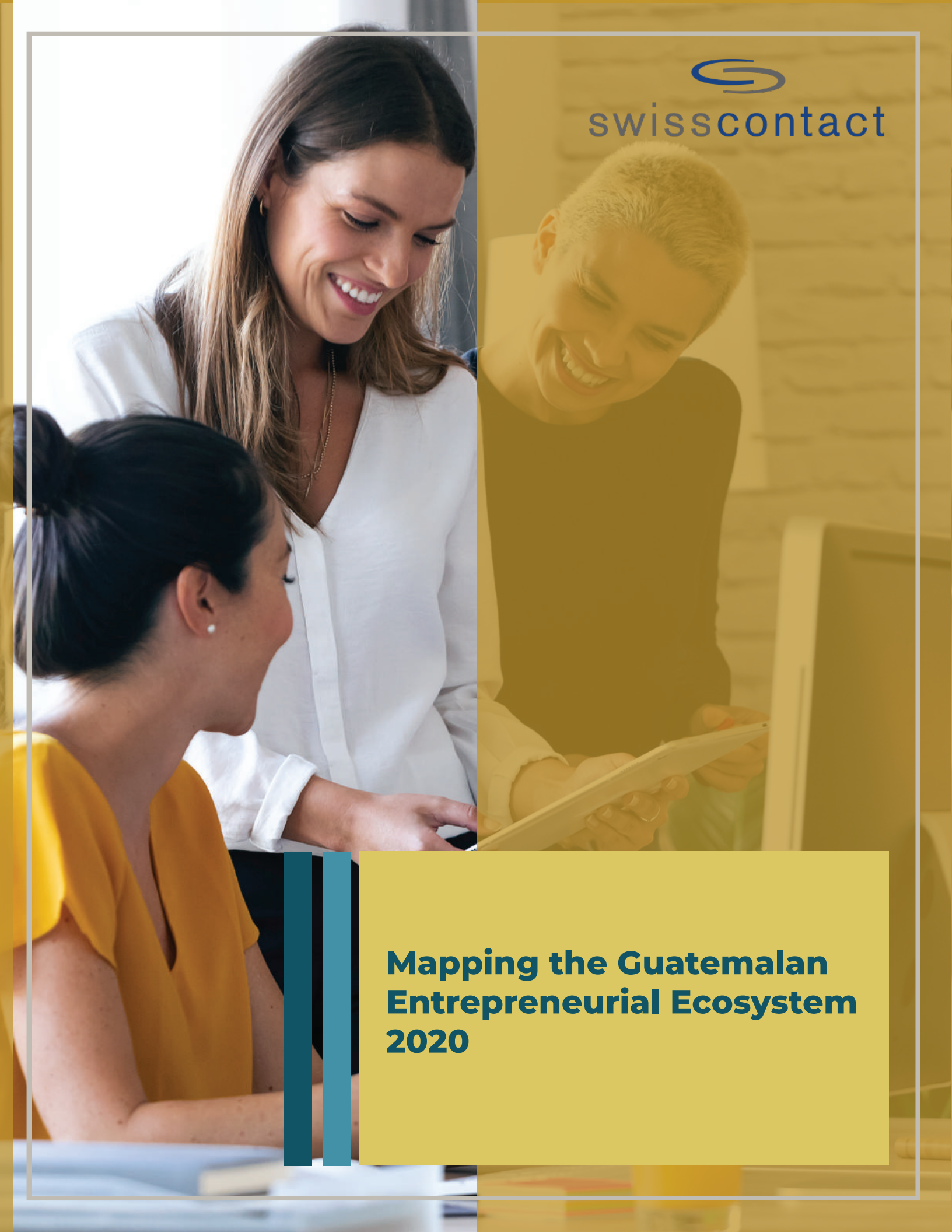




swisscontact

The background of the entire page is a photograph of two women in a professional setting. One woman, with long brown hair and wearing a white blouse, is leaning over and smiling as she looks at a tablet held by another woman. The second woman, with dark hair in a bun and wearing a yellow top, is also smiling and looking at the tablet. The image is partially overlaid with a yellow semi-transparent rectangle on the right side and a yellow rectangle at the bottom right containing the title. There are also two vertical teal bars on the left side of the bottom yellow rectangle.

**Mapping the Guatemalan
Entrepreneurial Ecosystem
2020**

Introduction

With a young population, Guatemala has some of the most entrepreneurial and happiest people in the world. This report intends to celebrate the actors and support organizations who shape the entrepreneurial ecosystem and discuss their challenges and opportunities.

Guatemala's growth potential is excellent, and while it is true that there are still many problems, if we get to work together and unify in one common objective:

THIS ECOSYSTEM COULD BE A SUCCESS STORY.



COMPONENTS
FOR
THE ECOSYSTEM

WHAT MAKES US, US?

CURRENT STATE
OF THE
ENTREPRENEURIAL
ECOSYSTEM

WHERE ARE WE NOW?

RECOMMENDATIONS
FOR
ECOSYSTEM PLAYERS

HOW CAN WE BE BETTER?

The primary purpose of exposing these dynamics is to make them visible and spark the conversation on articulating the ecosystem's components.

To collect the data for this report we organized: workshops, interviews, polls, and ran collaboration programs with over 80 ESOs (entrepreneurship support organizations); in addition, we collected information from actors across the ecosystem's different dimensions. We understand ecosystem building is a community effort and that it takes a village to create a successful entrepreneur, which is why ***we hope you join us along the way!***

ACKNOWLEDGEMENTS



Plubio Monterroso
Entrepreneur and
Entrepreneurship Professor
Universidad Rafael Landívar



Andrea Mauricio
Entrepreneur
Dog Lovers Gt



Andrea Mejia
Business Owner/
Community leader



Rocío Pinto
Ecosystem support
organization
Multiverse



Betsaida Olivares
Entrepreneur/
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ILifeBelt



Katherine Monge
Entrepreneur
Mamba Estudio



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Yuxtem



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Tu Consejería



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Support organization leader
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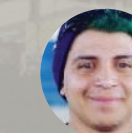
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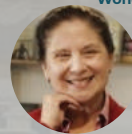
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Rocket Art



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Karla Orellana - Mom Business University

Gaby Weitnauer - Mamba Estudio

Rocío Magaña - Go Box

Sofía Hegel

TABLE OF CONTENTS

INTRODUCTION	2
ACKNOWLEDGMENTS	3
DO WE HAVE AN ENTREPRENEURIAL ECOSYSTEM?	8
THE ACTION RESEARCH PROJECT	
WHAT WE DISCOVERED ABOUT THE GUATEMALAN ECOSYSTEM	9
INITIATIVES YOU CAN JOIN (THAT NEED MORE HELP, MORE TRACTION)	21
THE PARADOX OF INVESTMENT	25
POLICY MAKING IS ALSO AN ENTREPRENEURS ISSUE	27
RECOMMENDATIONS FOR ESOS	30
RECOMMENDATIONS FOR UNIVERSITIES	30
RECOMMENDATIONS FOR THE GOVERNMENT	31
RECOMMENDATIONS FOR THE ENTREPRENEURS	32
FINAL WORDS	33



THE GUATEMALAN ENTREPRENEURIAL ECOSYSTEM AND ITS CULTURE

This section discusses the generals of the Guatemalan entrepreneurial ecosystem, its current state, and its culture.

ELEMENTS OF THE ECOSYSTEM

Entrepreneurs

who aspire to start and grow new businesses, and the people who support entrepreneurs



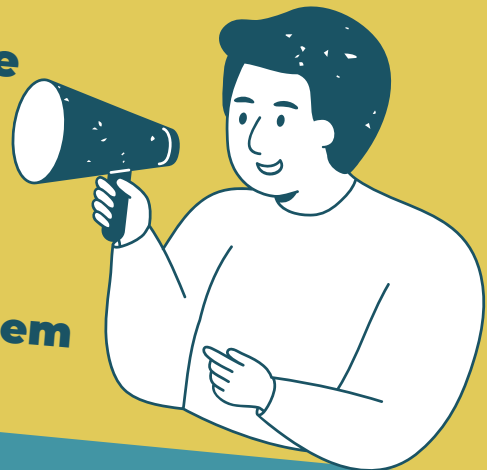
Talent

that can help companies grow

Individuals and institutions that are

Champions and Conveners

of the entrepreneurs and the ecosystem



People and institutions with

knowledge and resources

to help entrepreneurs

Onramps

(or access points) to the ecosystem so that anyone and everyone can participate



Intersections

that facilitate the interaction of people, ideas, and resources



Stories

that people tell about themselves and their ecosystem



Culture

that is rich in social capital-collaboration, cooperation, trust, reciprocity, and a focus on the common good - makes the ecosystem come alive by connecting all the elements together

So...

Do we **HAVE**
an entrepreneurial
ecosystem?

The answer is yes.

We do have an entrepreneurial
ecosystem but it is

YOUNG

and needs development.

The Index of Dynamic Entrepreneurship places *Guatemala in the 63rd position* out of *64 countries*, following *El Salvador* and just before *Venezuela*.

This index aims to show the systemic conditions for entrepreneurship, with the United States being the most dynamic ecosystem with a score of 69.9; Guatemala's current score is 11.1.

“One down, 62 more to go”

THE ACTION RESEARCH PROJECT

To make sure we saw the big picture, we acted as a neutral actor who sat down with entrepreneurs, investors, ESOs, Universities, and government authorities across all the different dimensions. We also created an initiative called Ecosystem Acceleration Program -EAP-, where several members of ESOs, government, and Entrepreneurs had the opportunity to learn more about ecosystem building, discuss the pressing matters that attain them, and work on creating initiatives to fill in the recognized gaps.

IT IS QUITE EVIDENT THAT THIS IS JUST THE BEGINNING

Many feel lonely in this journey, and we have to help them connect with all the available resources.

Building a thriving ecosystem can only be achieved by having open conversations about its state and components: strengths, weaknesses, and culture. There is enough practical evidence demonstrating how higher degrees of collaboration, information exchange, and innovation are likely to yield favorable entrepreneurship environments (Maroufkhani, 2018).

Ecosystem builders can open the dialogue for societal and cultural change. The influence they have within their circles could profoundly impact the near future if the message is coherent and unified.

*While we were surveying entrepreneurs, only **65%** indicated that there is an entrepreneurial ecosystem in Guatemala.*



Meet The
local heroes:

**Plubio
Monterroso**

“ My perception of the entrepreneurial ecosystem shifted. I understood that I need to build a closer relationship with people to learn what goals they have and find a common objective. What we are creating for the ecosystem is excellent! ”

STRENGTHS OF THE ECOSYSTEM

- Guatemalans are happy, creative, and resilient. The "chispudo" attitude means that many entrepreneurs aren't afraid to get hands-on in whatever task that needs completion. They are also quick to discover new opportunities.
- Many actors are aware of the need for better connection and unison and ARE doing something about it. Initiatives such as Female Founders Club, CAMEEG, La Mentoreada from ASEGUA, Wonder Woman Guatemala, CAPCA, and many more are clear representatives of this factor.
- Guatemala's location and time zone are considerable advantages to serve international markets. The growth of the BPO sector is an example of this. Now, Guatemala can become a back-office center for many industries, including finance and IT development.
- Guatemala's climate is privileged, and our economy is agriculture based. There is an opportunity to promote agritech, starting with Guatemala as a validation market, and then working in internationalization.
- Guatemalans, who can speak English, either because of schooling or migration, can build bridges with northern ecosystems. Our proximity to the United States could help boost our entrepreneurs. Hopefully, it could also reduce brain drain.
- There is still a significant market potential for many business models that have already been validated in international environments. Also, Guatemala can become a go-to-market for those international startups who need to validate products or services aiming at the pyramid's base. Social entrepreneurship has a place to thrive here.

- Almost nationwide (as per the ESOs agreed upon during this year's Ecosystem Acceleration Program- EAP), there seems to be a broad offer of programs that help startups in the early stages. This is great, since Guatemala has one of the world's highest entrepreneurship intentions, 25.1% TEA (GEM, 2020). However, it is necessary to consider that many new entrepreneurs do it out of necessity rather than opportunity. The organizations must help them innovate in their business models early on and choose entrepreneurship as a career rather than a second choice.

Guatemala has a one-of-a-kind Tec hub in Central America, the Tec in zone 4, where the dynamic is vibrant, and collaboration can happen. The space is there for us to make it thrive.



Meet The local heroes:

Andrea Mauricio

"Our biggest challenge (as entrepreneurs) was deciding to become full time entrepreneurs, quitting our jobs, and creating the structure and operations of our company.

We have had to innovate, and understand that if something fails, we can learn from it and if it succeeds, we can also learn from it."



Meet The local heroes:

Andrea Mejia

" Women are often admired for qualities associated to emotions and sacrifice, and men are admired for qualities related to ambition and financial success."

Women should be admired because of their wit, ambition, and financial success too!

This is cultural, and this can change!

Weaknesses

- Like the Guatemalan society, the entrepreneurial ecosystem is fragmented. There is a high degree of isolation and cluster formation.
- Like in most Latin American countries, businesses are based on relationships and connections. Most partnerships and business deals are established based on proximity and trust, which causes the lines between business and personal dealings to be quite liquid. The value chain does not start with the WHAT but with the WHO.
- The tendency towards mistrust makes collaboration difficult between entrepreneurs and entrepreneurship support organizations. Trust is an essential value within any human relationship; therefore, ESOs should build it across organizations.
- Diversity is still to find its path into the ecosystem. People from different ethnicities and social backgrounds, who are part of the majority of Guatemala's demographic, are still underrepresented.
- One of the gaps that we found was the lack of role models to whom a bigger demographic could relate. As a result, we, along with the Female Founders Coalition, created the campaign "success has many shapes." Launched in the Instagram profile of Startup Guatemala. The reception has been great, highlighting entrepreneurs and ESOs who are doing amazing things.

- Another cultural aspect that isn't playing in favor of the Guatemalan business environment is the lack of organization. The investors we interviewed pointed out that they would be willing to invest more in Guatemalan startups if they saw more consistency in company processes, professionalization, and correct finance recording.
- There are investors in Guatemala, but they are investing elsewhere. It is the role of Entrepreneurs and ESOs to step up their game to call their attention. It is the role of the government to promote policymaking that fosters local investment providing incentives for investors.



Meet The local heroes:

Rocío Pinto

"Romantic entrepreneurship is a phenomenon that has negatively impacted the concept of entrepreneurship. Entrepreneurship is a discipline, with methodologies, tools, and processes.

An entrepreneur takes risks, is willing to create something from scratch, he or she is not sitting at the beach with a smartphone in one hand and a piña colada in the other!"

Meet The local heroes:

Betsaida Olivares

"As women, we should not have to decide between our professional success and motherhood, we can have both!"



**People
+ Culture
= EVERYTHING**

WAIT, BUT HOW CAN WE MAKE IT BETTER?

The degree of connection (density) between actors in an entrepreneurial ecosystem is a good starting point. Increasing the density will likely lead to more efficient use of resources, more products and services that support entrepreneurs, and ultimately, to a stronger entrepreneurial class. In several gatherings that we led for the entrepreneurial ecosystem this year, we understood that we need to have events, both for entrepreneurs and ESOs, to network. The more diverse the event, the better. The important thing is that participants get to develop trust and relationships between them. Also of greater importance is that the commitments made by ESOs and Entrepreneurs are completed. There is a lack of consistency often, and what has been agreed upon that should happen doesn't. Many initiatives haven't been able to see the light because of this matter.

ACTIONS THE ECOSYSTEM IS TAKING:

Along with other ESOs, and part of the Action Research Project, we recognized these gaps and co-created solutions that we hope will help to close them:

1. Gap Identified: The information and resources are scattered and hard to find.

Solution:

Startup Guatemala, a website, and social media profiles where everything related to Guatemala's startups is centralized.

Here you can find events, a map of support organizations, resources, and much more. For more information, visit startupguatemala.org

2. Gap identified: There are investors in the country, contrary to popular belief. Yet, they need support and resources to better understand how to work with startups. Also, forming an association around early stage investment, could help promote improvements to Guatemala's investment environment.

Solution:

Capital of Central America-CAPCA, an association of business angels and investors.

3. Gap identified: Women are underrepresented in Guatemala's entrepreneurial ecosystem.

Solution:

Female founders club, A club that regularly gathers, aims to provide a space for women to share their challenges and find ways to solve them. It is also a great place to be inspired by women who are doing amazing things.

Along with other ESOs, and part of the Action Research Project, we recognized these gaps and co-created solutions that we hope will help to close them:

4. Gap Identified: The ecosystem is formed by clusters that are working separately and duplicating efforts. There needs to be more space for networking and collision to promote the density of relationships.

Solution:

Ecosystem Acceleration Program EAP, an event that joined the support organizations, government, and entrepreneurs, intending to link us with international ecosystems, teach more about ecosystem building, and form stronger ties within the community.

Consolidating the initiatives co-existing in the entrepreneurial ecosystem and encouraging collaboration between ecosystem support actors are key tasks to build a community that boosts the creation of new businesses and supports the sustainable development of existing ones.

This can only be achieved actively having open conversations about the state of the entrepreneurial ecosystem and its components: strengths, weaknesses, and culture.

Now more than ever, collaboration and improvement of the entrepreneurial ecosystem dynamics need to be tended.

Community and ecosystem building require lots of interactions and connections on a personal level. Face to face meetings, key in the construction of social fabric that is the base of successful entrepreneurial ecosystems, need to happen on a regular basis; which is why we launched this program.

5. Gap identified: The most publicized entrepreneurs usually come from a privileged background, making young entrepreneurs from different socioeconomic status hard to feel related to them. Entrepreneurs repeatedly see the same faces; new stories and new role models could inspire more people.

Solution:

Success has many shapes campaign, a publicity campaign posted in the social media profiles of Startup Guatemala, where entrepreneurs from all backgrounds share their stories.

SECURITY IS AFFECTING US ALL

In 2019, extortions increased by 70% (CIEN,2019). The small local businesses, such as corner shops and eateries, are the ones who suffer the most. Though these kinds of business are usually not considered into the entrepreneurial ecosystem dynamics, they are also part of the economy sustaining this nation.

There can be efforts to formalize them and help them grow with innovation and professionalization.

This problem is also affecting big businesses that count on intensive distribution. Most of them have even budgeted the payment of the extortions to keep their operations. Security is a matter that is affecting the entire society.

There is no easy way out. We can't just unify against this issue, but we can keep working on creating opportunities, on making work available for the younger generations. We can be solidary whenever fellow entrepreneurs are going through the hardship of insecurity.



Meet The local heroes:

MUNDI TORTAS:

“ In december 2018 a popular business called Las Mundiortas was showcased in local newspapers. After suffering extortions, they had to close their newly opened restaurant. They had to live apart from their families for a while, and feared for their lives. Sadly, their story is not uncommon. They were able to be resilient and start again, and opened new venues in zone 4 and 15. ”



Continuity : another significant weakness

Guatemala's Ministry of Economy is the national entity in charge of the development and support of MSMEs. But, one of the biggest challenges is the constant change in governmental authorities.

This rotation leaves the initiatives stuck halfway through completion, or efforts are duplicated since the new functionaries aren't filled in correctly with the past achievements. Another problem related to this situation is the loss of contact with the entrepreneurial community.

Since the ecosystem works in clusters, whenever new staff enters the Ministry of Economy, the already formed bridges usually plummet, and new ones need creation. The result is a slow-moving entity that cannot keep up with the global ecosystem's fast-paced change.

One way in which the entrepreneurial community can contrast this is by forming strong ties themselves. Entrepreneurs, ESOs and Universities could make sure that efforts are not being duplicated, and that entrepreneurs get the smooth transitions they need from program to program. This is an invitation to start cooperating more. If we work together, we will all thrive.



Meet The local heroes:

Cristina Dominguez

"To advance, the ecosystem needs complementarity and reciprocity between actors. Complementarity, because we need the capacity to establish entrepreneurial routes where each actor adds a specific value to entrepreneurs and reciprocity because it enables us to link entrepreneurs with others in the ecosystem, with a "give first" mentality, being able to offer and request support."

Meet The local heroes:

Alejandra Jeugmans



"Starting a business is the only option for many people: the lack of opportunities pushes many people to entrepreneurship, but they require resources, knowledge, and connections! "

" I genuinely believe that we need to form stronger ties to help entrepreneurs. We also need to make sure that opportunities reach every corner of the country by promoting decentralization. "

CHALLENGE: SMALL MARKETS AND LITTLE CONNECTION TO OTHER ECOSYSTEMS

Though Guatemala is a relatively big country with over 108 thousand square kilometers and over 17 million people (World Bank Organization, 2020), 59% live below the poverty line. This leaves roughly 6.9 million people consuming goods regularly.

Many sectors are becoming saturated with too much offer and not enough demand such is the case for entrepreneurs trying to serve the consumer medium-high markets in Guatemala City.

Equally important, for organizations helping the ideation phase and educators, preparing social entrepreneurs is critical. As we mentioned earlier, Guatemala is an amazing country to validate products or services for low income communities.



Yet, there is a way to see things differently. If we help our entrepreneurs create highly dynamic, innovative products and services that aim to serve the world instead of local markets, we will be benefiting them. ESOs and Entrepreneurs need to start connecting with international ecosystems. **The world is our oyster, especially in a highly digitalized era..**

Meet The local heroes:

Issa Argueta

“ Being an entrepreneur means facing a lot of situations you do not expect, assuming lots of risks and responsibilities, but also recognizing that losing a battle does not mean losing the war, and that there are situations we cannot control or know, but we can learn. Things have changed for the better when it comes to sharing and collaborating... Now, we can be part of a network and grow together! ”



Meet The local heroes:

Amada Hernández

“Collaboration is hard, and suspicion and the lack of commitment from some organizations have affected me negatively in my journey with Lucita Labs.

The confusing tax regimes, and the business creation and legal fees are a huge burden for entrepreneurs.” Bureaucracy makes starting a business and being an entrepreneur expensive!



Meet The local heroes:

Víctor Juárez

“ Being an entrepreneur is a stressful occupation where you handle a lot of uncertainty. ”

It is important to take care of your wellbeing by tending your mental health!



CHAMPIONS AND ONRAMPS OF THE ECOSYSTEM

This section celebrates the organizations that link the entrepreneurs to the ecosystem, their initiatives, and the people creating the movement. Also, you will find their stories distributed all through this document.

NOT ALL STARTUPS ARE CREATED EQUAL AND NOT ALL BUSINESSES ARE STARTUPS

MAPPING THE ENTREPRENEURIAL SUPPORT ECOSYSTEM



Meet The local heroes:

Josefina Sontay

“Entrepreneurs need a clear route and a tool to see where to find the programs and organizations that can support them!”



Meet The local heroes:

Malen Muñoz

“There is so much in the ecosystem that you have to learn how to find and filter those that will actually help you.”

First, it is essential to recognize that not all startups are the same. Service offerings should vary for the different types of entrepreneurs and their current stages. Guatemala has four main types of entrepreneurs. Keep in mind that MSMEs' growth is more organic and slower, and their focus in the early stages is not expansion but sustainability. A startup's objective can be gaining traction in early phases rather than profit.

1. Growth enterprises:

- A. Disruptive business models targeting potentially large addressable markets with massive scale potential.
- B. Typically founded by visionary and risk-taking entrepreneurs.

2. Social enterprises:

- A. An innovative business model with visionary founders that prioritize social, environmental, or artistic goals over massive growth (social or creative enterprises).
- B. Providing bespoke product or service for a specific customer segment and seeking profound local impacts.

3. Traditional enterprises

- A. (Family-run) enterprises and cooperatives in traditional and mature industries such as trading, manufacturing, retail, and services that replicate proven business models.
- B. Moderate growth through incremental innovation and efficiency gains.

4. Livelihood sustaining enterprises

- A. Necessity has driven (family run) small enterprises with some willingness and ability to grow incrementally and employ additional staff.
- B. Selling traditional products and services serving local markets or value chains.

The information about the actors who are shaping the ecosystem is scattered. To help solve this, Startup Guatemala was born. This initiative centralizes information about the ESOs (ecosystem support organizations), events, active entrepreneurs, and much more.

Mapping the Guatemalan Startup Ecosystem has proven to be a challenging task. Many organizations are still missing, especially outside the boundaries of the Metropolitan area.

In www.startupguatemala.org you will find:

- A detailed map of the relations between these actors.
- A description of the organization and its role in the community.
- Resources available for entrepreneurs by time and stage of development, divided by the profile of entrepreneur and type of projects or industries they focus on.
- Their contact information so you can easily reach them.

STAGES IN THE MAP

Stage 1: Sensibilization and identification

Entrepreneurs have an idea and want to start their company but don't know how to turn it into a business.

Stage 2: Formulation

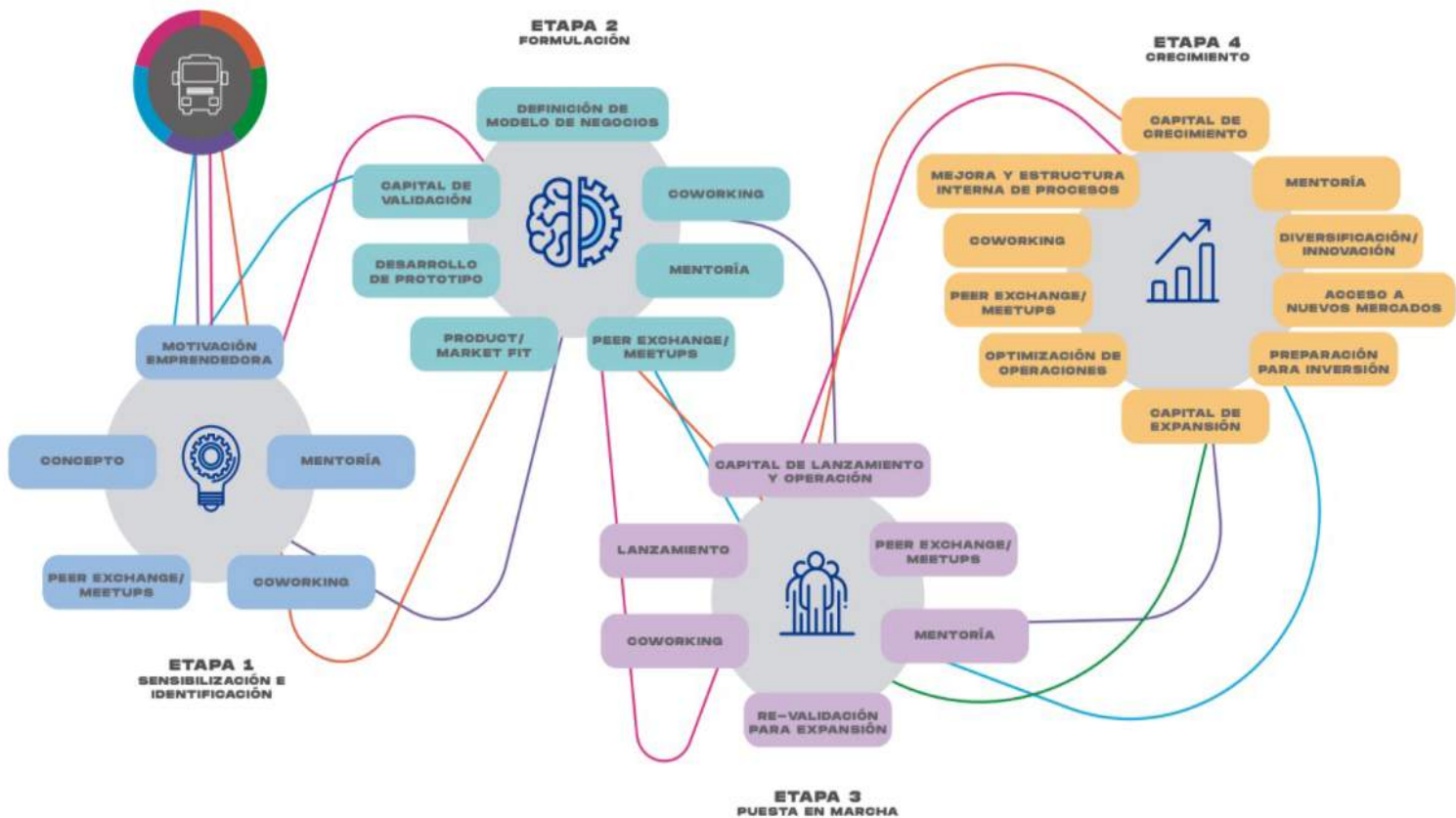
Entrepreneurs have a business model and are developing a prototype, but they're not selling yet.

Stage 3: Startup

Entrepreneurs have an MVP with which they've tested the product/service and adjusted their business model. They have started to sell.

Stage 4: Growth

Entrepreneurs have stable or growing sales and business model and have



- RUTA DE ALTO CRECIMIENTO
- RUTA DE EMPRESAS SOCIALES
- RUTA DE EMPRESAS TRADICIONALES RUTA DE
- EMPRESAS DE SUSTENTO
- FLUJO DE CAPITAL

- Empresas de tecnología o crecimiento exponencial.
- Empresas enfocadas a crecer pero también a generar impacto.
- Empresas que operan en industrias "tradicionales" (comercio, manufactura, ventas y servicios).
- Empresas impulsadas por oportunidad, usualmente familiares, que muestran un patrón de crecimiento incremental muy lento.
- Para empresas que buscan capital para crecer.

DID YOU KNOW THAT ENTRENEURSHIP SUPPORT ACTORS ARE STARTUPS TOO?

How to become sustainable is the pressing matter for most ecosystem support actors. Since investment is not a source of funding yet in Guatemala, organizations cannot use this model to generate income and sustain their operations and thus need to look for other alternatives.

Government funding is only available to municipal entrepreneurship centers and for some incubators.

Universities' incubators get subsidized by the same institution and are mostly limited to their students.

The narrative of "entrepreneurs have no money to pay" is widely accepted; therefore, most organizations have services they offer for free. However, several docharge for programs, such as Multiverse or Heurística.

Other consulting firms and support organizations charge entrepreneurs based on their current development and progress during the process.

The result of having such a challenge in finding a sustainable model is that organizations run low on staff and limited resources. In the end, this fuels competitiveness to obtain resources, which limits collaboration.

There is usually a lack of "up and downstream" coordination between the different entrepreneurial ecosystem actors. Entrepreneurs do not have a smooth transition between programs and are rarely connected to the next stage they need to grow.

It is also not unusual to find organizations that attend all types of entrepreneurs, leaving little room for specialization in all development stages.

WAIT, BUT IS IT FREE!?

Running programs for all stages in the entrepreneurial journey is an issue for sustainability. It is costly and not very efficient.

Innovation and collaboration between support organizations often leads to their specialization (which means attending entrepreneurs with specific business models or in particular growth stages).

This would provide a higher value to entrepreneurs. As a result, they could have better outcomes and feel more motivated to pay for the services, thus providing ESOs with a revenue stream to ensure their sustainability.



Meet The
local heroes:

**Gabriela
Rodriguez**

I started my business with a motorcycle, Waze and prayers! (laughs).

Trust is an issue, especially in businesses that transport products and cash, but we have worked hard on creating and following processes to provide our clients with a good service.

LET'S SUPPORT COWORKING SPACES!

Coworking spaces are booming in Guatemala City and have been around for about seven years.

They solve several necessities for entrepreneurs like having a professional office space without the full operating costs and long-term commitment. They also help connect with a community of peers and access a network of support, events, and resources.

Since coworking spaces are startups themselves, also owned by entrepreneurs, they need to find a sustainable business model and provide their customers with enough connections to the startup community to survive and become relevant in the ecosystem.

Creating a sustainable business is complicated for entrepreneurs in Guatemala. Coworking spaces are no exception; they must disburse a significant initial investment in assets such as furniture and acquire long-term lease commitments. These essentials to run the business are incredibly capital-consuming.

However, Guatemalan entrepreneurs are far more likely to pay for an office space once they have established, than to pay for other services (such as consulting), hence their market potential.

The price ceiling is sensitive and closely related to the coworking space's location rather than the services available.

The sustainability challenge is great, and yet there are other threats. One of them is competing with international business centers. These centers can rent office space with far superior facilities thanks to their access to capital and credits.

Also, because of COVID-19, many have had to close after receiving little support from their tenants and landlords. They are now shifting their business model to providing online services to entrepreneurs.



Meet The local heroes:

Andrea Aragón

"One of the biggest challenges for entrepreneurs is not having an inheritance, a determined last name.

As an entrepreneur without those connections, you must work hard to make it and build things from scratch. We had to "plow in the desert," but it turned out great!"



Meet The local heroes:

Marta Méndez

"As an entrepreneur, you are forced to respond to a client who believes he's always right, so it is crucial to make visible the vision, challenges, and work that goes behind the delivery of the products and services."

INITIATIVES YOU CAN JOIN

(THAT NEED MORE HELP, MORE TRACTION)

PROYECTO SEC (Servicios Expertos de Consultoría):

Supported by Swisscontact, this is a 40 years old program. After understanding that MSMEs generate over 80% of job positions, SEC strives to improve their competitiveness and generate employment. They need all the volunteer experts they can have to serve a large number of Entrepreneurs

Female Founders Coalition

A club that gathers regularly. It aims to provide a space for women to share their challenges and help them find solutions. It is also a great place to be inspired by women who are doing amazing things.

Womanpreneur Digital Fest

A digital festival of female entrepreneurship, to learn, create, meet and experiment with EXPERT speakers on national and international trends.

CAMEEG

Cámara de Mujeres empresarias y emprendedoras de Guatemala (Guatemalan chamber of female entrepreneurs and businesswomen) and an institution led by female business founders support businesswomen and entrepreneurs to create the conditions to achieve the success of their projects. CAMEEG has also launched a virtual Forum/ Fair for female entrepreneurs from Central America who want to have a digital platform to learn and showcase their products and services.



Meet The
local heroes:

**Jezyka
González**

"It is necessary that the tools utilized for the entrepreneurial ecosystem are dynamic, easy to navigate, accessible for entrepreneurs, and are updated regularly."

Tools must serve entrepreneurs!

Peer Exchange La mentoreada, (ASEGUA)

ASEGUA wants entrepreneurs to take the next step in their venture. They have gathered a group of mentors who, weekly, will be helping entrepreneurs with valuable information, transmitted via Facebook live.

GEW-Global entrepreneurship Week

Global Entrepreneurship Week (GEW) is the world's largest celebration of innovators and job creators who bring ideas to life, drive economic growth, and expand human wellbeing. Every year in November, GEW inspires people worldwide through local, national, and global activities designed to help them explore their potential as initiators and innovators. This year it took place from November 16th to November 20th, and the Kirzner Entrepreneurship Center is hosting this activity in Guatemala..

Mapping / Information

Red Nacional de Emprendimiento MINECO (Ministry of Economy)

The National Entrepreneurship Network of Guatemala was created from Ministerial Agreement 758 – 2019.

Its purpose is to facilitate the connection between the different networks from the national entrepreneurial ecosystem, articulating their participants at a territorial and sectoral level.

GEM Kirzner Entrepreneurship Center

Every year, the Kirzner Entrepreneurship Center publishes a study that deepens the understanding of the entrepreneur's profile and businesses. It discusses the environment in which he carries out his activities, the main restrictions he faces to add value, and the economic and social impact that its business generates. This study is free to learn more about Guatemalan entrepreneurs.

CIT

The Centro de Innovación y Teconología at Universidad del Valle is open to public. It is a vehicle to potentiate the ecosystem.

To know more about it visit:
<https://www.uvg.edu.gt/cit-2/>.



RESOURCES FOR THE ECOSYSTEM

We dedicate this section to discussing events, competitions, mentoring networks, and other notable initiatives that need more help and traction.

EVENTS AND STARTUP COMPETITIONS

Events work as mixers for cross pollination, social exchange, and growth. Large events in the Guatemalan startup ecosystem are not uncommon. In the past few years, they have been growing in number and quality, attracting more international speakers. But, they are still attracting the same clusters, which ultimately hurts the ecosystem's density.

If you are an event organizer you may want to consider the following for your next event or competition:

-Aim to attract as many different clusters as possible. Your event can be crucial in making the ecosystem more dense.

-Check the dates of other events in the ecosystem. It is not uncommon to have months in which nothing happens, and months in which several events are held the same day.

-Allow spaces for networking and collaboration.

-if you organize a competition, make distinctions between Startups and MSMEs and follow up with them to make sure that the objective of the grant is being achieved.

You can find more information about the events going on in the ecosystem at:

<https://www.startupguatemala.org/calendario-de-eventos>

MENTORS AND RESOURCES

There are organizations in Guatemala, such as Micromentor, that are doing an excellent job creating mentor networks. Entrepreneurs usually access them through personal and professional connections, mostly available to those with superior education or social capital. If an entrepreneur is emerging and has not yet developed the necessary contacts with the ecosystem, he will have a hard time finding mentors

SELF FINANCING WITH LITTLE FUNDS

Most of the Guatemalan population is not accustomed to saving money. As a cultural example, many Mayan communities have a concrete and standardized practice for keeping grains, but many don't have a particular word for saving money. For entrepreneurs, this means they are less likely to have startup capital of their own, and casual investors (friends and family) are prone to be in the same position.

In more developed ecosystems, the start and validation capital are covered by personal savings, which leaves the entrepreneur in a more favorable position.

PRO TIP

If you are a successful entrepreneur or an ESO consider helping out by becoming a mentor yourself. New entrepreneurs don't even know they need a mentor, but you know better. Help them connect.

Meet The
local heroes:

Pablo Galindo

“ As an ecosystem, we need to professionalize ourselves and have a common reference framework to boost the creation of businesses with expansion potential. ”



Even in circles where people have more acquisitive power and income sources, investment is not typical. It is more likely for wealthy individuals to have several bank accounts, both locally and internationally, to invest in real estate or buy tradeable goods than to invest in startups.

Guatemalans are not familiar with the investment concept since there are not public references of how it works.

This leads to two outcomes:

1. Entrepreneurs believe there is no capital or investment in the country.
2. And investors believe there are not profitable projects to invest in.

THE PARADOX OF INVESTMENT

Access to investment is one of the main challenges of the Guatemalan entrepreneurial ecosystem. Entrepreneurs often feel there is no investment or capital, and investors often feel there are no investable startups.

Thus, we find ourselves within an "investment paradox" (quoting Pablo Galindo, from Gestlá).

However, we have discovered that there is more than meets the eye. First, it is crucial to understand that high-risk investors need a pool of startups that fulfill their investment thesis and comply with financial traceability and sustainability requirements.

The reality of venture capital is that there is a high probability of failure; diversifying is crucial to reduce the risk.

However, this is not easy to find in an ecosystem where many are traditional SMEs with a more organic growth process (Although this is changing with tech entrepreneurs' surge!). Traditional and livelihood sustaining businesses are (in most cases) far from ideal candidates for risk capital. However, they can access conventional sources of financing, such as banking or cooperative loans.

Meet The local heroes:

Jose Kont

" Our journey has not been easy, we have had our ups and downs, but if I could give one specific piece of advice, it would be to document everything and keep at least a two- or three-month projection. "



There is another issue: Information about investment transactions is not public due to security concerns, so it is difficult for entrepreneurs who aren't familiar with investment to understand the terminology, process, and requirements of the different types of available investment.

Within our work in the Action Research Project, we have helped in forming CAPCA (Capital of Central America).

It seeks to become the startup investors' association in Guatemala, to generate incidence on creating public policies that favor local investment and attract foreign investment capital to the market. It's objectives are:

- Establish connections between local and international investors.
- Facilitate collaboration between investors.
- Provide local startup investment data.
- Provide local startup investment data the private and public sectors to promote the local investment ecosystem's growth.
- Promote education on investment themes.
- Promote the link-up and exchange of knowledge with regional and global investment ecosystems.
- Create a common framework for investment that is understood equally by all the actors involved in the startup investment.

THE PARADOX OF INVESTMENT

Coordination and alignment between key actors are essential for effective collaboration, and the use of common framework and shared language are key factors to reach substantial changes in the ecosystem's culture that will enable:

More fluid communication between startups and investors, grounded on good practices that are documented and socialized.

Professionalization of entrepreneurs and investors (on investment topics).

Creation or reform to public policies to favor startup investment.

Quoting from an investor that requested to remain anonymous:

"Guatemalans are entrepreneurs by nature. They are resilient, creative, and capable of finding solutions tenaciously! Ideas are abundant; however, there are still many challenges, like that the market is too small in size.

Another crucial aspect of promoting investment is that there needs to be a way to provide investors with reassurance and peace of mind. Startups must have orderly financial records, sustainability, and structure. There is also a need for a steady flow of investable startups (pipeline creation).

Furthermore, I believe it is essential to make successful startups more visible and promote entrepreneurs' roles as heroes. All societies need heroes! Coordinating the different actors of the entrepreneurial ecosystem is needed and valuable. Creating spaces such as TEC that harbors everyone together, with openings for exchange and collision, encourages collaboration, and facilitates success.

POLICY MAKING IS ALSO AN ENTREPRENEURS ISSUE

Many Guatemalan entrepreneurs have been part of the government's motivation and pressure to approve new laws that benefit new startups. Though it needs reformation for it to favor the ecosystem, the Entrepreneurship Law's recent approval can be seen as a win for the ecosystem. It has been the first time, in many years, that the Congress has approved a law of this nature.

There are still many ways in which policymakers can help Guatemala become a thriving ecosystem. One of them is how Guatemala has no representativeness on the global digital scale due to the anti-money laundry laws. Creating online businesses and charging online is the luxury of a few who can travel abroad to open a bank account. Bringing money collected online is a lengthy process that costs too much money. For tech entrepreneurs, bureaucratic and nonfunctional legal procedures to establish companies make it more likely to continue incorporating in Delaware or the Virgin Islands. It remains faster, cheaper, and easier for investment purposes.



Meet The local heroes:

Daniel Castillo
Invariantes Fund

“ Collaboration is key in an entrepreneurial ecosystem: sharing best practices and educating ourselves as investors and entrepreneurs is a great way to understand the role we and others play.”



Meet The local heroes:

Boris Lemus
co-founder of ASEGUA and FRI

“ After starting our entrepreneurial journey in 2013 and being part of the first cohort of Emprende Gt, we began to understand that there should be a startup ecosystem.

There was very little funding available, and only one bank was trying to serve this market. We started connecting entrepreneurs with investment, but we quickly realized that entrepreneurs need to strengthen their financial knowledge and technical skills to fulfill their requirements. We also discovered that the law required to foster entrepreneurship, being in such an entrepreneurial country.

We don't entirely agree with how the law was approved, but we are happy that there is, at least, a starting point.”

RECOMENDATIONS

RECOMENDATIONS FOR ESOS

Our society is fragmented enough for us to keep that same trend. Embrace diversity and collaboration with other support organizations. Search to establish bridges that serve for the greater good: a smoother transition between programs for the startups. Promote diversity and decentralization.

Guatemala's entrepreneurial ecosystem is still very small, and it serves mostly the metropolitan area. The efforts should be broader. We need more data, and we need to centralize it to understand the path we are creating for the entrepreneurs. This can be done by working on improving the KPIs and being open about our success and struggles. Just knowing how many entrepreneurs we are serving is not enough to understand the impact we have on them.

RECOMENDATIONS FOR GOVERNMENT

The ecosystem is still very young and therefore needs a lot of support. Work along with ESOs (who can help the continuity) and invest in programs that can impact entrepreneurs in every stage. Some laws are preventing Guatemalan startups from internationalizing. Startups could use the internet to serve the world, but the current money-laundry laws make it hard to charge international markets. Payment platforms like Paypal, 2Checkout, etc., can't serve this market, and the fees to bring the money into Guatemala are exorbitant, leaving little room for profitability.

Security should be part of the urgent agenda. Businesses have a hard time thriving in environments where their lives are in constant threat. Also, the money spent on extortion payments could be going to develop businesses and job creation.

RECOMENDATIONS FOR UNIVERSITIES

The recent opening of innovation spaces and maker spaces is to be celebrated. Yet, many of the services are only for the students of the higher institution.

Creating programs that are open and available to the community is a great way to help construct the ecosystem. Promote and help the creation of startups in the agritech area. Innovations in such can be validated in Guatemala and exported to the rest of the world. Advocate for a change of mindset in the culture and type of business that Guatemalans create.

According to the 2020 GEM, half of the University's graduates are entrepreneurs. Your role in educating on innovation, internationalization, and diversity is of utter importance.

RECOMENDATIONS FOR INVESTORS

You can be the generation that breaks through the gaps of local investment. We acknowledge that your role is crucial for a healthy entrepreneurial ecosystem. Working with startups is different than doing business with more established companies. Moreover, it can be incredibly fulfilling.

We invite you to join Capital of Central America (CAPCA), a network of investors where you could find the support to make local investment more effective.

For more information, you can contact andrea.mazariegos@swisscontact.org.

RECOMMENDATIONS FOR ENTREPRENEURS

Do your homework: it's essential to research the market and find a program that suits your business needs. No entrepreneur should enter into an accelerator program lightly; you need to really think about what will be expected of you as a participant and be clear on what you will personally get out of the program. Just because a program has had success stories doesn't automatically mean it's the right fit for you.

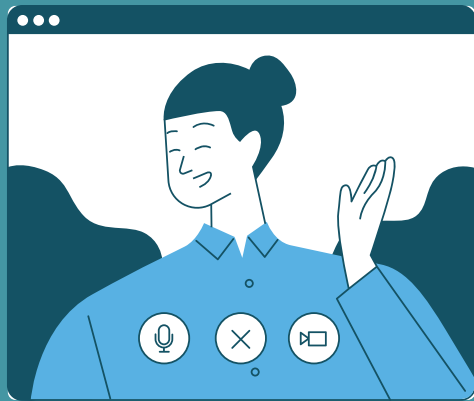
Challenge ESOs to provide valuable and tangible services that make a difference in the development and growth of your business.

Proactively contribute feedback to ESO programs to encourage a culture of continuous improvement.

RECOMMENDATIONS FOR ENTREPRENEURS

HELP OUT!

Look into more significant societal problems that you can help solve. Guatemala is an excellent market for validating social startups. Businesses serving the base of the pyramid have a bigger market; and, if the validation is successful, internationalization can happen quickly.



TECH IS GOOD!

Tech can be validated here, especially agritech!



IT'S A CAREER

Work in making your startup your own career. It is indeed a difficult journey, but if you network and find the right support organizations, it can be highly fulfilling. Entrepreneurship can be your first choice.



KEEP YOUR FOCUS

Organize your company from the beginning. Focus on having processes, studying and keeping track of your finances, promoting your team's wellbeing, and keeping your taxes in order. All of this should help you prepare for growth and investment.

KEEP GOING

Follow through. Consistency is key. Defend your reputation as an entrepreneur by keeping your word.



REACH OUT!

Look beyond your immediate social network. Whenever you start a company, do so not just by partnering with your best friends but also by looking at your partners' skillset. It will save you time and money.



Final Words

Entrepreneurship is an engine capable of moving economies forward. It is a complex system in which many actors need to work in coordination to help entrepreneurs succeed.

According to the World Economic Forum, approximately 1 in 6 Guatemalans will start a business over their lifetime. They may be driven either by necessity or because they found an opportunity in the market. Nevertheless, in both kinds, the entrepreneurs assume a tremendous risk and endure difficult tasks. Their success depends on the support they get from their communities.

As ecosystem builders, our work started with observation. We collected testimonials from different organizations and gathered information from various studies. We started discussions with other ecosystem builders about the gaps and needs of actors and entrepreneurs. We documented the goals, vision, and objectives of ecosystem players to finally compile them in the Ecosystem Manifesto, which you can find in Startup Guatemala (www.startupguatemala.org). This platform aims to capture the growth, dynamism, and potential of the people in our ecosystem. It is essential to emphasize that Startup Guatemala is not about self-promotion but about celebrating your stories and facilitating collaboration.

We thank the more than 80 organizations who have been involved in the Action Research Project. They have actively participated in the design and co-creation of initiatives that can help the ecosystem achieve the community's goals. We know that many others need to be included in Startup Guatemala. We hope to connect with you.

All these actors are doing amazing things, and we wish that the initiatives born through this project get to deliver value to the community. It is our deepest wish that all of the people who are involved in the entrepreneurial ecosystem thrive.

Ecosystem building is a work in progress. Each individual has a significant impact, and all the efforts count. Ecosystem building is about people, the fantastic, different roles we all have, and how they all help entrepreneurs grow. Let's leave the competition on the side and start cooperating. Let's increase the density and quality of our connections! As we align as a team, we can start firing up the engine to allow entrepreneurs to not only succeed but transcend.

Thank you for reading our words. We hope you feel inspired to take action and join the ecosystem building efforts. Please do not hesitate to contact us at:

andrea.mazariegos@swisscontact.org or through StartUp Guatemala.

Andrea and Alejandra

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