



ACCELERATION IN MEXICO: EARLY IMPACTS ON MEXICAN VENTURES

MAY 2018

DATA AT A GLANCE

THIS REPORT INCLUDES APPLICATION AND ONE-YEAR FOLLOW-UP INFORMATION FROM 318 VENTURES OPERATING IN MEXICO, CONTRIBUTED BY 15 ACCELERATOR PROGRAMS.

	<p>Ventures that participated in accelerator programs experienced greater growth in revenues and full-time employees on average compared to rejected ventures.</p>
	<p>Participating ventures also experienced higher equity and debt growth on average in comparison to rejected ventures.</p>
	<p>The majority of ventures reported no equity or debt growth at all, suggesting that a small number of strong performers are drawing up the average changes in equity and debt.</p>
	<p>The impact of participation is meaningful for ventures with no prior-year investment; participating ventures increased equity three times more than rejected ventures, and debt five times more.</p>
	<p>First-time accelerated ventures reported higher average revenue growth, while ventures that had been previously accelerated reported greater equity growth.</p>
	<p>Invention-based ventures reported greater average equity growth, while non-invention-based reported higher revenue growth.</p>



ABOUT THE GLOBAL ACCELERATOR LEARNING INITIATIVE

Since 2005, hundreds of accelerator programs have emerged around the world. Funders, including governments, corporations, and private foundations, are investing in these accelerators because of their potential to help grow ventures, create jobs, and build investor pipelines.

Despite this interest, we know little about accelerator effectiveness or how differences across programs influence venture performance.

To address this gap, Social Enterprise @ Goizueta at Emory University and the Aspen Network of Development Entrepreneurs (ANDE) launched the Global Accelerator Learning Initiative (GALI) in collaboration with a consortium of public and private funders. GALI builds on the Entrepreneurship Database Program at Emory University, which works with accelerator programs around the world to collect and analyze data from the entrepreneurs that they attract and support.

Since 2013, the Entrepreneurship Database Program has been partnering with accelerators and entrepreneur support programs to collect detailed data from entrepreneurs during their application processes. These entrepreneurs, including those not selected into a program, are then surveyed annually to gather valuable follow-up data.

In Mexico, early-stage ventures are becoming a focus for governments and investors that want to spur economic development. Since 2013, venture capital activity has grown, while Mexico City has become a social enterprise and impact investing hub for Latin America. Accelerators play a role in developing a pipeline of investment-ready businesses, but little research has been done on the entrepreneurs attending these programs and how they perform with this specific support.

With the support of Citibanamex Compromiso Social, GALI is working to increase our understanding of acceleration and early-stage ventures in Mexico.



METHODOLOGY

This report summarizes application and follow-up data collected from ventures that applied to participating Entrepreneurship Database Program accelerators between 2013 and 2016. From the sample of 867 ventures operating in Mexico, we focus this report on the 318 that applied to programs in Mexico and that responded to a one-year follow-up survey.¹ Among these 318 ventures, 105 participated in the program to which they applied and 213 were rejected.

This report provides a first look at the short-term impacts of accelerator program participation on commercial performance. We calculate these accelerator impacts by comparing revenue, full-time employee, and investment levels (equity and debt) reported for the year of acceleration to those reported in the previous year. We then compare these one-year changes for ventures that participated in an accelerator to those that applied but were not accepted.

Throughout the report, we refer to two time periods:

- 1** *Application: Refers to the calendar year prior to the entrepreneur's application to an accelerator.*
- 2** *Follow-up: Refers to the following calendar year, when the program took place.*

The difference between these two time periods is referred to as an "one-year change." A venture experiences a positive one-year change if revenues, full-time employees, or investment reported during the follow-up year exceed those reported during the application year, while a zero or negative change indicates that the entrepreneur reported the same or lower amounts for these metrics.

Note on statistical significance: This report often mentions "significant" differences. This indicates significance at the $p < .10$ level, and is referencing differences in average one-year changes based on accelerator participation (Table 4; Figures 2 - 6) or based on a characteristic of the venture (Figures 7 - 10).

¹ To learn about the full set of ventures operating in Mexico and how they compare to the global sample, see "Acceleration in Mexico: Initial Data from Mexican Startups," available at www.galidata.org/mexico.

1

WHERE DO THE DATA COME FROM?

15 accelerator programs and 318 ventures contributed data to this report.

The dataset includes application and follow-up data from 318 ventures operating in Mexico that applied to one of 15 accelerator programs in Mexico (Table 1).² Among these 318 ventures, 105 participated in an accelerator program while 213 were rejected.³

TABLE 1: ACCELERATORS AND VENTURES IN SAMPLE

TOTAL:  15 PROGRAMS  318 VENTURES

UNREASONABLE INSTITUTE

 2

 84

VILLAGE CAPITAL

 3

 80

PROEMPLEO

 4

 47

MASSCHALLENGE MEXICO

 1

 42

NEW VENTURES GROUP

 2

 33

AGORA PARTNERSHIPS

 3

 32

² Agora Partnerships and New Ventures both ran programs that operated in multiple Latin American countries, including Mexico.

³ Seven responses were removed from the sample due to revenue, employee, or investment information that was irreconcilable with the rest of the sample.

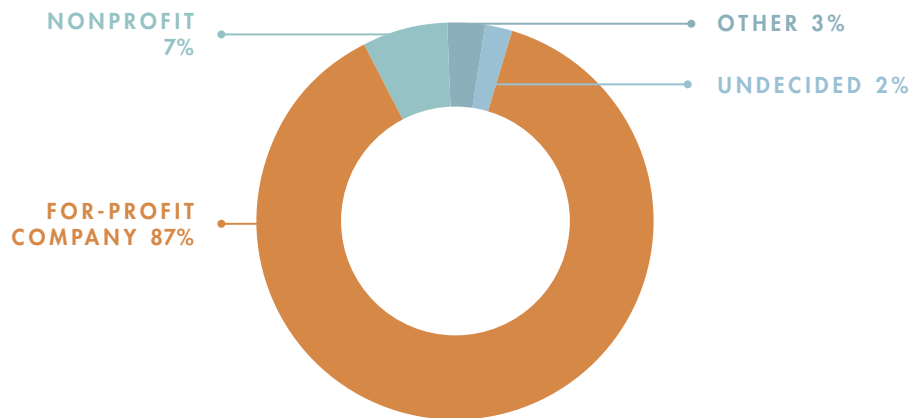
2

WHAT TYPES OF VENTURES APPLY TO THESE PROGRAMS?

These are early-stage, for-profit ventures, most commonly in the financial services or health industries.

The typical venture in this sample was less than two years old at the time of application, with the vast majority (87%) structured as for-profit companies (Figure 1).

FIGURE 1: BUSINESS STRUCTURE



Roughly one-third of the ventures in the sample operate in either the financial services or health sectors (Table 2). Nearly all the ventures (89%) report having specific social or environmental motives; the top impact objectives relate to employment generation and income and productivity growth (Table 3).

TABLE 2: TOP SECTORS

SECTOR	%
FINANCIAL SERVICES	18%
HEALTH	17%
AGRICULTURE	9%
EDUCATION	8%
ENVIRONMENT	7%
ICT	6%

TABLE 3: TOP IMPACT OBJECTIVES

IMPACT AREA	%
EMPLOYMENT GENERATION	32%
INCOME/PRODUCTIVITY GROWTH	29%
COMMUNITY DEVELOPMENT	21%
HEALTH IMPROVEMENT	21%
EQUALITY & EMPOWERMENT	20%
ACCESS TO FINANCIAL SERVICES	19%

3

HOW DO VENTURES CHANGE DURING THEIR YEAR OF ACCELERATION?

Participating ventures experienced higher average growth in revenues, full-time employees, and investment, compared to rejected ventures.

Table 4 shows one-year changes in reported revenues, full-time employees, and investment levels during the year in which the programs were run.⁴ The first row shows the average changes for entrepreneurs who participated in an accelerator program, while the second row shows the average changes among the entrepreneurs who applied but were not accepted. While participating entrepreneurs outpaced the rejected entrepreneurs in each category, the advantages were most dramatic for investment growth, with debt growth being the only statistically significant difference ($p=.08$) and equity growth being close to significant ($p=.10$).

TABLE 4: ONE-YEAR CHANGES FOR PARTICIPATING AND REJECTED VENTURES

	REVENUES	FULL-TIME EMPLOYEES	EQUITY	DEBT	SAMPLE SIZE
PARTICIPATED AVERAGE CHANGE	US\$ 19,636	0.99	US\$ 18,872	US\$ 11,596	105
REJECTED AVERAGE CHANGE	US\$ 10,508	-1.09	US\$ 5,790	US\$ -\$649	213
	×	×	×	✓	

STATISTICALLY SIGNIFICANT DIFFERENCE AT THE $P < .10$ LEVEL: ✓ YES × NO

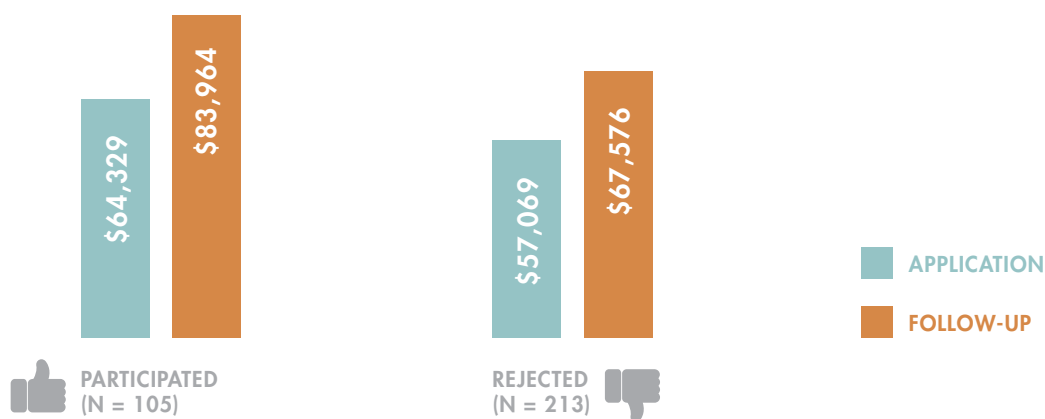
Figures 2-5 break down these one-year changes in more detail by showing the averages at application and follow-up for participating and rejected ventures.

⁴ In the year prior to application, roughly half of the ventures in the sample had earned revenues or employed full-time workers, and less than 10 percent reported any equity or debt.

Participating ventures grew revenues by 31% on average compared to 18% for rejected.

Figure 2 shows the average prior-year and current year revenues for the participating and rejected ventures. Both groups begin with similar annual revenues that increase during the program year. While average revenue growth is greater for the participating ventures, the difference is not statistically significant.

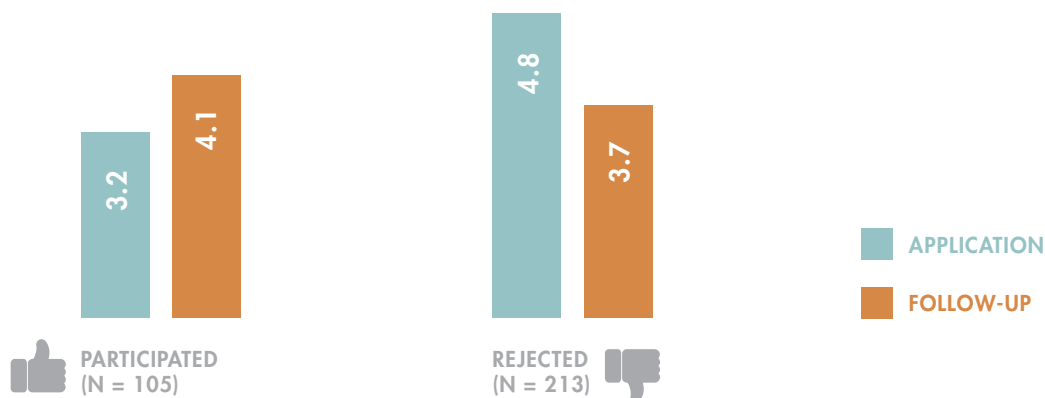
FIGURE 2: AVERAGE REVENUE (USD) AT APPLICATION AND ONE YEAR LATER



Participating ventures increased full-time staff while rejected ventures saw a decrease on average.

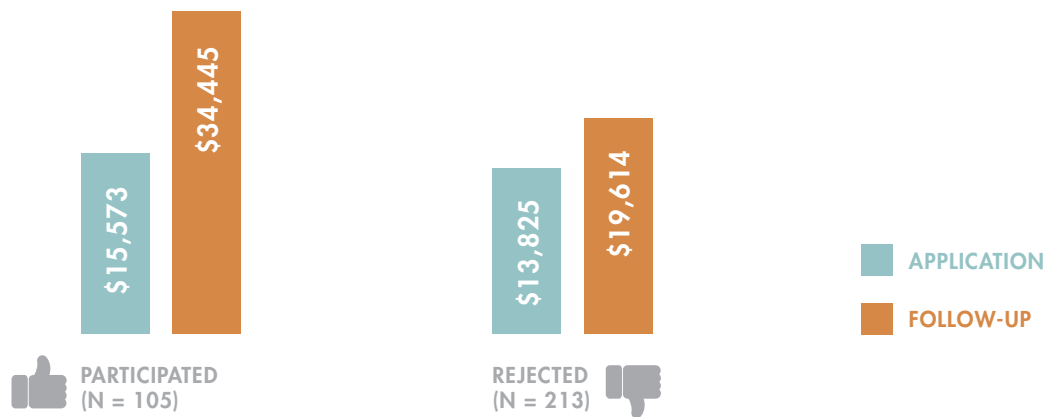
Figure 3 shows that participating ventures added roughly one full-time employee on average (from a lower starting point), while rejected ventures decreased by roughly one full-time employee; however, the difference is not statistically significant.

FIGURE 3: AVERAGE NUMBER OF FULL-TIME EMPLOYEES AT APPLICATION AND ONE YEAR LATER



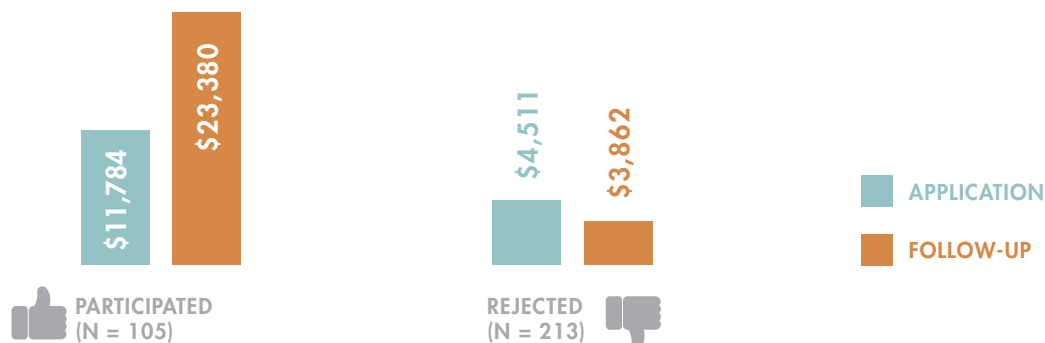
Participating ventures increased equity investment by a larger margin than rejected ventures on average, but most saw no change at all. Figure 4 shows that on average, participating ventures experienced higher growth in equity (roughly \$19,000) compared to rejected ventures (just under \$6,000), a difference which is close to significant ($p=.10$). However, the majority (roughly 80%) applied with no equity and did not raise any in the program year, suggesting that a small number of strong performers influenced the averages displayed in Figure 4.

FIGURE 4: AVERAGE EQUITY INVESTMENT (USD) AT APPLICATION AND ONE YEAR LATER



Participating ventures doubled debt capital raised, while rejected ventures experienced a decrease on average. Figure 5 shows that participating ventures reported more new debt in the year prior to application and experienced a larger average increase during the program year (+\$11,596). For rejected ventures, the starting values are much lower on average, and they decrease during the year that they did not participate in the program. Similar to equity, it is important to note that these differences are influenced by a small portion of ventures (less than 20%) that experienced any change in new debt.

FIGURE 5: AVERAGE NEW DEBT (USD) AT APPLICATION AND ONE YEAR LATER



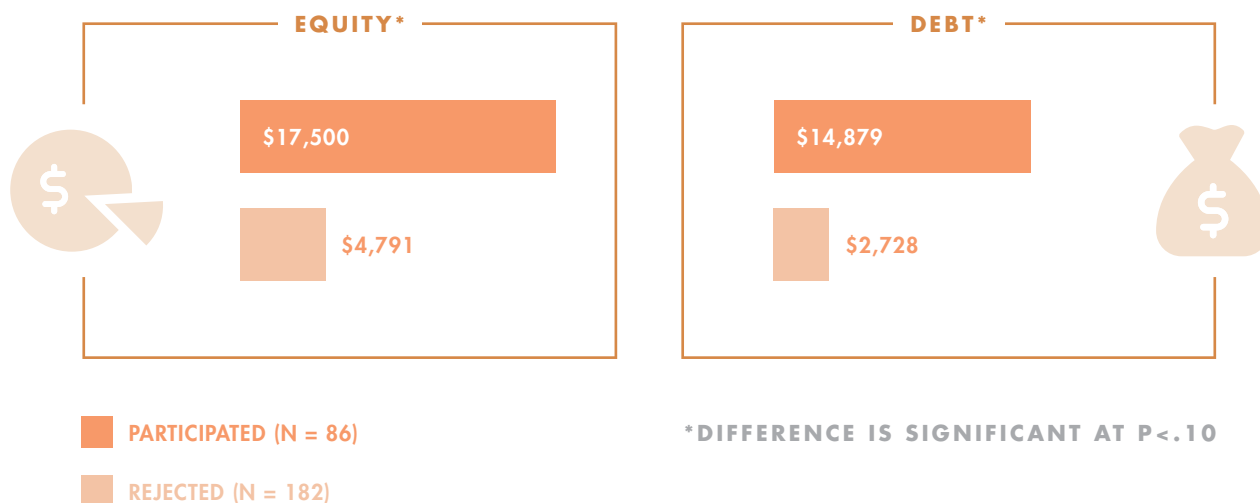
4

WHAT IS THE IMPACT FOR VENTURES THAT APPLY WITH NO INVESTMENT CAPITAL?

The impact of participation is meaningful for ventures with no prior-year investment; participating ventures increased equity three times more than rejected ventures, and debt five times more.

Most ventures in the sample (84%) reported zero prior-year investment - equity or debt - when applying to an accelerator. Figure 6 shows the important effects that participation has on these ventures. When it comes to equity, accelerated ventures outpaced their rejected counterparts nearly \$13,000 on average, with a similar significant bump for debt growth.

FIGURE 6:
INVESTMENT GROWTH (USD) FOR VENTURES WITH NO INVESTMENT IN YEAR PRIOR TO APPLICATION



5

DO PREVIOUSLY ACCELERATED VENTURES EXPERIENCE GREATER GROWTH?

First-time accelerated ventures reported higher average revenue growth, while ventures that had been previously accelerated reported greater equity growth.

Approximately one-third (32%) of the ventures in our sample reported to have previously been accelerated. Figures 7 and 8 show averages for only the participating ventures to see how their growth trajectories differ based on prior acceleration. The data suggest that previously accelerated ventures enter programs with significantly higher revenue yet experience nearly no growth on average (Figure 7), while those being accelerated for the first time enter with much smaller revenue streams but experience a considerable increase. Figure 8 shows a contrasting trend for equity investment, with previously accelerated ventures experiencing significantly more equity growth on average.

FIGURE 7:
REVENUE AT APPLICATION AND FOLLOW-UP FOR PARTICIPATING VENTURES,
BY PRIOR ACCELERATION

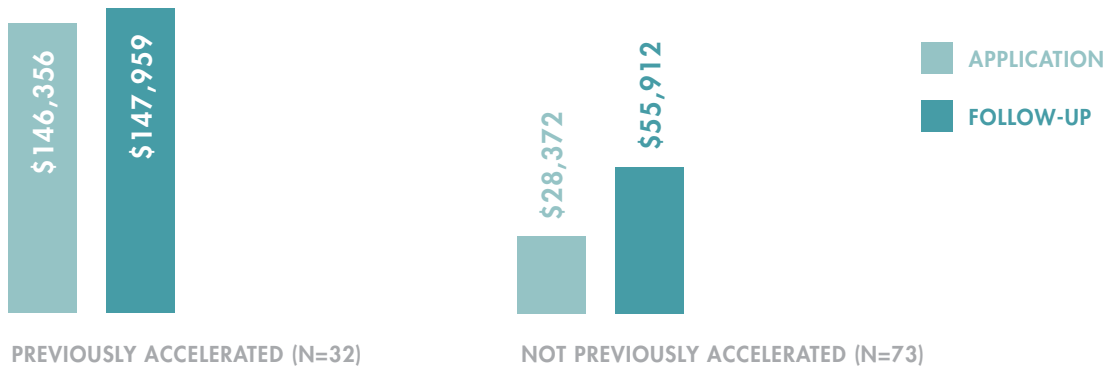
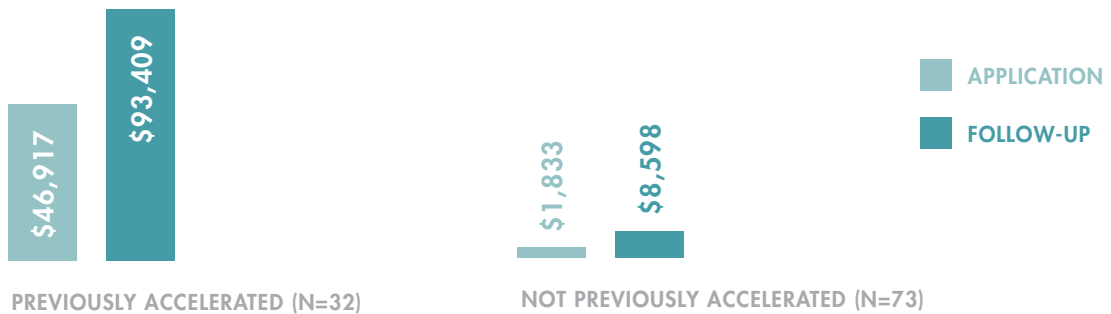


FIGURE 8:
EQUITY AT APPLICATION AND FOLLOW-UP FOR PARTICIPATING VENTURES,
BY PRIOR ACCELERATION



6

DO INVENTION-BASED VENTURES EXPERIENCE GREATER GROWTH?

Invention-based ventures reported greater average change in equity investment, while non-invention-based reported higher revenue growth.

Roughly half of the ventures reported to be invention-based (i.e., a company that builds upon newly-created technology owned by the venture and/or its founders). Figures 9 and 10 show averages for only the participating ventures to see how their growth trajectories differ. The data suggest that ventures without an invention-based model experience significantly greater revenue growth on average (Figure 9), while invention-based ventures experience significantly greater equity growth (Figure 10).

FIGURE 9:
REVENUE AT APPLICATION AND FOLLOW-UP FOR PARTICIPATING VENTURES,
BY INVENTION-BASED MODEL

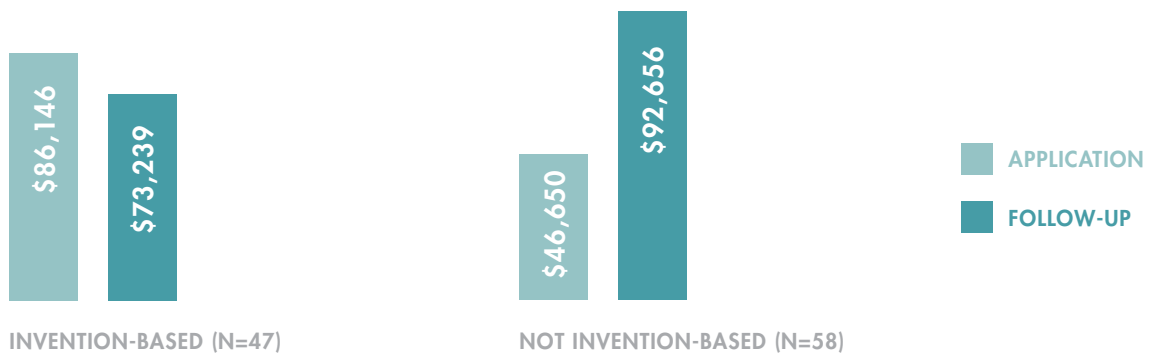
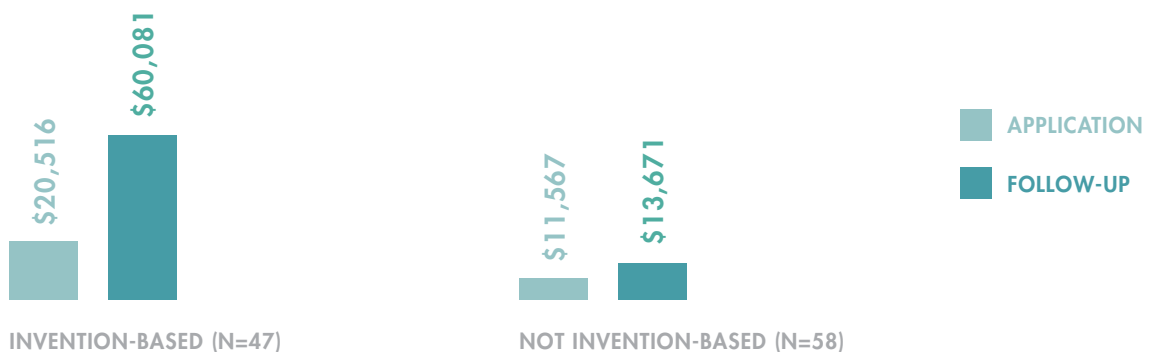


FIGURE 10:
EQUITY AT APPLICATION AND FOLLOW-UP FOR PARTICIPATING VENTURES,
BY INVENTION-BASED MODEL





PRACTITIONER REFLECTIONS AND CONTINUED RESEARCH

The observations in this brief were shared at a roundtable discussion in February 2018, and interviews were also conducted to gather practitioner feedback. Several important questions arose from these conversations that can help position these insights as a discussion starter for the sector and guide future research on acceleration in Mexico:

- 1 **How can accelerators add value, rather than overlap?** *It is not uncommon for entrepreneurs to attend more than one accelerator program in Mexico. How can we measure the marginal benefit of attending multiple accelerators and help entrepreneurs to better navigate which programs best meet their needs? There is an opportunity in Mexico to further differentiate the benefits of these programs to add value to the entrepreneur experience.*
- 2 **Are we building long-term sustainable enterprises?** *How can we know if investment outcomes in the short-term are producing sustainable businesses in the long-term? Does investment growth in the year of acceleration lead to business growth and/or additional investment in the second year and beyond?*
- 3 **What are some alternative ways to measure short-term success?** *While data on revenue, jobs, and investment can provide insights on overall venture success, it cannot always capture the more nuanced growth trajectories within certain sectors and stages of growth. How can the data tell us if we are achieving the value that we say we offer, and what role can qualitative feedback play in determining our impact?*

The insights presented in this report would not have been possible without support from leaders at accelerator programs in Mexico committed to learning more about the effectiveness of their work. Thank you!

We look forward to working with these existing partners to continue to collect follow-up data from both accepted and rejected entrepreneurs, and to examining the impact of acceleration in Mexico in more detail. In addition, the anonymized application data are made available to researchers conducting their own analysis and benchmarking.

Please visit www.galidata.org/about to learn more and to access the data.

The Global Accelerator Learning Initiative (GALI) is a collaboration between ANDE and Emory University designed to explore key questions about enterprise acceleration such as: Do acceleration programs contribute to revenue growth? Do they help companies attract investment? GALI builds on the Entrepreneurship Database Program at Emory University, which works with accelerator programs around the world to collect data describing the entrepreneurs that they attract and support.

The Global Accelerator Learning Initiative has been made possible by its co-creators and founding sponsors, including the U.S. Global Development Lab at the U.S. Agency for International Development, Omidyar Network, The Lemelson Foundation, and the Argidius Foundation. Additional support for GALI has been provided by the Kauffman Foundation, Stichting DOEN, and Citibanamex Compromiso Social.

To learn more about GALI and to access related publications, visit www.galidata.org

