

Thriving at home

Creating an entrepreneurship hub for the western region of Guatemala, as an alternative to migration

Introduction

Migration is a natural condition of the human being, but in recent decades it has increased due to an unequal distribution of resources. “The displacement of people who move from one country to another is again relevant, to please their needs” (Navas, 2017, pág. 5).

Usually, the problem of migration is approached from the destination: how can the recipient country host the migrant population and meet their needs, or limit or expel those who arrive illegally, seeking better opportunities and living conditions.

In this project, however, we will focus on preventing the causes that force people to leave their family and country, as well as giving hope to those who return to Guatemala without expectations of labor reintegration.

We seek to promote and strengthen enterprises and innovations in Guatemala, to provide alternatives to people, especially young people, to build a better future at home.

For this, we will create an entrepreneurship hub in the western region of the country, located in Huehuetenango department, with impact in other departments close to the Mexican border, especially Quetzaltenango and San Marcos.

Problem statement and Rationale

Between one and two million Guatemalans live in the United States (Domínguez, Olmedo, & Rayo, 2018, pág. vii), the main destination for those who decide to emigrate. According to the US National Census Bureau, Guatemalan migrants represent the sixth group of people born in a Latin American country and now live in the United States. They are the Latino population that has grown the most from one census to another –2000 to 2010— (Dabroy, 2018b, pág. 14).

In 2017, the Documentation Network of Migrant Defense Organizations consulted migrants from the northern triangle of Central America - Guatemala, El Salvador, and Honduras - about the reasons for leaving their countries. The answers were: economic, 68.85%; violence, 11.01%, and family reasons, 2.87%. Among the economic causes, 46.84% is due to the lack of decent employment; 35.28% to improve the quality of life; 17.39% for poorly paid employment, and 0.49% for debts. To all this is added the corruption, political instability, and insecurity (Dabroy, 2018a, pág. 26).

According to data from the National Survey of Living Conditions 2014, 59.3% of the population and Guatemala is in poverty - 23.4% of this percentage in extreme poverty— (Navas, 2017, pág. 13).

The lack of job opportunities and unfulfilled income expectations force young people to look for opportunities outside their community. For many young people, emigrating to the USA is considered “a dream” (FAO, 2016, pág. 55). In 2017, a reduction in youth employment was observed, compared to 2002. Young people were the most affected by underemployment and informal employment. Besides, although in 2017 young people had a higher educational level than in 2002, the quality of employment was worse (Prado S., 2018, págs. 81-85).

Preliminary data from the study *The Political Culture of Democracy in Guatemala, 2019*¹, show that one in four Guatemalans say they intend to emigrate to another country. This, despite the risks found in the route, such as organized crime, kidnappings, human trafficking and abuse by authorities.

The western departments of Guatemala, especially those on the border with Mexico (Quetzaltenango, San Marcos, Huehuetenango) expel a large number of migrants: about 10 – 15% of their population (Piedrasanta Herrera, 2016, pág. 21). They are also the largest recipients of remittances in the country (Domínguez, Olmedo, & Rayo, 2018, pág. 29).

In Huehuetenango, 60.5% of the population is in poverty; the department also has a young population (the majority being less than 24 years old) (INE, 2014b, pág. 25). This higher proportion of the young population offers a territorial potential for the future, but that is conditioned on the youth receiving adequate preparation, quality education and spaces for technical careers, without neglecting an improvement in the offer labor, which would allow the department to take advantage of the population bonus to boost development projects (IDIES, 2012, pág. 26).

Also, due to greater life expectancy of women, as well as higher rates of migration of men, women are the majority of the population in Huehuetenango. Despite this, there is a lack of sources of employment that allow them to combine home care responsibilities with productive work. This is evidenced in a lower participation of women in the economically active population (IDIES, 2012, págs. 22, 27).

The department's economy is based on agriculture, an activity that is dedicated to more than 70% of the economically active population. The second most important activity is services (8%), followed by commerce (7%), construction (5%) and industry (4%). In addition, 38% of the economically active population works on their own (IDIES, 2012, pág. 28).

The main products are corn and beans. However, this production is for self-consumption, and only a small part is sold in the local market (IDIES, 2012, pág. 30).

¹ Disponibles en: <http://www.asies.org.gt/wp-content/uploads/delightful-downloads/2019/05/Cultura-de-la-democracia-en-Guatemala-2019.pdf>

to mitigate the economic, social, political and cultural impacts of forced return (Rayo, 2016, pág. vii).

The social and labor inclusion of this returnee population has not been a priority for the State of Guatemala, which does not see a real threat in this problem and does not allocate a budget for its attention (Dabroy, 2018b, pág. 49).

Creating an alternative to thrive at home

Guatemala needs projects that promote economic growth and give opportunities to curb the flow of people leaving for the US.

The entrepreneurship hub for the western region of Guatemala will provide training and microcredits, empowering people to launch successful startups. This way, it will contribute not only to the economic growth of the region, but also, to give people an opportunity to thrive at home, become employers, build a better future for their families, and contribute to the development of their communities. These conditions will also impact the solidarity that these communities can offer to other migrants, as these departments are a transit zone towards the Mexican border.

Guatemala is rapidly becoming a hub for entrepreneurs that help with the generation of employment for the economic development of the country. There are many cases of “hubs” (locations where entrepreneurs and innovators receive help and resources) all over the country³.

The entrepreneurship ecosystem in Guatemala is very strong with new startups, private companies, government actors, academic institutions and international actors in many communities and that in many ways are helping transform and strengthen the national economy through the multidisciplinary support of new commercial projects, that allow to provide an alternative to the labor market and the development of this through the ventures.

Yet, Guatemala has more pronounced weaknesses in the innovation process, technology absorption, risk acceptance, internationalization, and risk capital. That is why it is very important to implement programs that help develop the right abilities and strengths in entrepreneurs in the western region of the country, using our experience in past successful projects in Guatemala since 2010.

The project will be based on the experience of Campus Tec Guatemala, often called the “Silicon Valley” of Guatemala that has also been replicated in Jalapa department via an SBNA grant from the Department of State of the US⁴.

³ The International Entrepreneurship Index presented by the Global Institute of Entrepreneurship and Development, in its latest report, has the following information for Guatemala:
<http://www.gemconsortium.org/country-profile/67>

⁴ Here is more information about this initial incubator and accelerator:
<http://www.nytimes.com/2011/11/17/world/americas/a-silicon-valley-dream-grows-in-guatemala->

The same team of consultants, including the leader Maria Zaghi, who has an extensive experience in developing technology and innovation hubs and that was the person in charge of both hub formation is now in alliance with ASIES to replicate the project in Huehuetenango. Her team will collaborate directly in the development of the strategic pillar of the project and to help coordinate with their experience in the coordination of the methodology that has been so successful in other hubs in Guatemala.

A key alliance with Génesis Empresarial Foundation will allow granting microcredits, accompaniment and technical assistance for startups. Genesis will be key in the financing pillar of the project in order to give the initial seed money to participants.

A first contact with the campus of Rafael Landívar University in Huehuetenango has been made. We will seek that it provides academic support for training in the education pillar of the project, by providing teachers and giving participation diplomas to the beneficiaries of the entrepreneurship hub.

The idea is to replicate programs related to entrepreneurship that have been successful in previous hubs and that have generated hundreds of new businesses and startups that have had a very positive impact in the economy of each community. This with the added value of having a real option to access to microcredits once the training ends and also having recognized teachers of the oldest private university supporting their learning process.

Planned activities

Our planned activities to be carried out in 24 months are:

- To create an Innovation Hub to help develop the entrepreneurship ecosystem for the western region of Guatemala.
- Train, empower, launch and follow-up at least 200 new startups (100 per year) in the western region of Guatemala, using the lean startup methodology, in order to launch new high impact enterprises to help the local economic growth and create new jobs based on innovation and technology. In particular, the participation of young people and women will be encouraged.
- Follow-up and mentorship to provide participants with additional resources, contacts, financing and other types of opportunities to help them gain the needed traction as new businesses. This will be carried out by experts from ASIES's consultants, Maria Zaghi's expert team, and Génesis Empresarial Foundation's financial advisors.
- Grant microcredits for startups and enterprises that qualify, including accompaniment and technical assistance, through an alliance with Génesis Empresarial Foundation.

Methodology:

[city.html? r=0](http://gohub-jalapadigital.com/). Go Hub is the incubator and accelerator that is a "spinoff" of Campus Tec located in Jalapa: <http://gohub-jalapadigital.com/>

Lean startup is a methodology for developing businesses and products, which aims to shorten product development cycles by adopting a combination of business-hypothesis-driven experimentation, iterative product releases, and validated learning. The central hypothesis of the lean startup methodology is that if startup companies invest their time into iteratively building products or services to meet the needs of early customers, they can reduce the market risks and sidestep the need for large amounts of initial project funding and expensive product launches and failures used in both operations from the start.

The proposed study plan includes the development of a business model for each entrepreneur and the following topics:

Minimum viable product

A minimum viable product (MVP) is the version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort (similar to a pilot experiment). The goal of an MVP is to test fundamental business hypotheses (or leap-of-faith assumptions) and to help entrepreneurs begin the learning process as quickly as possible.

Continuous deployment (only for software development)

Continuous deployment, similar to continuous delivery, is a process whereby all code that is written for an application is immediately deployed into production, which results in a reduction of cycle times.

Split testing

A split or A/B test is an experiment in which different versions of a product are offered to customers at the same time. The goal of a split test is to observe differences in behavior between the two groups and to measure the impact of each version on an actionable metric.

A/B testing is sometimes incorrectly performed in serial fashion, where a group of users one week may see one version of the product while the next week users see another.

Actionable metrics

Actionable metrics can lead to informed business decisions and subsequent action. These are in contrast to vanity metrics—measurements that give the rosier picture possible but do not accurately reflect the key drivers of a business.

Pivot

A pivot is a structured course correction designed to test a new fundamental hypothesis about the product, strategy, and engine of growth.

Innovation accounting

This topic focuses on how entrepreneurs can maintain accountability and maximize outcomes by measuring progress, planning milestones, and prioritizing.

Build-Measure-Learn

The Build–Measure–Learn loop emphasizes speed as a critical ingredient to product development. A team or company's effectiveness is determined by its ability to ideate, quickly build a minimum viable product of that idea, measure its effectiveness in the market, and learn from that experiment. In other words, it's a learning cycle of turning ideas into products, measuring customers' reactions and behaviors against built products, and then deciding whether to persevere or pivot the idea; this process repeats as many times as necessary. The phases of the loop are: Ideas → Build → Product → Measure → Data → Learn.

This rapid iteration allows teams to discover a feasible path towards product/market fit, and to continue optimizing and refining the business model after reaching product/market fit.

In summary, our customized lean startup business model program is directed to entrepreneurs in order to develop sustainable business model. The training program proposed includes the following topics:

- Entrepreneurship
- The bases of the enterprise.
- The knowledge of oneself: The entrepreneurial attitude.
- The knowledge of the other: The environment of the entrepreneur.
- The knowledge of the other: The product and the market.
- Business models.
- Monetization
- Business Plans.
- Legalization of the company.
- Intellectual property.
- Negotiation.
- Processes and Quality.
- Administration of key points.
- Agile methodologies for project development.

The Lean Startup methodology is based on the following phases:

- Design
- Prototype
- Development
- Validate with prospects
- Adjust his product or service

We also have legal advice in order to implement enterprises according to Guatemalan and international law. Finally, there are also administrative and financing mentors that do a follow up of enterprises after being opened.

Lean Canvas

The Lean Canvas is a version of the Business Model Canvas adapted by Ash Maurya specifically for startups. The Lean Canvas focuses on addressing broad customer problems and solutions and delivering them to customer segments through a unique value proposition.

Both methodologies have been key to the success in other hubs in Guatemala and have been locally adapted in these past experiences to develop a new approach that will be used in the project.

The training pillar is key in the project. Therefore, this will be planned and organized by a task force integrated by ASIES, Maria Zaghi's team and Génesis Empresarial Foundation.

Génesis Empresarial will also have a key participation the training pillar in order to also provide the financial guidelines via workshops and courses for all participants in order to be the basic foundation for the financing opportunities they can provide in the financing pillar of the project.

Collaborating for change: Sustainable networks

Entrepreneurship is a source of innovation and change, and as such, spurs improvements in productivity and economic competitiveness. It is a source of job opportunities, helping uplift the community's economy through increasing the quality of life and overall standard of living.

The entrepreneurship hub will be a collaborative space with a focus on innovation, support for technology, environment, agricultural and community development initiatives, among others.

These types of communities are important since they are physical networks where participants share benefits: spaces, contacts, mentoring, and especially, the possibility of collaborating and supporting local entrepreneurs. The dynamics in these communities occur under the concept of cooperative work or coworking, which allows entrepreneurs to share a workspace, both physical and virtual, to develop projects, businesses, and activities, but also share resources, skills, contacts, networks, offices, and equipment.

Through this methodology, the community itself is empowered to continue feeding other entrepreneurs, once the project is completed. The hub will enhance the synergy of the participants and provide a space to carry out activities, workshops, meetings or social events that connect entrepreneurs with others, or with investors, students, and political leaders.

With the effective use of contact networks, as well as the mentoring and monitoring offered in the project, entrepreneurs will gain access to national and global networks and markets.

The results will be:

- Creation of new business;
- creation of jobs; creation of outsourcing and teleworking that will help youngsters stay in their communities;
- creation of new economic zones that will help the municipality bring better security and conditions for the community;
- promotion of the community via the best cases that will eventually appear;
- creation of new and very needed training and education options;
- creation of new opportunities for minorities (women, seniors, indigenous people and youngsters);
- improvement in communication of the community with other communities via networks and social media.
- In general, economic growth, better quality of life and alternatives for people to stay and build a better future at home.
- An empowered, supportive community, capable of thriving and achieving its fulfillment.

Budget

Item:	Quantity:	Cost (US\$):	Total:
Publicity materials in 2 years	200	25	5000
Events and workshops (10 per year)	20	1000	20000
Course facilitation in Huehuetenango (5 per year)	10	1000	10000
Material for course	200	50	10000
Mentorship and consultants (10 hours per participant in 5 topic areas)	1000	25	25000
MVP / Pilot development	200	50	10000
Administration fees in ASIES (for 2 years)	1	15,000	30,000
Project coordination (200 per year)	400	25	10,000
Innovation Hub in Huehuetenango includes equipment, remodeling and 24-month operation	1	50,000	50,000
Travel expenses	30	100	30,000
Total in US\$			150,000

Timeline

Activities	Semesters – 2 years					
	0	1	2	3	4	Final
Publicity materials in 2 years		X	X	X	X	
Events and workshops (10 per year)		X	X	X	X	
Course facilitation in Huehuetenango (5 per year)			X	X	X	
Materials for course			X	X	X	
Mentorship and consultants (10 hours per participant in 5 topic areas)			X	X	X	
MVP / Pilot development		X	X	X	X	
Administration fees in ASIES (for 2 years)		X	X	X	X	
Project coordination (200 per year)		X	X	X	X	
Innovation Hub in Huehuetenango includes equipment, remodeling, and 24-month operation				X	X	
Travel expenses				X	X	
Initial project design	X					

Final report						X
Weekly project follow-up		X	X	X	X	

Project team

Coordinator

María Mercedes Zaghi García

MBA Management of Information Systems, University of Maryland (USA). Systems Engineer, Universidad Francisco Marroquín (Guatemala).

Responsible for the commercialization hub that was a “spin-off” of the first technology park in Central America, Campus TEC, that is now in charge of technology commercialization and business development for over 1000 companies in North Central America.

Zaghi has been a senior consultant for local projects in Guatemala related to financial systems, energy sector financial systems, Internet, e-commerce, e-education, e-inclusion, among others, but she has also been an international consultant for projects related to ICTs for the Inter-American Development Bank, World Bank, the European Community, ICDF (Taiwan), World Summit Award, US AID programs, Gateway Development Foundation, the Nature Conservancy, Non-Aligned Movement Centre for South-South Technical Cooperation (Singapore), GAIA (Spain), Pan-American Health Organization, Exxon and Price Waterhouse Coopers.

She is currently involved in several projects related to e-commerce, commercialization of Information Technology, technology parks and electronic fundraising for sustainable development projects for the environment in Guatemala and in Latin America and is a professor in different universities in Guatemala and Honduras in innovation, technology and business topics.

(For more information about Maria Zaghi please refer to: [Blog](#) / [Linkedin](#)).

About ASIES

ASIES is a private, non-profit think tank. It was founded in 1979. Its mission is to strengthen democratic rule according to a higher law and integral development in Guatemala by means of research and policymaking. Its purpose is to promote and foster the investigation, study and interpretation of national and international problems, in order to propose solutions addressed to the promotion of a democratic, pluralistic and just coexistence.

It has published more than 700 research works in various areas: political, economics, security and justice, education, labour, migration and environment, public opinion, among others.

In 2017, ASIES was in charge of the project *Promoting responsible and active citizenship*, whose purpose was to contribute to strengthening a culture of compliance in tax, labor, transparency and accountability aspects, as well as in environmentally friendly business practices, promoting proactive citizenship.

Among the activities carried out, we highlight the workshops carried out with microentrepreneurs in the informal sector, in matters of work and tax culture, and environmental responsibility in their companies.

About Génesis Empresarial Foundation

Génesis Empresarial is a Guatemalan nonprofit foundation specialized in economic and social development. Its mission is to provide agile and timely financial and non-financial services, accompanied by advice and training, to microenterprises, small businesses and rural communities, to achieve their sustained development, accelerating the progress of Guatemala.

To achieve its objectives of sustained development, combines its extensive experience in microfinance and business development services with a social approach, based on constant training and the promotion of individual and community development, promoting the improvement in the quality of life for entrepreneurs and their families.

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