

Our latest note highlights the results of a large-scale national business plan competition in Nigeria, which shows how assistance to entrepreneurs can grow companies well beyond the typical subsistence and micro size.

Creating jobs through a Business Plan Competition: Evidence from Nigeria's YouWiN! competition

David McKenzie

The modal firm size in most developing countries is one worker, consisting of only the owner of the firm. Amongst the firms that do hire additional workers, most hire fewer than ten. In Nigeria survey data indicate that 99.6 percent of firms have fewer than 10 workers. This is in sharp contrast to the United States, where the modal manufacturing firm has 45 workers. Are there constrained entrepreneurs in developing countries with the ability to grow a firm beyond this ten worker threshold? If so, this raises the questions of whether such individuals can be identified in advance, and of whether public policy can help them overcome these constraints to firm growth?

I investigate these questions through the context of an evaluation of the impact of a national business plan competition in Nigeria.

The Competition

The Youth Enterprise With Innovation in Nigeria (YouWiN!) program is a business plan competition for young entrepreneurs in Nigeria. It has the stated objective of encouraging innovation and job creation through the creation of new businesses and expansion of existing businesses, and was launched by the President of Nigeria in October 2011.

To be eligible for the program applicants had to be Nigerian citizens aged 40 or younger, proposing the creation of a new or expansion of an existing business venture within Nigeria.

23,844 applications were received, with the top 6,000 getting selected to receive

a four-day business plan training course. 4,510 business plan applications were received and scored, and 1,200 winners were selected to receive prizes averaging US\$50,000 each.

Impact Evaluation Design and Data

The top 300 scores were chosen as national winners, and 180 winners were then chosen as top in their respective regions. Then for reasons of fairness, operational practicality, and to enable a rigorous impact evaluation, the remaining 720 winners were chosen randomly from a pool of 1,841 semi-finalists. Our impact evaluation uses this randomized experiment to compare winners to this control group.

Three rounds of annual follow-up surveys were taken at 1, 2, and 3 years after the application. Response rates for the experimental sample were 79%, 92%, and 85%, with results robust to bounding exercises for attrition.

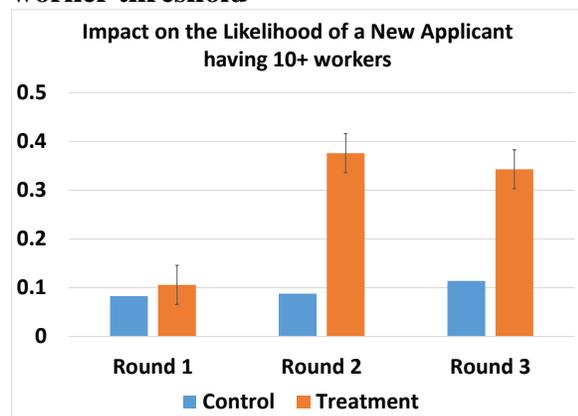
Results

I estimate results separately for those proposing to start new firms, and for those who applied with existing firms that they wanted to expand.

- For new firms, winning results in a 37 percentage point increase in the likelihood that the individual is operating a firm three years later; a 23 percentage point increase in the likelihood the firm has 10 or more workers (Figure 1); more innovation; and a 23 percent increase in profits.

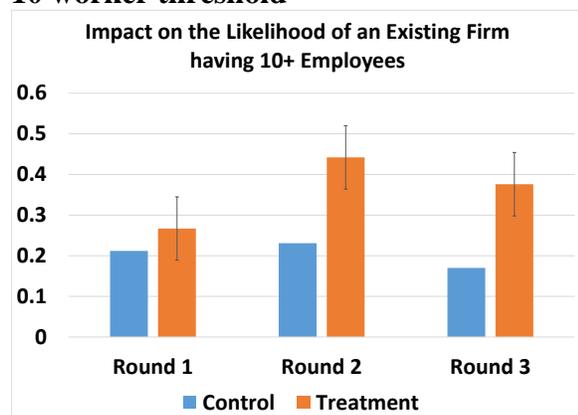
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Figure 1: More New Firms Reach the 10 worker threshold



- For existing firms, winning results in a 20 percentage point increase in survival over three years; a 21 percentage point increase in the likelihood the firm has 10 or more workers (Figure 2); more innovation; and a 25 percent increase in profits.

Figure 2: More Existing Firms Reach the 10 worker threshold



- The implied real return on capital is 1.5 percent per month.
- By the end of year 3, the 1,200 winners are estimated to have generated more than 7,000 new jobs. The cost per-job-year generated

compares favorably to stimulus programs in the U.S., and to vocational training, business training, wage subsidy, and small grants to microenterprise programs in developing countries.

Policy Implications

Business plan competitions have become increasingly popular policies around the world, and are now included in several World Bank projects in sub-Saharan Africa. However, to date there has been little evidence on the effectiveness of such programs, raising questions of whether they are able to identify potential high performance entrepreneurs, and whether they spur more growth than would have naturally occurred.

The results of this evaluation show that a business plan competition can be successful in identifying entrepreneurs with the potential to use the large amounts of capital offered as prizes, and that these individuals appear to be otherwise constrained from realizing this potential. The prize money generates employment and firm growth that would not have otherwise happened.

However, the results also highlight the difficulties of picking winners. Conditional on reaching the semi-finalist stage, neither the scores for the business plans, nor individual and business characteristics have much predictive power for predicting which firms will grow faster or benefit most from the program. This remains an area for active research, but also highlights the inherent riskiness of entrepreneurial activity.

For further reading see: McKenzie, David (2015) "Identifying and Spurring High-Growth Entrepreneurship: Experimental Evidence from a Business Plan Competition", [World Bank Policy Research Working Paper no. 7391](https://www.worldbank.org/publications/policyresearchworkingpapers/papers/7391)

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