenges and build the field of entrepreneurship support through collective action.

ANDE has a global team, with staff in 11 countries, organized into eight regional chapters across Asia, Africa, and Latin America. ANDE's 50+ staff work to support members globally and locally, while building strong ecosystems for entrepreneurial growth. ANDE was founded in 2009 and is a program of the Aspen Institute, a global nonprofit organization committed to realizing a free, just, and equitable society.

¹⁰ <https://drive.google.com/file/d/17xmhZ0ZQMOFn34Q86ZQiyGs9Bhq9dues/view> pg 13.