The entrepreneurship ecosystem and its supports in Nairobi

- A qualitative study of their relationships

One cannot underplay the importance of aid in a humanitarian sense, but the economic challenges of developing countries must be met in many different ways. A way in which people are enabled to direct a change and let them create opportunities amongst themselves. This is where entrepreneurship fits in and the notion of the entrepreneurship ecosystem is recognised. But is this delicate system functioning in Kenya also referred to as the 'Silicon Savannah' due to the similarities with its American counterpart?

The notion explained

The natural course of action for an entrepreneur, namely the founding of small businesses, is one of the greatest sources of job creation. Around these businesses that often are limited geographically to a region or a city an ecosystem develops if the right characteristics are there. This ecosystem named the entrepreneurship ecosystem consists of many different actors, the interrelationship between them and the rules they play by. This summed up makes a complicated system where all actors affect each other and this is where the notion forms. The ecosystem is derived from earlier notions of a national innovation system and includes activities such as the creation of new knowledge and to facilitate the creation of positive external economies. With regards to firms built on new technology the list of functions also includes the creation of human capital, enhancing the diffusion of products and networking to name a few.

The most recent and widespread model of the ecosystem recognises six domains, where every domain consists of a package of components. The combination of components and how they interact are always unique, but in order to get a self-sustaining ecosystem all domains presented below must be found.

- Enabling policies and leadership
- Conducive culture
- Availability of appropriate finance
- Quality human capital
- Venture friendly markets for products
- Institutional support

Exploring the supports

The ecosystem itself is embedded in a set of macro factors and embedded in the ecosystem, as part of the institutional support domain, are the startup support organisations. These organisations can be found in many different forms performing different functions but they all have a common denominator – facilitating the establishment and growth of new ventures. The facilitating ranges from offering affordable working spaces or offices to full on funding and advising. They can generally be divided into three subgroups, the classic business incubator, the more hands-on accelerator or the newcomer to the group the co-working space.

The two latter derives from the business incubator first theorised about in the sixties, where a real estate developer sublet subdivided partitions of a large office. The tenants then began to request business advice and the first incubator was born. Today's incubators value proposition often include practicalities such as meeting rooms or internet connection in combination with training and mentoring. The accelerator has
many similar features to an incubator but are not primarily designed to provide physical resources for an extended period of time. They also differ in regards to financing, where accelerators use equity as opposed to venture capitalist used by many incubators. The co-working space host more mobile workers such as freelancers and start-up entrepreneurs or workers working for a company not present on the scene in a physical sense. These are funded by various memberships that the workers sign up for.

**The Kenyan example**

Kenya is and most probably will be the anchor and powerhouse in the East African region in the years to come. It not only serves as the economical hub, but as the transportation hub due to its strategic location and relative good infrastructure. In more recent years, with the expansion of the private sector, technology has become an economical driver and large corporations like Google and IBM are settling in Kenya. This is making the country in general and Nairobi in particular a buzzing community filled with opportunities and following are the entrepreneurs starting ventures left to right. But as with most countries in the area not all is good and one of the biggest problems facing the country today is the high unemployment rate. Of the labour force 40 % were without a job in the 2013 estimation, a number that hasn’t changed since 2001. As for the economy, strong as it may be, it is not for all. This is echoed in the 43 % of the population living below the poverty line.

**The importance being?**

A self-sustaining ecosystem does not only create jobs within itself, the spillovers are numerous. Many entrepreneurs reinvest their capital and knowledge back into the communities they live in. The human capital base is extended and refined as many of them start working for companies outside of the ecosystem. Companies that do succeed tend to extend their reach outside of the local community and can affect larger parts of the population.

As the ecosystem grows and become more legitimized investors both within the country and from the outside gain interest. The interest brings a flow of cash not found on the scene before, which spills over into the community and the positive effects are multiplied.

The importance is thus evident and the supports inherent in the ecosystem are of certain interest. They are the bridge for many startups into profitability as the lower many of the barriers facing them, like offering affordable offices. But the supports also work actively towards the other domains of the ecosystem, regularly in the form of interest group where their voices are amplified. For example they try to affect governmental policymakers or by working with educational institutions in efforts trying to improve aspects of the curriculum.

**The importance of being**

Returning to the Kenyan example and the problems facing them an ecosystem might be one of many factors on the road out of aid enslavement and the lowering of the unemployment rate. With the possibilities of starting one’s own business people can direct a change. In the beginning perhaps only affecting the closest family, but in the long run a community or even a country.

As for Kenya and possibly similar countries the soil in which an ecosystem might flourish is fertile. This is mostly due to people’s aptitude, ambition and inclination to adopt innovations. Other factors are of course the
relative strong economy and political stability that Kenya has experienced in recent years. All in all the Kenyan scene is an interesting prospect for entrepreneurs and other corporations alike but cannot be stated without a caveat. The caveat being that not all domains are mature and that not all components are playing by the same rules.

This is where the importance of the support organisations once again is shown as they are the link between many startups and the surrounding environment. Researchers argue that the model of business incubators is ever changing. As the ecosystem is developing, the needs for startups is changing, thus must the supports change with the startups needs. They emphasize the importance of a range of incubators, offering different services to satisfy different needs. They continue by saying that incubators need to pay attention to their strategic positioning. This by realizing the key importance of specialising in the services that they offer and of matching the variety of demands and expectations coming from new ventures.

The conclusions being that without proper and agile supports the ecosystem will be only that, an artificial environment not unleashing the full potential of the people it is meant to function for.

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