Citi Volunteer Africa 2016

INSIGHT & IMPACT REPORT
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EXECUTIVE SUMMARY

In April 2016, Balloon Ventures (Balloon) partnered with Citi and VSO to deliver the Volunteer Africa programme. This sought to leverage the skills of 12 Citi volunteers to create meaningful impact in the businesses of eight micro-entrepreneurs in Nakuru, Kenya. This report was put together by Balloon’s Insight & Impact team and reflects progress made and lessons learned. This report is based on data gathered in January 2017, nine months after the end of the programme.

Overall, the programme was a big success. Volunteers rated the programme highly and reported personal and professional development throughout their four weeks in Kenya. Entrepreneurs also rated the programme highly and experienced growth in customers, income, and profits nine months on. We also uncovered useful insights and learning to guide future programmes.

4 Key Insights for Growing Small Businesses

01
SUCCESS CAME DOWN TO HOW WELL ENTREPRENEURS DID THE FOLLOWING:

a. Develop/refine a product or service that fit a specific market
b. Make sales
c. Manage the finances and operations of their business

02
MAIN BARRIERS TO GROWTH WERE:

a. Fraud
b. Finding committed and honest staff
c. Shocks (e.g. health)

03
FOR THOSE SUCCEEDING AND FOR THOSE WHO EXPERIENCE SETBACKS THERE IS A NEED FOR FURTHER SUPPORT PARTICULARLY IN THE AREAS OF:

a. Additional affordable financing
b. Financial management
c. Marketing and driving sales

04
BUSINESSES SHOULD BE THINKING MORE ABOUT THE FUTURE IN TERMS OF:

a. Creating a competitive advantage (beyond capital)
b. Developing and implementing mitigation strategies for threats and shocks
c. Identifying the best time to pivot (change course) and how to do this effectively.
THE PROBLEM

In Kenya, roughly 75% of the working population are employed through the informal sector. Informal businesses are usually set up by people living in poverty without access to jobs or welfare. They reflect the resourcefulness of individuals determined to improve their lives through an entrepreneurial venture. Most informal businesses are unlicensed and micro (less than 3 employees).

Development agencies have long recognised that growing and supporting Small-Medium Enterprises (SMEs) is a critical element of development. Doing so not only provides entrepreneurs and their families with greater income but this also provides jobs, makes the economy more efficient, and provides valuable products and services to communities. However, in emerging markets like Kenya, there is a lack of SMEs. Economists call this issue the ‘missing middle’. Therefore, there is an accepted need to focus on growing SMEs.

Growing the Missing Middle

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<th>HIGH INCOME COUNTRIES</th>
<th>LOW INCOME COUNTRIES</th>
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<td>SMEs as a proportion of employment</td>
<td>60%</td>
<td>30%</td>
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<td>SME contribution to GDP</td>
<td>50%</td>
<td>17%</td>
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Table 1: SME contribution to employment & GDP in high and low income countries
(Source: Harvard Entrepreneur Finance Lab)

The informal sector has great potential to grow businesses that can become the SMEs of the future. However, it is often ignored by the private, public, and third sector. Either because it is too risky to engage with, too difficult, or there is a lack of knowledge about how to do so. Without financial and non-financial support, these businesses remain micro and a huge opportunity for development is lost.

Broadly, these entrepreneurs face four key barriers which Balloon aims to overcome through our programmes:
01

Lack of access to appropriate capital
Most banks consider informal sector business too risky to lend to. Microfinance institutions will, however given local context, these loans necessarily come with interest rates at a level that can be challenging for early stage businesses. They are also typically secured loans, especially when of a higher value. Many of the entrepreneurs we work with do not have access to assets against which to secure a loan.

02

Lack of business specific knowledge
Most informal sector entrepreneurs will not have any business specific training and may not have completed primary or secondary education. Their understanding of business basics such as finance, marketing, or strategy is often limited. Ultimately, scaling a business requires a skill set that is hard to find.

03

A highly unpredictable and risky business environment
Most start-ups are vulnerable, however living in poverty and starting a business carries significantly more risks (there is less room for failure and yet there are a greater number of shocks that one could experience)

04

Demotivation and lack of self-belief
Most informal entrepreneurs live in difficult conditions. Multiple failures and extreme pressure to deliver often force them to think very short term, doubt themselves and limit their ambitions. There are also very few role models that entrepreneurs can relate to, meaning entrepreneurs have to have the confidence to be pioneers if they want to reach SME status.
Volunteer Africa

What we did

The Volunteer Africa programme, delivered as a partnership between Citi, Balloon and VSO, brought 12 Analysts and Associates from Citi EME Corporate and Investment Banking to Nakuru, Kenya to work with eight entrepreneurs.

Armed with the skills they had developed at Citi and training provided by Balloon, the teams set out to transfer learning and empower entrepreneurs to scale their businesses.

Over four weeks the teams helped entrepreneurs identify and prioritise opportunities; test ideas using minimum viable products; make sales and iterate. Volunteers could be found mapping out entrepreneurs’ businesses using the business model canvas and other tools, talking to stakeholders in the value chain, or crunching numbers to identify optimal growth opportunities.

A weekly catch up session ensured that volunteers stayed on track whilst also serving as a forum for exchanging ideas. Throughout the programme, volunteers were supported by Balloon staff as well as a Bain & Co. consultant, on an externship.

At the end of the programme, the entrepreneurs were given an hour each to pitch for access to finance. Two pitch panels (made up of Citi EMEA staff who travelled to Nakuru, selected volunteers and Balloon staff) made decisions about how much capital to allocate to each entrepreneur.

Who we supported

Recruitment of entrepreneurs for the programme was conducted by Balloon staff who looked for entrepreneurs with high growth potential. The following eight entrepreneurs were selected:

1. Apolo Kariuki – Cow feed mineral supplements
2. Brian Victor – Tailor of fashionable clothes for young men and women
3. Frida Nyambura – Hairdresser and beauty salon
4. James Kimani – Gas and general store
5. Pamela Ngesa – Tailoring of school uniforms and bespoke tailoring services
6. Paul Mwangi – Sugar cane juice production
7. Solomon Muchiri – Printing, photocopying and mobile money services
8. Zack Nasiali – Barbershop

Loans were offered at 10% flat interest (which is 15% less than the closest viable alternative) and with a flexible repayment schedule.
Nine months following Volunteer Africa, Balloon’s Insight & Impact team went back to follow up with entrepreneurs. Data collection and analysis was conducted by Dr. Nicholas Andreou, Gerishon Were, and Enrico Calvanese. Data were drawn from monitoring and evaluation surveys (volunteer & entrepreneur), entrepreneur pitch documents, semi-structured interviews with entrepreneurs, loan repayment records and observations of Balloon Ventures’ in-country staff. Thematic analysis was used to extract common themes emerging from the data.

The report is split into three sections. The first section, ‘Impact’, showcases what the programme achieved with the volunteers and entrepreneurs. When discussing impact on entrepreneurs, it also provides some insights into why these changes occurred and what prevented further success. The second section, ‘Learning about the Kenyan informal sector’, captures what we learned about business in the informal sector and found interesting through running this programme. It includes insights that anyone seeking to better understand the informal sector should be interested in. The third section ‘Next Steps’ showcases what we are going to do next based on the learning from the programme.
IMPACT

The programme was valuable to both volunteers and entrepreneurs in terms of personal, professional or business development. All volunteers rated the programme as either very good or excellent. They also reported development across several soft skills and Citi leadership competencies.

Entrepreneurs gave an average rating of 9.5/10 to the programme. Nine months on, customers, income and profit had all grown. As a result, most entrepreneurs had created jobs or work opportunities for others in their community.

WHAT WE ACHIEVED (VOLUNTEERS)

100% OF VOLUNTEERS AGREED THAT:

- THE PROGRAMME WAS WELL ORGANISED
- THEIR SKILLS WERE PUT TO GOOD USE
- ENTREPRENEURS WERE A GOOD MATCH TO VOLUNTEERS
- THE ENTREPRENEURS MADE NOTABLE PROGRESS
- THEY WOULD RECOMMEND THE PROGRAMME TO THEIR COLLEAGUES

Volunteers also reported development across several soft skills:

DURING YOUR PLACEMENT HAVE YOU GAINED OR FURTHER DEVELOPED ANY OF THE FOLLOWING SKILLS AND COMPETENCIES?

- Resilience and flexibility
- Thinking innovatively and creatively
- Managing change
- Managing challenging situations
- Project management
- Negotiation skills
- Cross-cultural understanding
- Facilitation skills
- Team working
- Coaching and mentoring
- Stakeholder engagement
- Thinking strategically
- Leadership

Graph 1: Volunteer self-reported development

NB Not all respondents recorded a value for each skill and competency

2 10/11 volunteers reported this
DO YOU THINK THAT DURING YOUR PLACEMENT YOU HAVE IMPROVED IN ANY OF THE FOLLOWING (CITI LEADERSHIP) COMPETENCIES?

Graph 2: Developing City leadership competencies

The overall experience was rated highly:

- **40%** Very Good
- **60%** Excellent

“The program really uses your skills and you can really make a difference to the entrepreneurs’ lives and businesses. It is a very unique, valuable and rewarding experience which can develop you both professionally and personally.”

TADAS JONUSAUSKAS
Senior Associate,
Citi EMEA Global Subsidiaries Group

“This will always be a highlight of my personal Citi experience and I highly recommend this program to any prospective volunteers in the future.”

- YIMIN ONG
Senior Associate,
Citi EMEA Corporate Banking
WHAT WE ACHIEVED (ENTREPRENEURS)

A total of 700,000 KSH (~£5,500) was distributed to entrepreneurs.
At the end of the programme the entrepreneurs gave the programme an average rating of 9.5/10.
100% of entrepreneurs said they were planning to return to Balloon.
Over 2,150 hours of volunteer support provided (equivalent to 1 full time member of staff for a year).

The areas which the programme focussed on are given below:

PERCENTAGE WHO ‘STRONGLY AGREED’ THAT THE PROGRAMME HELPED TO:

- Increase Networks
- Understand Finance
- Improve Operations
- Generate New Business Ideas

Graph 3: Self-reported focus of the programme

The main areas where entrepreneurs reported benefits are shown below:

PERCENTAGE WHO REPORTED THE FOLLOWING BENEFITS OF THE PROGRAMME:

- Price Increase
- Reduced Costs
- New Product/Service
- Improved Efficiency
- Increased Customers

Graph 4: Self-reported benefits of the programme
9 MONTHS ON - AVERAGE STATISTICS:

1. Percentage change in income: **41%**
2. Percentage change in profit: **53%**
3. Percentage change in customers: **26%**
4. Change in FTE: **0.33**
5. Average change in Commission-based employees/Part Time Employees: **2**
Entrepreneur case studies

**Entrepreneur in focus: Solomon**

After studying ICT and working in an ICT company, Solomon opened a printing/cyber café which also provides mobile money services outside RVIST, a large college in Nakuru.

Solomon had previously worked with Balloon and, just before embarking on the Volunteer Africa programme, had secured the lease for bigger premises closer to the college and ordered a new photocopier. His goal for the programme was to maximise revenue from the new shop.

Working together with three volunteers, Solomon identified several opportunities for further revenue growth, this included expansion of mobile money services, addition of printers and licencing his shop as a branch of national banks. Solomon was awarded a loan of 95,000 KSH (~£800) and is ahead of schedule on repayments having repaid 61,000 KSH.

Solomon has been busy making progress on these and more initiatives. He has since doubled his income which resulted in a 58% increase in profit. This was partially driven by a 50% increase in customers. Solomon has hired two full time and one temporary staff member to help him meet increased demand. Always planning, he is piloting several new initiatives such as provision of food and drink and has completed the paperwork to become a direct retailer of Coca Cola products.

**Entrepreneur in focus: Paul**

Paul makes sugar cane juice after having a local engineer build him a machine to crush raw sugar cane. Armed with a product that sells well, he joined Balloon to bring more structure to his business practices and grow sales.

Together, Paul and three volunteers came up with several priorities for growth. These included buying a new sugar cane press; buying a bigger refrigerator; starting a loyalty card scheme; moving to a bigger and more accessible shop; and exploring other product categories that could be made from sugar cane.

Paul was awarded 120,000 KSH (~£1,000) and has made progress on most initiatives. With 52% more weekly customers since the programme, he has seen a 53% increase in income which corresponds to a 51% increase in profits. Paul has taken on one full time employee as well as five more on commission.

Perhaps the most impressive development is the way Paul changed his approach to business. Before the programme, Paul would focus on planning and wait for the perfect opportunity to implement. This cautious approach resulted in a slow pace of change for the business. Following a focus on testing and prototyping, Paul is constantly thinking of new ideas to test, including a solar powered cooler box to keep sugar cane juice fresh for his agents who walk around town selling juice.
UNDERSTANDING IMPACT

Why entrepreneurs succeeded

Measuring impact is one thing, it is equally important to understand why impact is happening. Our analysis suggests that success was driven by performance in three key areas:

01 Excellent product/market fit:

Having the ideal product for a given market (this is not necessarily having the best product).

Zack recognised that in his community most barbers offered a standard service that was cheap but did the job. His hypothesis was that by offering a premium service to a different customer group, he could charge more and get out of the price war that was shrinking his profits. Almost one year after we initially spoke to Zack, he has almost doubled his price yet maintained customer numbers. Zack essentially built a service that served a specific market which led to his business success.

02 Excellent sales strategy:

Being able to generate sales from existing products or thinking about new products or markets to generate sales from.

Paul had an excellent product (sugar cane juice) at the start of the programme and his goal was to find a way to drive sales. He did this by hiring workers on commission to sell his juice around town; increasing footfall through banners, leaflets, and loyalty cards; and moving into business to business sales. Therefore, Paul’s growth is directly linked to his ability to generate more sales of the same product through an improved sales and marketing strategy.

03 Excellent financial and operational management:

This relates to operational efficiency, planning for the future, cash management etc.

Solomon continues to drive sales through offering new products and services. This is only possible because his financial management is excellent. He keeps detailed records which allows him to save as much as possible while still having enough working capital. He is also relatively well protected against shocks because of his financial and operational management. When the manager of his second shop fell ill, Solomon was worried that hiring someone temporarily would be a huge risk as they would have access to several expensive assets. Unwilling to take that risk, Solomon decided to keep the shop closed for six months. The fact that he had enough savings to do this prevented him from taking on unnecessary risks.

The most successful entrepreneurs did each of these well, while those who struggled were lacking in one or more areas.
Why entrepreneurs didn’t grow more (barriers to growth)

If any of the three success factors listed above [page 13] were absent, the entrepreneurs experienced reduced growth. Other barriers, external to the business, were also common and risked stalling growth. The following three were the most significant in terms of severity and frequency:

01 Fraud
Paul paid a deposit to secure a larger, more visible shop only to later discover this was a scam. Thankfully, Paul had used a lawyer in the agreement and was able to reclaim the money. However, this limited the business’ cash flow for a few weeks, created uncertainty, and has put Paul off the idea of moving to a new location. Similarly, Apolo was given two cheques by customers which bounced. At the time, this deprived Apolo of most of his working capital, crippling his business.

02 Difficulties in recruiting trustworthy staff
As demand increases, there is a need to increase capacity which almost always involves additional staff. In cases where entrepreneurs did this (e.g. Paul or Pamela), additional staff were hired exclusively from personal networks. The main reasons cited were reliability (e.g. showing up to work) and honesty (e.g. not stealing from the business) rather than skills. Where entrepreneurs struggled to hire, this often had a sizeable impact on their business. For example, Solomon chose to keep one of his two shops closed for six months because he could not find someone trustworthy to manage the shop.

03 Experiencing shocks (particularly security and health)
Shocks are sudden events that have a sizeable impact on the business. Pamela for example, had to close her business because one of her children was ill and required hospitalisation and almost constant support over a long period of time. Although security shocks (e.g. theft) were not experienced by the Volunteer Africa cohort, it is a common barrier across other Balloon programmes and can often cripple a business if, for example, a key asset is stolen.
To keep winning, entrepreneurs need to create and maintain competitive advantage

At Balloon, our ambition in sustainable change, not just a quick bump in profits.

Most entrepreneurs achieved short-term success in some way. To continue winning, entrepreneurs had to do two things. Firstly, they had to avoid the barriers to growth discussed above and secondly, they had to protect themselves from competition. The informal sector is fiercely competitive. As soon as an idea makes money, others will try to copy this almost overnight. From our experience on the Volunteer Africa programme and beyond successful barriers to entry include:

01 **Skills**
Brian has been a tailor for over eight years (a rarity in the informal sector) and has kept his customer segment because he is able to create more attractive and high quality clothes than his competitors. This skill makes it harder for others to directly compete with him.

02 **Technology/Assets**
In Paul’s case, his sugar cane press is what makes his business a possibility. The fact that potential new entrants come to Paul to ask him to build them similar machines illustrates how technology can act as a barrier to competition.

03 **Contacts/Networks**
When James’ revenue began to dwindle, his contacts at Kenya Power helped him navigate through a Kenya Power subcontracting process. He eventually won the tender and used it to generate substantial profit for his business.

04 **Capital**
Solomon’s continued success comes from the fact that he has invested far more in his business than others. Linking to technology/assets, sometimes this investment means he has technology that outperforms competitors or new entrants (e.g. a faster photocopier). In other cases, this means he can offer services more consistently than others (e.g. he is less likely to run out of mobile money float).

Conclusions on Impact

Impact was created both for volunteers and entrepreneurs. For volunteers this was either personal or professional development in terms of soft skills and Citi leadership competencies. For entrepreneurs, customers, income and profit had all grown enabling them to create jobs or work opportunities for others in their community.

Entrepreneurs experienced success if they had a product or service which fit the needs of a specific customer; generated sales; and had excellent financial and operational management. However, this was not sufficient to succeed. Entrepreneurs also had to avoid external threats which could undermine their likelihood of success. The three key ones were fraud; difficulties recruiting trustworthy staff; experiencing shocks.

Thinking about the future, if entrepreneurs are going to experience continued success, they also need to think about how to protect their business from aggressive competition. Successful strategies include skills, technology/assets, contacts/networks and capital.
LEARNING ABOUT THE KENYAN INFORMAL SECTOR

Many governments and development agencies shy away from the informal sector because there is a lack of understanding of how it works. This has resulted in a long history of poorly designed interventions that have achieved little or even been detrimental. To add to the sparse literature on the informal sector, here we present the main insights emerging from the Volunteer Africa programme.

01 Entrepreneur priorities change quickly

As a part of the programme, the entrepreneurs established priorities for growth for the coming twelve months. However, almost all the entrepreneurs shifted these priorities. This ultimately came down to working in a rapidly changing environment which meant some actions were no longer feasible or others became more attractive.

For example, although Paul had prioritised testing other products to make out of sugar cane, due to the success of other sales and marketing initiatives his small shop soon became overwhelmed with customers and the furious rate of production. He therefore made moving to a new location a priority, and put exploring new products on hold. In James’ case, sudden entrance of competitors who could undercut his prices meant that selling gas burners was no longer a viable business opportunity and he stopped offering these.

Given the rapid rate of change in the informal sector, planning as a tool or process might not be as valuable as we hoped. Instead, a focus on understanding when and how to pivot most effectively might be more valuable to entrepreneurs.

02 Community impact rather than profit

While most entrepreneurs in the Western world start ventures for personal reasons, in the informal sector, it is often for family or community reasons.

For many entrepreneurs, this means choosing to create jobs and opportunities for others rather than maximising profits. Paul, Pamela and Brian are three examples of entrepreneurs who have intentionally trained apprentices who went on to open businesses that compete with their former employers. While the idea that businesses struggling to survive actively create competition for themselves appears counterproductive, in the Kenyan informal sector this is business as usual. When thinking about sustaining competitive advantage this is an important consideration.

Some businesses are set up in response to a challenge in the entrepreneur’s community. For example, Pamela’s business exists solely to subsidise an orphanage she also runs. Where this is the case, it often means that the entrepreneur’s drive for success is linked much more closely to community impact than profit. This concept of social enterprise is increasingly well understood in more developed markets and it is exciting to see entrepreneurs using the power of business to create social change - even if they don’t refer to themselves as social entrepreneurs.
The informal sector is incredibly risky. A business can be wiped out overnight through theft, competition, government intervention etc. In response to this, most entrepreneurs attempt to diversify as a version of risk management: as soon as revenue from one business is threatened, the entrepreneur pivots to another business. James for example has moved from focussing on cereals, to gas, to Kenya Power subcontracts, to school supplies in the four years he has been working with Balloon.

This contradicts traditional business thinking where focussing on the core value proposition (and therefore consolidating a winning position) is the key to long term success.

Sometimes it appears this diversification works and is a good insurance policy. However, there is also a risk that you can stretch yourself too thinly. For example, although Apolo and the team identified launching a new product was the fourth priority for his business, he went ahead and launched this before completing other activities. When Apolo’s working capital was depleted through fraud, he had to shrink his business. If, instead of diversifying, Apolo had focused his resources on his main business, things may have worked out differently. This case therefore also shows the potential drawbacks of diversification as risk management.

The copycat culture in the informal sector means that competition is fierce. It is not unusual to find several identical shops on the same street run by different entrepreneurs. There is very little to differentiate them, often resulting in price wars. However, there are examples where these commodity businesses managed to create a sustainable competitive advantage through micro-innovations. This helped them to differentiate themselves from competition and grow.

Solomon offers printing and mobile money services on a street dominated by identical establishments, yet he was one of the strongest performing entrepreneurs in the Volunteer Africa group. Similarly, Zach runs a barbershop in a block with several competitors, yet still grew. In both these cases, the entrepreneurs have been successful through differentiating themselves through small innovations. For example, even though Solomon offers the same printing that multiple competitors do, he can offer faster speeds through his more sophisticated printer. Zach invested substantially in improving the overall experience of customers through a television, new barbers’ chairs and new equipment. This allowed him to increase price whilst maintaining customer numbers.
Brands appear to have little value in the informal sector

A stark contrast between business in developed economies and the informal sector is the absence of brands. For example, James has developed a brand (Swift Gas) yet he has only applied this to one of his three locations. Brian also has been making clothes for eight years without ever branding his products. Walking down a street in Nakuru’s informal sector, there are very few brands. Even where there are brands these are mostly international ones, rather than local entrepreneurs creating brands.

Our assumption was that this was in part down to a lack of understanding about the value of brands. However, despite this being covered in the programme, entrepreneurs remain resistant to this idea. For example, Solomon did not want to establish a common brand (even name) across his two shops on the same street.

We think this might be down to the way that trust works in Kenyan culture. Trust is built between people, not institutions or brands. This is because interaction with an institution can be heavily influenced by an individual (e.g. a corrupt police officer looking for a bribe). Therefore, the institution ends up standing for very little in the eyes of locals. Instead, the relationship with an individual within that institution is what matters. The same logic would apply to businesses and their brands. It is not the brand that the entrepreneur’s customers trust but the entrepreneur themselves.

Entrepreneurs do not see the value in keeping financial records

Despite being a focus for the programme, behaviours around record keeping were hard to change. Most entrepreneurs did not keep records when we followed up with them unless they were already keeping them at the beginning of the programme. There are two possible reasons for this. Either there is no value for financial record keeping at this level of enterprise growth, or there is but entrepreneurs are not able to see it or realise it.

Regarding the first possibility, entrepreneurs could succeed somewhat independently of whether they kept records. For example, Zach was doing well and his business was growing, yet he had stopped keeping records, focussing on setting up his new shop. But it’s unlikely that this applies to all businesses or for a long period of time. For example, Apolo did not keep records. When one of his customer’s cheques bounced this crippled his cash flow, while accurate record keeping may have helped him spot and mitigate this risk.

Similarly, Pamela’s tailoring business was doing well but very little of her profits were being reinvested when these would have driven profits even further as demand was outstripping her capacity. It’s likely record keeping would have allowed her to see this opportunity and plan for buying more sewing machines.

If we assume that this evidence is enough to conclude that record keeping is valuable, the alternative explanation for why entrepreneurs do not keep records is that they cannot appreciate this value (if we assume that they know how to keep records because of the programme). It is unclear why exactly this is, however trying to understand this better and design a solution for it is one of our next steps.
NEXT STEPS

Building SMEs in the informal sector is a challenging and long-term process. It requires constant testing, learning, implementing and re-evaluating. Following what we achieved and learnt on the Volunteer Africa programme here are our next steps.

01 Offer additional affordable finance

Having affordable finance was instrumental in the entrepreneurs’ growth initiatives. As businesses grow and become more complex, the cost of growth is likely to become even higher (e.g. bigger assets, investing in human capital, etc.). Therefore, there is a need to support entrepreneurs with bigger amounts over longer periods of time. For example, the effect of buying a vehicle to increase sales might be a gradual improvement to sales as new customers are slowly acquired through the increased capacity. Therefore, future financing options will have to accommodate these needs and innovative options will need to be explored (e.g. revenue sharing rather than immediate loan repayments). We will continue to offer financing options to entrepreneurs and are piloting a quasi-equity investment option as a form of more patient capital.

02 Test other ways of building financial management capacity

If, as we believe, financial management capacity is an important precursor to growth, there is a need to find a way of building this into the businesses we support. As training on the Volunteer Africa programme did not have the effect we hoped, we are thinking about other options to test. First, adding financial management capacity into businesses through hiring a finance manager or book-keeper in that business. A second possibility is to offer the option to entrepreneurs of outsourcing their financial management to centralised experts hired by Balloon. We are currently laying out plans to test the second option on a future programme.

03 Provide further support for marketing and driving sales

Marketing and driving sales was the foundation for further growth in the Volunteer Africa cohort. Paul, Apolo and Zack increased sales or price of their existing products. Apolo, Solomon, Pamela, Brian and James, all introduced new products to their existing businesses. If entrepreneurs are to continue growing, they will need continued support to market and drive sales. On the second-generation Volunteer Africa programme, we will pilot a dedicated resource centre to provide marketing support.
Focus more explicitly on encouraging businesses to:

a. Build barriers to entry (ideally beyond capital)
   If we are encouraging businesses to build barriers to entry, there will need to be a specific focus on this in future curricula as this idea does not come naturally to entrepreneurs. For example, Paul sold his old machine when he replaced it essentially allowing in a new competitor. Brian trains apprentices therefore passing on the skills and knowledge to compete with him. While this is likely down to wanting to help the community, there is a need to find a middle ground between protecting ones’ advantage and helping others.

b. Develop and implement mitigation strategies for threats and shocks. Although there were tools to support entrepreneurs to do this (e.g. SWOT analysis and financial forecasting) entrepreneurs’ risk management preparation was poor which undermined impact. We therefore need a different approach to ensuring entrepreneurs prepare for threats and shocks. The starting point is understanding why the current tools were ineffective and then designing a different approach.

c. Identify when the best time to pivot is and how to do this effectively. Acknowledging that planning is hard in the informal sector due to a rapidly changing environment, there is a need to upskill entrepreneurs so they can constantly evaluate their position and pivot as necessary. The current evidence we have is that entrepreneurs do this largely on instinct and often impulsively which often results in poor decision making. For entrepreneurs to pivot more successfully we will have to introduce them to new tools which facilitate this (e.g. a prioritisation framework) and think about how change their routine business practices towards using these tools regularly.
About Balloon Ventures

Balloon is a rapidly-growing, UK-based social enterprise founded in 2012. Balloon runs enterprise development programmes that provide critical training and funding for entrepreneurs to support their start up and fuel their growth.

Balloon has worked with over 1,500 entrepreneurs across Africa and Asia, and invested more than £250,000 in micro-businesses. Our three-stage programme is designed to support entrepreneurs at every stage, from those who have just an idea, to those with established businesses who need more structured and intensive support. Balloon believes that entrepreneurs will end poverty. Though creating jobs and providing vital services, entrepreneurs have enormous positive impact on their communities.