African Innovation Paradigm

Fixing the ecosystem for the many, not the few:
An assessment and framework for transformative change.

Series 1

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Following Africa's first Intraprenuership Conference hosted by Thomson Reuters we have produced this report. We are grateful for their ongoing engagement and contribution to the crucial debate about how African corporates, start-ups and ecosystem actors can collaborate effectively in the future. This Spring report is released throughout the coming year.

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Overview

Africa is rising, purportedly. Significant investment in technology entrepreneurship - as a driving force for socio-economic development - is increasingly evident across the continent. There are high hopes for real transformation and technological progress. NGOs, Governments and multi-lateral actors are setting the foundations of support and offering financial backing. Corporations are actively courting the next generation of start-ups and building programmes aimed at delivering mutual advantage. Opportunities appear abound.

Against this backdrop, we analysed parts of the innovation ecosystem to demystify and explain the crowded space, to unearth the meaningful signals from the complex noise. We've cast a spotlight on how relationships between corporate accelerators and start-up businesses might be exemplary and how these ecosystem structures can, in the future, offer routes for transformative change in Africa, despite concerns about their current effectiveness.

We fear that the promise of hope will prove false if existing approaches to catalysing the innovation ecosystem subsist. Recognising the limitations of an imported - non-adaptive – incubation and acceleration model is the right first step. More radical breakthrough thinking should come next alongside collaborative leadership, smarter strategic partnerships and better capacity-building efforts aligned to actuals needs; as well as localised, agile solutions. This must be the future direction of travel for transformative change to occur for Africa to finally realise its true potential. We need to ask whether we are continuously and consecutively placing resources, time, and investment in the wrong places and in mistaken ways. We should imagine and devise a better, more equal, and far more sustainable approach to exceed wider socio-economic objectives.

This report is structured in three parts:

01

Section one sets the context by providing a snapshot of the sub-Sahara African innovation support ecosystem while addressing several criticisms that have been rightly raised.

02

Section two describes corporate and start-up engagement and offers guidance on how corporate accelerators might function more successfully.

03

Section three offers insights into how strategic developments could lead the transformative change necessary in Africa due to both structural complexities and challenging market dynamics.

We then reflect on ten proposals that, considered collectively, offer a purposive framework for action.

1. Corporates can achieve significant transformational social impacts through clever incubation/acceleration strategies, especially by revising their narrow approach to target under-served areas.

2. Corporate-to-corporate collaboration is too minimal. Substantive co-leadership on thematic issues is necessary. Pioneers can gain significant first mover advantages.

3. Innovative strategic partnership collaborations, greater experimentation, and more purpose is both increasing and necessary.

4. Longer acceleration processes with better ongoing post-acceleration support mechanics and more peer learning communities can assist start-up maturity.

5. New approaches to support scale-ups,[1] and not just start-ups, will better focus support and deliver improved returns. Scaling across the ecosystem is critical.

6. Mentorship is a critical blind spot. Different solutions are needed to fill the sparse pool.

7. A saturation of African accelerators has led to start-up fatigue. More experimentation, purpose, and strategic collaborative partnerships can help.

8. Make multi-lateral actors' interventions strategic not episodic. Rethink the role of development in creating prosperity.

9. Tackle confidence and perceptions of perceived failure with mechanisms, tools, and new models that allow entrepreneurial risk to occur.

10. Deeper systems change thinking across the ecosystem is essential.

Methodology

Between January to April 2018, structured interviews were conducted across a range of key stakeholders with detailed expertise and experience in the delivery of innovation. This provided an in-depth and holistic understanding of the ecosystem from a variety of informed and insightful perspectives. See Acknowledgements for the full list of interviewees. Supplementing the primary interview data, we analysed and interrogated the broader innovation ecosystem, complementing our findings with publicly available intelligence.

Next Steps

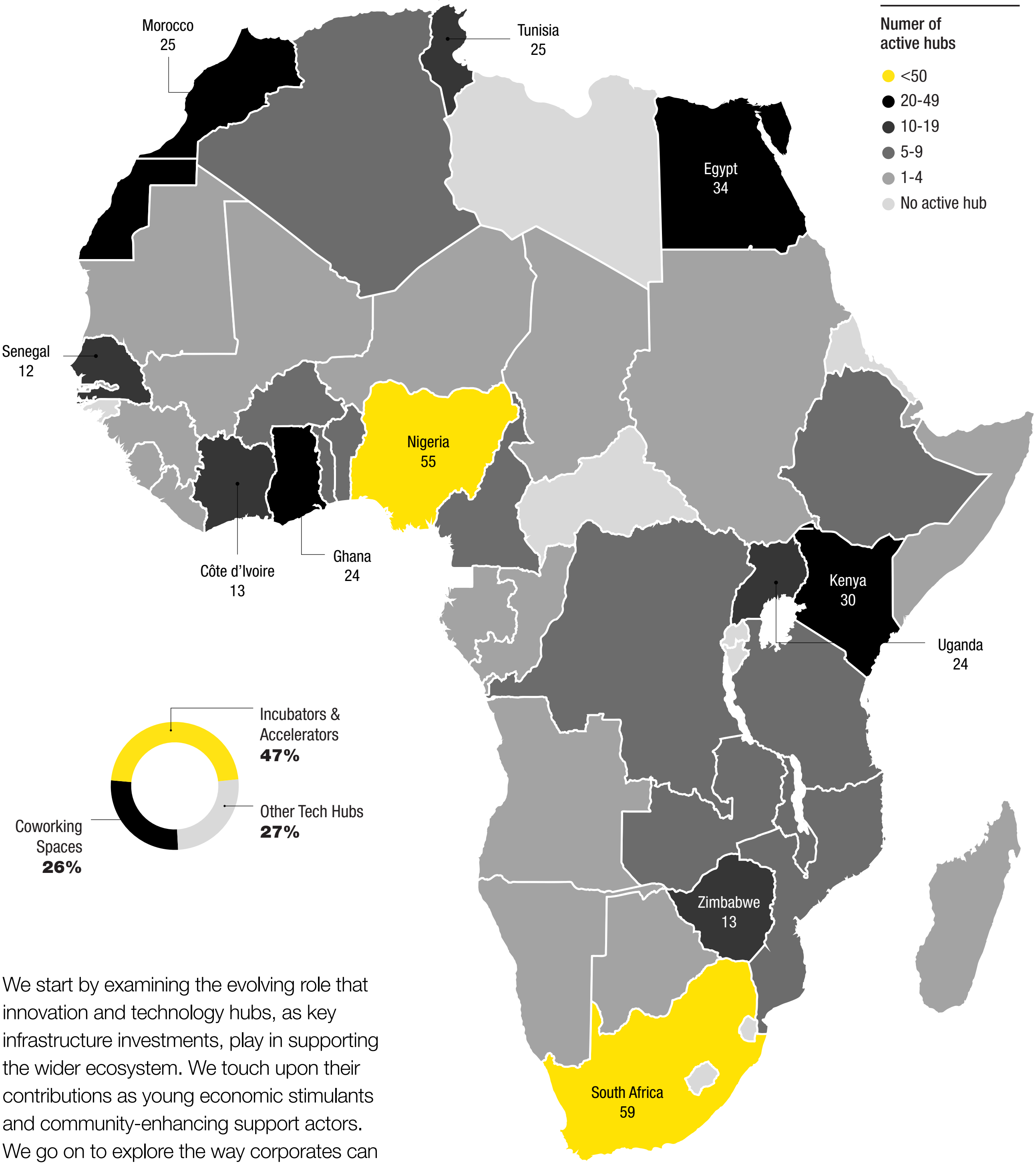
This report constitutes our initial reflections on the challenges facing the pan sub-Saharan African ecosystem. It has been produced as contribution to the debate in the spirit of ongoing engagement on an ever-evolving agenda.

We invite readers of the report to share their own insights and experiences, recognising there are many other valuable viewpoints worthy of consideration. We welcome the opportunity to discuss our evolving perspective during 2018. We look forward to engaging in discussions and bringing the power of collective thinking to bear through collaborative action and greater financial and social impact.

1. Defined as companies that grow to more than $10 million by their 5th year of revenue

01

A snapshot and commentary on the African innovation ecosystem landscape[2]



We start by examining the evolving role that innovation and technology hubs, as key infrastructure investments, play in supporting the wider ecosystem. We touch upon their contributions as young economic stimulants and community-enhancing support actors. We go on to explore the way corporates can engage with them in the future to help both parties realise greater potential.

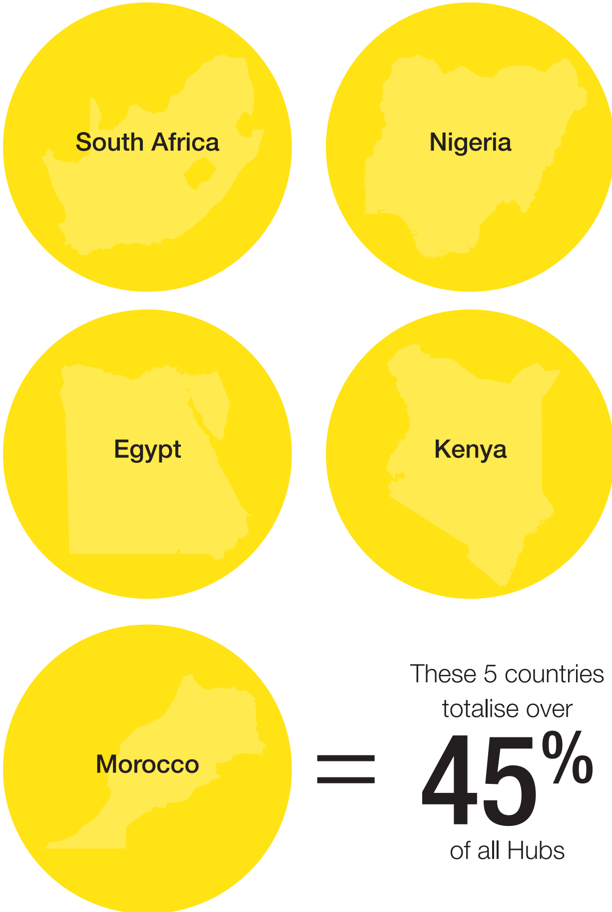
2. Kindly reproduced with permission from GSMA

Hub(s) of Misplaced Optimism?

The rise of hubs has stoked huge excitement and optimism about the potential for technology entrepreneurship in Africa. The World Bank has been swift to conclude that hubs drive economic growth, predicated on resulting job creation and social development. But the early hype is dangerously overblown.

Fast and Expansive Hub Proliferation

The number of hubs in African is increasing: from about 90 in 2013 through 117 in late 2015 to 173 in June 2016, most of them located in large cities according to the World Bank.[3] The mobile association, GSMA, using a different method, counted 442 active African hubs in 2016.[4]



= These 5 countries totalise over **45%** of all Hubs

Fastest growing ecosystems (2016-2018)

Democratic Republic of the Congo
+200%

Zambia
+200%

Cote d’Ivoire
+160%

Togo
+150%

Nigeria
+139%

Average age of active tech hubs
5 years

3. For more information on the World Bank’s mapping work see: http://blogs.worldbank.org/ic4d/importance-mapping-tech-hubs-africa-and-beyond
4. Kindly reproduced with permission from GSMA and its ecosystem accelerator. See: https://www.gsma.com/mobilefordevelopment/programme/ecosystem-accelerator/africa-a-look-at-the-442-active-tech-hubs-of-the-continent/

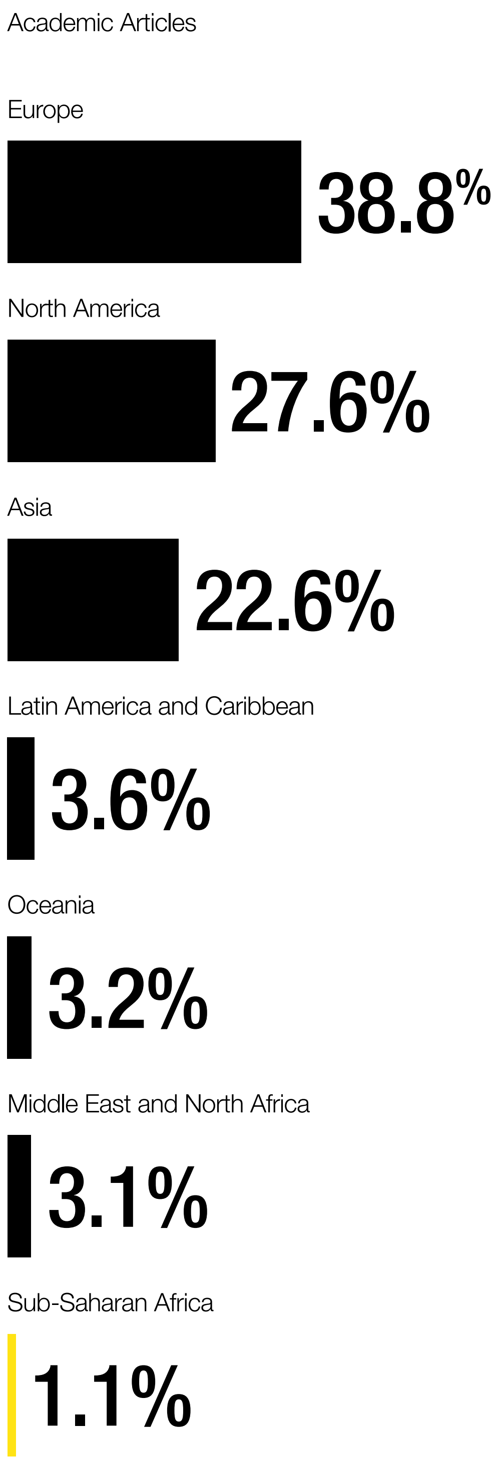
Premature Elation:
Triumph of Anticipation Over Substance

Hubs have gained bad rap. Criticisms are levelled at their ineffectiveness at improving start-up survival and unproven success rates. Most await their first big pay-out[5] and few are profitable without subsidies. The reach of digital tools and applications created by entrepreneurial African software developers and small enterprises is limited, as African software consumers are reluctant to pay for access.[6] Nearly all collaborative coding and domain registration takes place outside of Africa.[7]

Commentary that hubs rarely create or develop wildly successful ventures has led to pessimism about the role of business incubation in Africa. Start-up founder, Mark Essien suggests incubation/acceleration attracts the wrong kind of founder; “the type who wants to be taught how to build a start-up; who is willing to show up daily to be incubated. Far from the grit and problem-solving ability necessary to build a start-up that actually works”.[8]

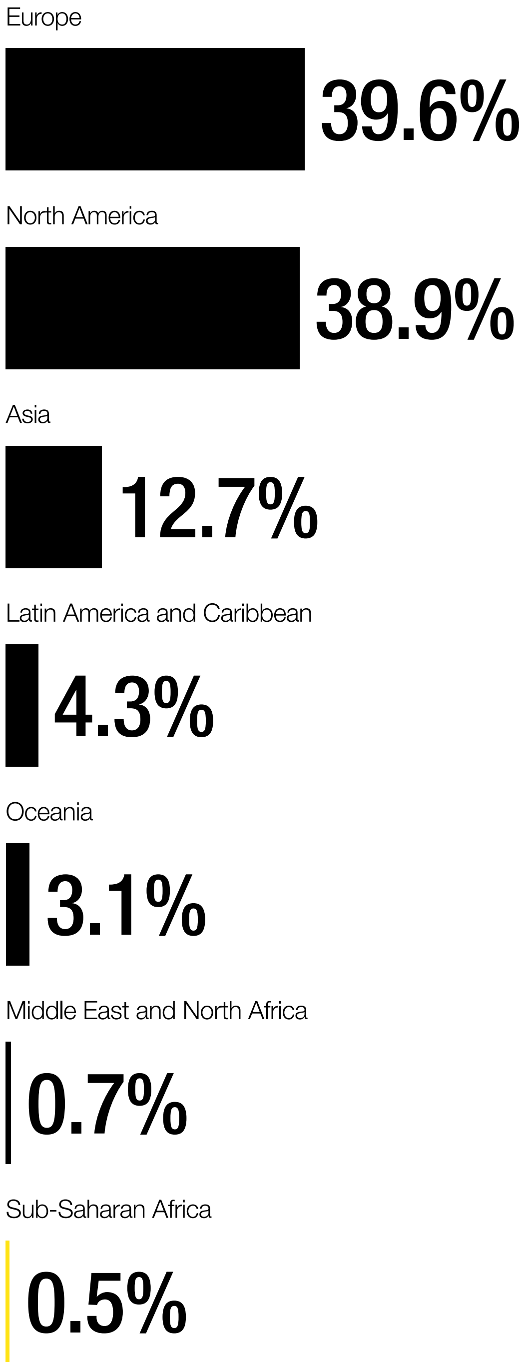
Moreover, aptly named ‘grantpreneurs’ work the circuit, moving from one incubator programme to the next, milking each for cash and resources. Antoinia Norman, Founder of BusinessPROS Global, has a further bone of contention; “It’s the same old same old: business plan, sales plan, marketing mix. Just the same theoretical thing”.[9] Even worse, some programmes are more concerned with their own survival than enabling access to funds to help start-ups take the risks needed to survive.[10]

Content Creation across Continents[11]

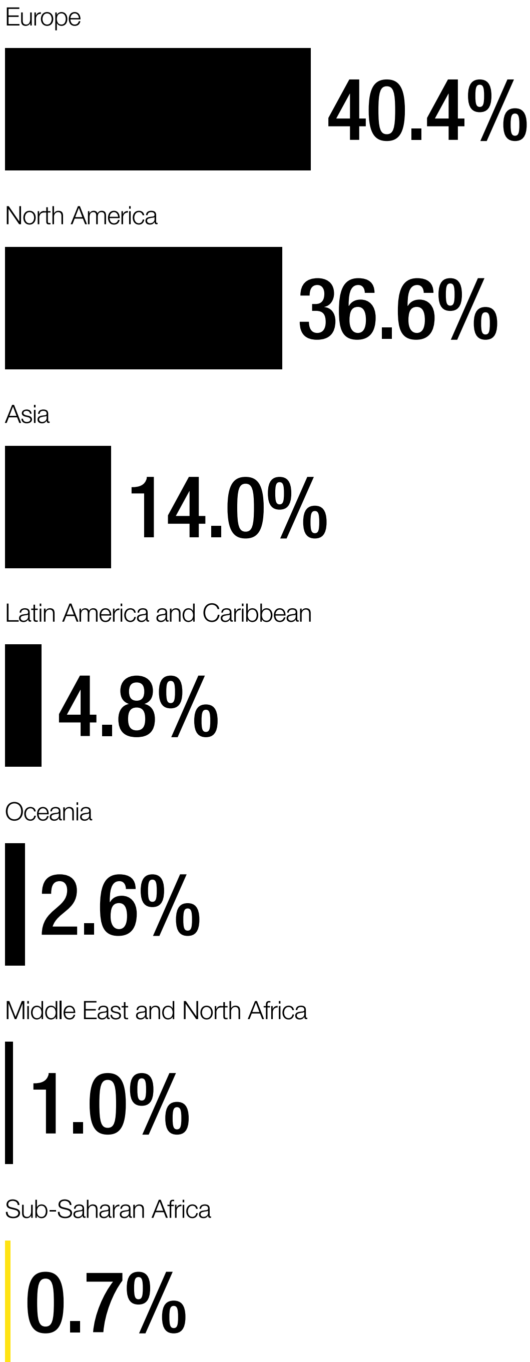


5. Hurdles for Hubs. Encouraging African entrepreneurship. The Economist. 7 April 2017 | 6. Africa’s Digital Revolution Is Not Easy. N, Friederici. Afridigest. July 2017.
7. Mapping the Global Knowledge Economy. GeoNet. Oxford University, March 2017 | 8. Start-up incubators in Africa and why they don’t work. M Essien. VC4A blog. April 2015.
9. Interview Antoinia Norman, Founder, BusinessPROS Global. March 5, 2018 | 10. It’s time to rethink the start-up accelerator model for Africa. Y Adegoke, Quartz Media, March 12, 2018 |
11. Mapping the Global Knowledge Economy. GeoNet. Oxford University, March 2017

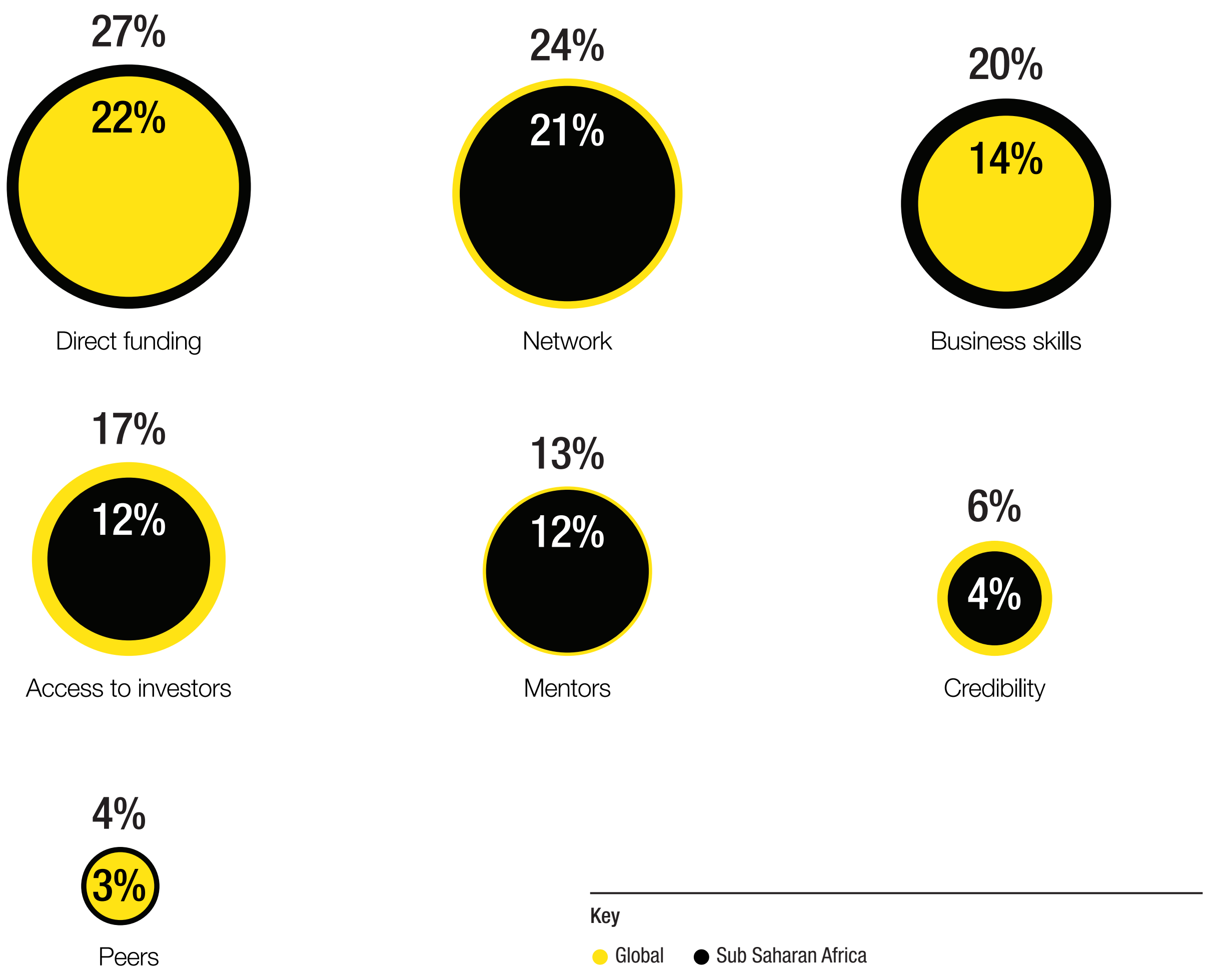
Collaborative Coding



Domain Registrations



More African start-ups looks to accelerators for funding[12]



Research from the Global Accelerator Learning Initiative (GALI)[13] indicate that funding is one of the primary motivations for African start-ups to engage with incubators and accelerators is funding. Yet, African start-ups founders at the World Bank XL Africa programme see many regional and corporate accelerators offering just; "superficial access to mentorship and investor networks resulting in few start-ups landing investments and disenchanted investors".

The system must adapt to address these challenges. AfriLabs, a hub community in 27 countries, is attempting to do just that. It acknowledges that the subsidy model is not sustainable so works to establish capacity building programmes with incubators increasingly offering paid consulting service to corporates and Governments[14] - both of which have a responsibility to better support the ecology. It's an emergent 'ecosystem of ecosystems', sharing knowledge, and encouraging greater cross-collaboration and inclusivity. But there are still fundamental underlying issues that must be rectified.

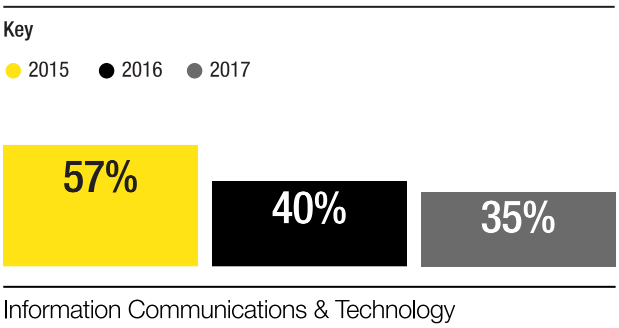
12. Global Accelerator Learning Initiative (GALI)
13. See https://www.galidata.org
14. Interview. Anna Ekeledo, Executive Director, AfriLabs. 5th April 2018

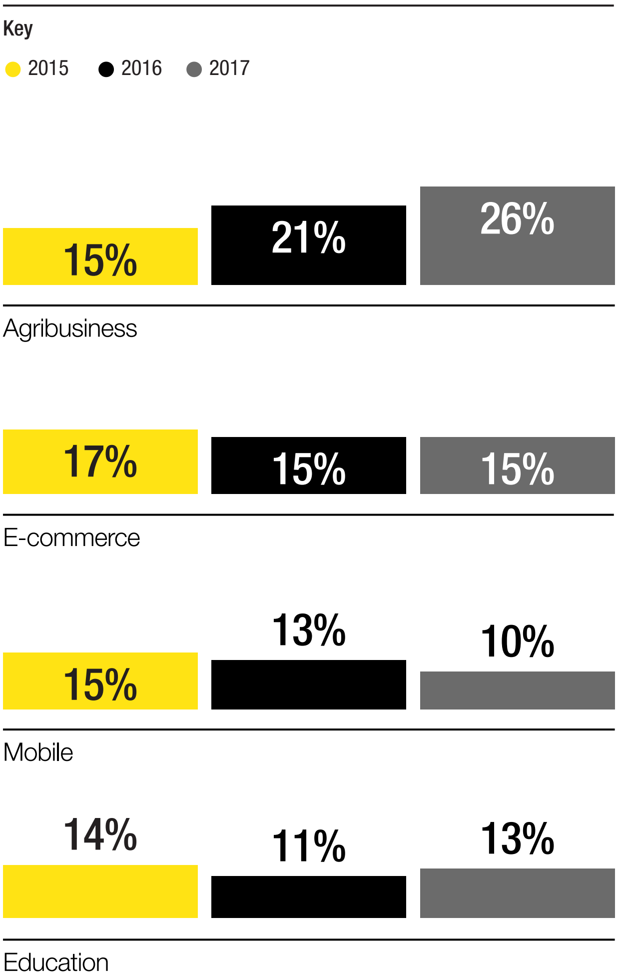
In Defence of the Current Ecosystem

Not all criticism levied is justified. Digital entrepreneurship and African innovation ecosystems need time to find their feet. Tech hubs are, on average, only half a decade old.[15] Success is contingent on markets, institutions and infrastructure, all of which are nascent. Basic skills and business knowledge are lower compared to global knowledge economies. Generally, enterprise awareness and skills training originate outside of classrooms and education structures suffer from generations of under-investment. Evidence points to schools failing to provide adequate STEM courses that do not train pupils in complex problem solving, critical thinking, and cognitive flexibility. It's hardly unsurprising there are mass skills shortages. While foundations are being built it's unrealistic to expect immediate returns on investment under such challenging circumstances.

Conditions Matter

An entrepreneur starting out in Africa faces manifestly different conditions to an entrepreneur in the Global North - investment capital is scarcer, infrastructures are weaker, skilled knowledge workers command relatively high wages or are completely unavailable.[16] Mobility is costly. Energy is too and often inconsistent. High speed internet connectivity is mostly available only in large cities, and even then, affordability and reliability issues prevail. This may help explain why VC4A has seen a decrease in ICT and mobile start-ups over the past few years,[17] notwithstanding the expanding rollout of internet infrastructure and rapid rate of smart phone penetration.





More generally, unhelpful regulatory frameworks and a lack of enabling public policy conditions for both businesses and investors offer real pain-points. It is certain that Governments – at local, regional, and national levels – could do much better by; driving investment into the ecosystem by building stronger infrastructure, having start-up friendly policies, and to be more harmonious with their intra-departmental public policy ambitions. Consistent regulatory policy creates unnecessary and unfavourable business hurdles. Business registration is too lengthy a process, regulations are difficult to meet and favour large businesses, and submitting taxes need to be simpler. Public organisations should enable, not prevent and enforce. Red tape needs to be stripped to better incentivise the private sector.

15. See GMSA: https://www.gsma.com/mobilefordevelopment/programme/ecosystem-accelerator/africa-a-look-at-the-442-active-tech-hubs-of-the-continent/
16. Thesis. N, Friederici, Postdoctoral Researcher, Oxford Internet Institute. Oxford University.
17. VC4A Venture Report (2017)

Managing Expectations and Value

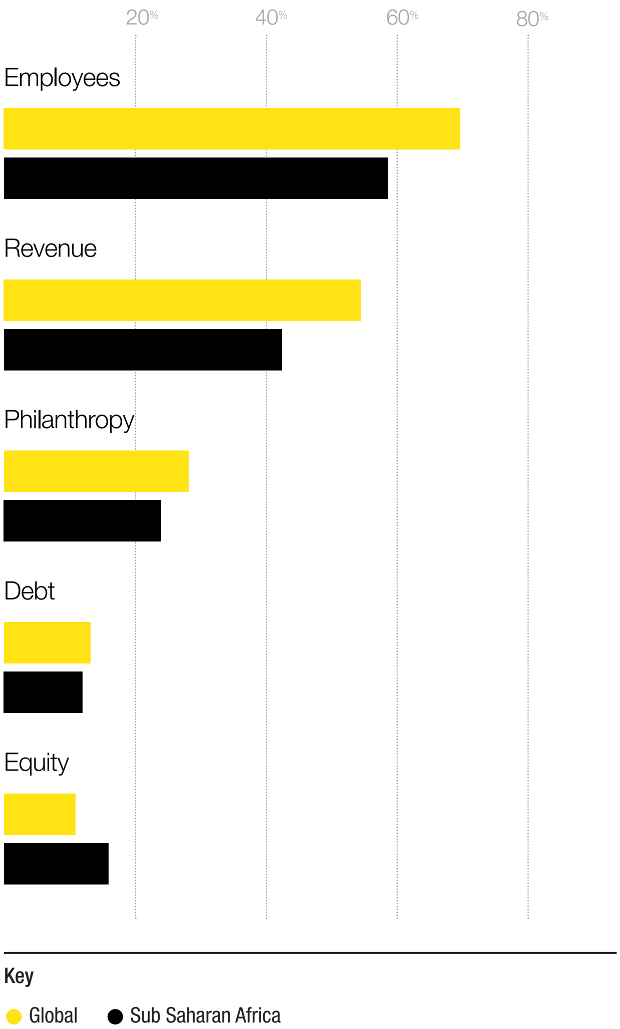
Hubs, incubators and accelerators are differentiated because they perform very different roles. Hubs offer extended networked environments and their potential lies in creating communities of entrepreneurs. But they rarely have significant impact on an entrepreneur's individual journey. They are facilitators - not creators - of interactive, collaborative, and collective entrepreneurial value creation.[18] Ian Merrington, CEO, of the Cape Innovation and Technology Initiative and The Bandwidth Barn, suggests physical space has a role to play in start-up formation as does creating a creatively enabling environment. That extra permissiveness, with the right level of structure and support and framework can really produce magic.[19]

Start-up creation and development is the immediate goal for incubators, so they can have a more obvious and direct impact. Incubators can disappoint, though, as they are a supply-side solution. There are also still too few promising start-ups in need of incubation services. Often, the best entrepreneurs have already left for other places.[20] Accelerators are positioned to inject valuable corporate and market linkages through expedited, structured programmes, but corporate sponsors are often left frustrated with slow (or no) returns and a lack of commercially viable outcomes.

The value of each ecosystem part is difficult to measure, and such interventions do not necessarily lead to linear impact.[21] Certainly, investing in infrastructure does not have an immediate return. The implicit assumption that hubs are meant to be start-up factories is over simplified and lacking nuance.[22] In short, expectations need to be better managed and systems for robust impact measurement would undoubtedly help.

It is somewhat surprising that African accelerators fair better than their global peers, in comparative terms, having proportionally more employees and stronger revenues.

More African startups looks to accelerators for funding[23]



Financial success for scaling entrepreneurs does not come quickly or easily. Many require several years to generate enough revenue, setting out with unrealistic expectations about their market potential and the ease or speed of monetisation. Issues such as poor digital payments infrastructure or consumers' reluctance to pay inhibit start-ups from making money.[24] Technology entrepreneurs often find access to potential customers and global partnerships difficult, or face limited demand that translates into substantial and sustained sources of revenue. Ben White, CEO of VC4A, agrees that it is "all about the market".

18. Innovation Hubs in Africa: An Entrepreneurial Perspective. N, Friederici. May 2017 | 19. Discussion. Ian Merrington, CEO. CITI. 8 March 2018
20. Hurdles for Hubs. Encouraging African Entrepreneurship. The Economist. 7 April 2017 | 21. Innovation Hubs in Africa: An Entrepreneurial Perspective, N. Friederici, Oxford University, May 25, 2017. | 22. Interview. Tayo Akinyemi. Head of Growth, African Tech Roundup and Advisor, Afrobytes. 6 April 2018 | 23. Global Accelerator Learning Initiative (GALI)
24. Africa's Digital Revolution Is Not Easy. N, Friederici. Afridigest. July 2017.

The influence of Corporate Actors Really Matters. So, Does Context.

Corporate influence can significantly help the ecosystem which can in turn help start-ups to progress quicker and further, given their access to markets, distribution networks, and significant resources. Yet, corporates acting as ecosystem builders tend to suffer from a lack of alignment, as historically, engagement has been transactionally focused and often centred on discrete or exclusive outcomes from their interactions.[25] It is therefore unsurprising that there are misaligned incentives with the broader ecosystem.

Many corporate organisations are still experimenting with alternate ways to approach programmes and partnerships in the innovation ecology, but they can be much smarter with their engagements. The narrow funnel of what incubation success looks like needs to be reframed. Corporates should, in short, "should stop picking winners that look like themselves".[26] Expectations placed upon entrepreneurs who have taken a very dissimilar path from their own need to be better considered. The intelligence gained from a full understanding and integration of frugal innovation approaches is tragically being missed.

Disconnects exist between attracting city-level entrepreneurs and the development of national level commercial impact solutions. Corporates should consider complementarity, as well as utility and value resulting from their interactions (What benefits us but also how do we reduce harm?) and their engagement with the wider community (What can we offer, how will they value it?).[27] The power balance is inevitably heavily skewed towards corporates, but interactions should avoid being too transactional, or blinkered. Instead, interventions should be more long-term and respectful of a hub's relative (in) experience and ability to deliver. To keep momentum in the short term, incentives between hubs and corporates could be designed around a series of projects where by ad-hoc impacts (e.g. branding) are balanced with more sustained partnerships (e.g. technical collaboration).[28]

Corporates should be sensitive to their ability to sway and influence an ecosystem towards their specific aims and challenges. Current conversations are too often framed according to what corporate money might be obtained or injected, resulting in products or services without markets.[29] Clear alignment on community needs, corporate, hub and start-up, is essential for translation into tangible benefits. However, without a long history of trust in place, especially in rural areas, the opportunity for mutually beneficial exchanges between corporates and local communities is scarce. Improved relationship-building and collaboration structures are essential to increase this low number of opportunities. Hubs can play a vital role, brokering understanding of local needs, providing feedback loops, and facilitating conversations with corporates around the design of strategic programmes serving real market needs. Both hubs and corporates need to commit to this model for greater co-operation to be realised.

The imported incubation and acceleration models have their place but also significant limitations. The winner takes all approach, whereby the focus rests too heavily on narrow-band support for high potential, scale-up businesses, may not lead Africa to the richer and faster path to growth once promised. To date, it has not worked to identify these 'unicorns' nor has it produced (and spread) economic growth, which is so badly needed on the continent. As a mechanic for distributing wealth, the models are simply ineffective and equally unlikely to support greater redistributive wealth in the future, except for in a small minority of cases. At best, the current approach will further drive the tiered (formal/informal) two speed economy and widen the gap between mainstream economy and those outside it. At worse, it will perpetuate corporate imperialism 2.0. and economic apartheid. Stopping these outcomes is, incontrovertibly, in everyone's best interests.

25. Interview. Tayo Akinyemi. Head of Growth, African Tech Roundup and Advisor, Afrobytes. 6 April 2018.
26. Interview. Belinda Bowling, Social Impact Director, 13 April 2018
27. Interview. Jay Cousins. Innovation Catalyst. 9 April 2018
28. Interview. Nicolas Friederici. Postdoctoral Researcher, Oxford Internet Institute. Oxford University. 10 April 2018.
29. Interview. Jay Cousins. Innovation Catalyst. 9 April 2018

02
A Spotlight on Corporate and Start-up Collaboration

Corporate incubation and acceleration have roles to play in significantly aiding the African ecosystem to support high-potential businesses on paths to success. Whilst it is certainly no panacea for economic development, where models are appropriately applied, win-win partnerships can transpire. Sadly, it is too often not the case. We need to forge a better understanding between start-ups and corporates with clearer rules of engagement, transparency, and closer expectations on both sides. New models are also necessary. We have set out some reflections based on the experiences of those we interviewed, to offer some guidance for an improved collaborative approach.

A Spectrum of Corporate Support

Corporates have different portfolio approaches to support inside/outside innovation, each with different resource and investment imperatives:

- **Corporate hackathons:** rapid solving of a specific organisational challenge.
- **Hubs investment**: fostering greater collaboration with start-ups within a community to improve ecosystem conditions for entrepreneurship.
- **Business incubators:** company supported or subsidised workspaces, business assistance with no equity position taken.
- **Corporate acceleration:** support paths to market for commercially viable, scaled-up innovations (core and non-core to corporate objectives).
- **Corporate channel partner:** working with local small businesses to better vertically integrate, providing knowledge transfer, technical and commercial support in the marketplace.
- **Corporate venturing:** focusing business development and supporting start-ups/scale-ups with capital in exchange for equity shares.
- M**erger and acquisitions:** buying complementary technology or capacity to solve a business challenge or to enter new markets.

Incubation and Acceleration Typology

At its core, a corporate programme usually invests in and supports several start-ups via mentoring, office space, knowledge and additional resources which lead to faster growth for the ventures. Business incubators have been around for decades, but the accelerator is a relatively new structure, acting as a valuable innovation capacity and business building tool that is agile and fast paced, like an experimental playground within the framework of a traditional organisation.[30]

Many forms of corporate accelerators have emerged in recent years with different purposes influencing the specific model design. Some are housed inside corporations, others within universities - such as Solution Space within the University of Cape Town (an MTN supported programme). Stellenbosch University hosts LaunchLab, a start-up incubator, supported by Nedbank and others. Some organisations, such as ActivSpaces, run two programmes - both incubation and acceleration. Hubs, incubators and accelerators have distinguishing features, but the taxonomy is not always clear due to increasing overlaps between the services offered. Increasingly, programmes have blurred identities and overlapping characteristics.

Engagement Benefits for Both Corporates and Start-ups

It's certain that Africa needs greater innovation and commercialisation. Innovation is high of most CEO's agendas as a key strategic priority: growth through innovation is the surest, straightest route to superior performance.[31] Yet, McKinsey has found that the prevalence of innovation-driven strategies is much lower among Africa's largest companies than it is among their peers in other emerging regions, particularly Asia, where half of companies prioritise innovation-related business models. Only 23 of the top 100 African companies mirror

30. 'Design principles for building a successful corporate accelerator'. Report. Deloitte Digital (2015)
31. Incubators, Accelerators, Venturing, and More. BCG report. (2017)

this focus, and just 7 percent of those that focused on excellent execution have later innovated. This is a concern. To take full advantage of Africa's potential, large firms need to innovate more.[32] Arguably, the rise of incubation and acceleration models is a response to this concern, indicating that the ability to generate innovation increasingly resides outside traditional corporate boundaries.

Engagement Benefit Equation

Incubation and acceleration models provide unique platforms for corporates to safely explore new ideas, close innovation gaps, solve specific challenges, expand to new markets or acquire technology, and to gain customer/ stakeholder insights. As Sarah-Anne Alman from Solution Space at University of Cape Town notes, "corporates want to see proof of concepts to extend their scope of services".[33] Naturally, commercial viability matters. Camilla Swart from RISE/Barclay's is very clear that this isn't Corporate Social Investment — "when they do enterprise development, they want a return".[34] Babatunde Olaifa from Google believes some initiatives come cloaked in corporate responsibility but the truth is SMEs don't need or want this — "what they need is funds, access to sustainable financing, access to markets, knowledge, networks that they can leverage to grow their businesses – not charity".[35]

There is a perception from some that corporates represent a bounty of resources, assets, capabilities, and potential routes to customers. The reality is corporates can offer start-ups incredibly valuable assistance on their runway to growth. Funding opportunities are often front and centre of mind for start-ups. Partnerships offer authentic credibility too. Furthermore, access to competitive insight can be critical with companies like Thomson Reuters, granting access to intelligence, ranging from market pricing to commodity data - gold dust for start-ups.[36] Nana Yaa Dufie Oti-Boateng, Digital Transformation Manager at Vodafone recognises that startups have great originality and new ideas, but lack the scale for distribution or credibility for exponential scale. Conversely, this is precisely what corporates can offer: the connectivity, the backbone, the network.[37] But match-making is never simple, and reality often lags perception. Numerous studies report that start-up experiences of working with corporates is as, at best, 'poor' yet the same research show corporates view interactions with start-ups on a range from 'important' to 'mission critical'.[38]

Something appears to be going badly wrong with the way these start-up/corporate relationships are created, managed, and assessed.

Improving the Functional Process of Corporate Acceleration

Incentives and motivations between corporates and start-ups need better alignment. The two can appear poles apart - and often are. There is inherent conflict and cultural clash, with some corporate accelerators having a 'pernicious influence'. Danny Crichton suggests that these programs have the ability to connect founders to interesting networks of customers, but they also have the potential to deeply harm the early product thinking of entrepreneurs. Care is needed to ensure these programmes are accelerating start-ups, and not the corporations themselves.[39] Start-ups are demanding that corporate become more open in their approach, especially with data and tools. The CEO of MEST Ghana is not asking corporates to completely let down their guard, but suggests they must relax a little.[40]

> **Corporates have a lot of data, and vast distribution networks but often, they hold on to these resources. They hold on to their customer relationships and data. We really wish they become much more open when it comes to the resources that they have, and we do not.**[41]
>
> Saviour Dzage, CEO, Asoriba. 6 April.

32. Lions on the move II: realizing the potential of Africa's economies. McKinsey Global Institute. Sept 2016. p21. | 33. Sarah-Anne Alman. Manger, Solution Space. 20 February 2018
34. Interview. Camilla Swart. Rise Africa - Ecosystem Manager, Barclays. 8 March 2018 | 35. Interview. Babatunde Olaifa, Industry Manager, Google 6 April 2018
36. Interview. Saidah Nash Carter. Head of innovation, Thomson Reuters. 26 February 2018 | 37. Interview. Nana Yaa Dufie Oti-Boateng, Digital Transformation Manager, Vodafone Ghana. 4 April 2018 | 38. BCG. A Framework for Deep-Tech Collaboration. BCG. April 2017 | 39. Why corporate accelerators are an oxymoron. D. Crichton. TechCrunch. 25 August 2014.
40. Interview. Ashwin Ravichandran. General Manager, MEST Accra Incubator. 6 April 2018 | 41. Interview. Saviour Dzage, CEO, Asoriba. 6 April 2018

Several other areas of conflict often arise mainly due to:

- **Different decision-making speeds.** As Chinedo Ugwu from GE points out, "we are not as fast, we have a system and decision making and legacy hurdles to overcome. Things take time".[42] The CEO of the Ghanaian start-up, Asoriba, suggests that for them, the beauty is having fun in what we are doing and not being streamlined while also making quick decisions and being very lean.[43] Start-ups need to be shielded from corporate complexity. Accelerator managers need to tear down barriers on both sides to make things happen. Models need to reflect the start-ups way of doing things, such as keeping formalities straightforward, decentralised decision-making, and granting team autonomy.[44] Processes needs to be fast and light. But, they simply aren't always designed that way. Another challenge is that start-up founders are young, lack corporate training and knowledge of how to manage corporate relationships and negotiate successfully. Often, they can start a corporate conversation too early in the businesses' maturity.

- **Evolving strategies, both at company and start-up levels.** Agility and adaptability are vital, as championed by Barclays RISE. Camilla Swart suggests that while they still do pure acquisition deals often a dynamic supplier contractor relationship can work well: ventures have more autonomy and can diversify their client group and are tied to the bank for as long as the relationship makes sense. She also notes that some corporates can be tempted to work with shiny new innovations. But, also warns that if they don't solve a real problem or opportunity, it simply won't stick so a relationship may fizzle.

- **Corporate involvement can stifle start up progress.** Too close ties with a hosting corporation prevent start-ups from pursuing partnerships with competitors. A more neutral approach allowing start-ups to connect with multiple potential customers and points-of-view can help. New innovation should not be locked-down to a single corporate office (whether contractually or intellectually) but should be allowed time to germinate and mature without the dictates of a single corporation's politics.[45]

Questions corporates might pose:

01
How long should the programme be?

02
How do we structure it?

03
How will we measure success and capture data and feedback to continuously iterate?

04
How can we make it easy for start-ups to work with us?

05
Can governance processes ensure clear responsibilities and accountability?

Corporate / Start-up partnerships should:

Provide transparent goals with a long-term focus.
This involves strong consensus within the corporate on the overall objective of the initiative. Some organisations engage in start-up sponsorship as a form of corporate responsibility without a clear understanding of how activity relates to corporate strategy or objectives. But, this is shifting. There is now a greater sense of purpose for participation.[46] Corporates need to be more vocal about what they want innovators to solve.[47] Stronger communication and better signals will help.

Ensure clarity of purpose and relevance.
The benefits of incubation and acceleration should be fully and clearly defined, as should the corporate's path commercial leverage from external innovation.[48] Ben White suggests that, a lot of the time the corporates

42. Interview. Chinedo Ugwu. Commercial Leader (Africa), Sustainable Healthcare Solutions, GE Healthcare. 19 February 2018
43. Interview. Saviour Enyam K. Dzage, CEO, Asoriba. 6 April 2018 | 44. Corporate Accelerators: Building Bridges Between Corporates and Startup. T Kohler, Business Horizons (2016)
45. Why corporate accelerators are an oxymoron. D. Crichton. TechCrunch. 25 August 2014. | 46. Interview. Sarah-Anne Alman, Solution Space. 20 February 2018.
47. Interview. Lia Mayka, Innovation and Entrepreneurship Specialist, The World Bank. 29 March 2018 | 48. BCG. A Framework for Deep-Tech Collaboration. BCG. April 2017

“There are many programmes operated by corporates with good intentions but that have no impact because they are crafted by without due diligence about what startups really need.”[54]

Babatunde Olaifa, Industry Manager, Google

are exploring the connections for their participation. They are often are not clear to themselves and to their stakeholders the reasons why they are doing so, or what they are setting out to achieve.[49] In the early days start-ups working with RISE didn’t necessarily have very strong relevance to a specific (banking) business problem. Products were very forward thinking but to be absorbed into the bank they had to have relevance and stickiness.[50] Nana Oti-Boateng, Digital Transformation Manager at Vodafone says corporates care about the product or service being relevant, impactful, sustainable, and contribution to the brand’s narrative, without which numbers mean nothing. They see a lot of startups looking for cash, which may not necessarily be what they need, so are advised to focus on synergy rather than finance.[51] Start-ups need to get the basics right, have strong business rationales, have clarity about what problem they are solving,[52] as well as build a management team and advisory board with deep industry linkages.

Ensure sensible performance metrics to measure (ongoing) progress.
Setting success metrics during the on-boarding process allows progress to be tracked (including what it takes for start-ups to extend collaboration beyond the programme). This should also include long-term metrics to measure progress of the programmes as well as capturing data to test piloted products pre-scale-up, and ongoing iterative improvements.[53] Drucker’s, “if you can’t measure it, you can’t manage it”, stands true.

Focus on specific verticals.
Corporate accelerators often take this approach. Professor Thomas Kohler points to Coca-Cola’s Bridge program, which links the entrepreneurial community with the corporation’s major global markets. Start-ups offer software solutions that fit into one of five core business thematics, reflecting strategic priorities of business units. A major benefit of focusing in one sector is the ventures benefit from shared expertise because they work on related problems or technologies.

Questions corporates might pose:

01
What is our strategic intent?

02
Which areas do we focus R&D efforts?

03
Can we align our objectives with the start-up’s expectations?

04
Which start-ups (early/mid/late)? What is the partner profile?

05
Are we taking equity, if so, what model do we choose?

06
How do we frame our innovation challenge (narrow or broad)?

- **Wrong expectations and relationship management** Programmes need senior leadership visibility, active backing, and continuing engagement. Thomson Reuters’ Saidah Nash Carter acknowledges the valuable importance of strong relationships which create better understanding, leading to being more responsive to what works for both parties. Corporates are looking for well-structured businesses with high potential and/or disruptive potential. But it’s difficult for corporates to find the capacity to engage with these start-ups because of their scale and risk of failure.[55]

- **Tough love: just saying ‘no’:** Sometimes, you have to be cruel to be kind. A good ecosystem manager knows that a quick ‘no’ is sometimes better than dragging a start-up along towards a dead-end, potentially diluting funds across a number that aren’t going to have market traction.[56] Instead focus only on truly innovative enterprises and entrepreneurs that have potential for significant scale.

49. Interview. Ben White CEO, VC4A. 19 February 2018 | 50. Interview. Camilla Swart. Rise Africa - Ecosystem Manager, Barclays. 8 March 2018
51. Interview. Nana Yaa Dufie Oti-Boateng, Digital Transformation Manager, Vodafone Ghana. 4 April 2018 | 52. A helpful summary of recommendations to start-ups can be read via KPMGs New Horizons Report: On the road to corporate start-up collaboration. (2015) | 53. See ‘Winning Together’. A guide to successful corporate-start-up collaboration. Nesta. (2015) |
54. Interview. Babatunde Olaifa, Industry Manager, Google. 6 April 2018 | 55. Interview. Ben White. CEO, VC4A. 19 February 2018
56. Interview. Camilla Swart. Rise Africa - Ecosystem Manager, Barclays, 8 March 2018

Questions corporates might pose:

01
How do we identify the right start-ups?

02
Ensure internal buy-in?

03
internal mentors?

04
How to facilitate interactions between employees and start-ups?

05
How do we increase internal visibility and the right touchpoints?

06
How do we tap into the right start-up community eco-system?

Corporate Accelerators Structural and Hosting Considerations

The design question of where to physically locate an accelerator is raised by new entrants. Before embarking on such a process, the General Manager at MEST Ghana might strongly urge caution and even advise a corporate that, "it's not their job, it's not your game. Everyone wants to do it because it's new trend, which will probably get them attention as supporters and promoters of innovation. But that's just stupid. They will innovate very well if they just do their jobs right".[57]

The former SeedStars Nigeria manager believes that corporates set up their own incubators because they probably feel that they can do it better themselves. He believes that the right model is to have a separate venture development arm and encourage startups to work with you. As long as this provides the right flexibility. But the most important thing is partnering with a company that will give access to a large distribution channel.[58] Because angel and VC money isn't flowing in, corporates will play the investor role. But, many encourage the accelerator to be detached from the core business.

As part of his research, Professor Thomas Kohler found that many experts recommended locating a corporate accelerator close to headquarters, but not in the same facility. Accelerators can thrive within established organisations as close proximity grants the company 'control' and opportunities for frequent interactions. Others propose creating a standalone entity and positioning the accelerator as independent of its corporate parent(s). Separating the accelerator from the company avoids potential conflicts and allows for the necessary autonomy although distance can affect the ability of the business to influence or provide leverage.

Virtual accelerators are cost-effective and can provide reach across the globe. By not forcing start-ups to relocate they can increase the breadth of applications. It is a trade-off, however, and most accelerators rely on at least some degree of face-to-face interactions in order to build the trust necessary for knowledge transfer.

57. Interview. Ashwin Ravichandran. General Manager, MEST Accra Incubator. 6 April 2018
58. Interview. Tunde Akinnuwa. Former Country Manager, SeedStars, Nigeria. 6 April 2018

Exemplar models of corporate acceleration are set out below[59]

INSIDE CORPORATION	OUTSIDE CORPORATION	INDEPENDENT ACCELERATOR	VIRTUAL ACCELERATOR
Orange	Samsung	Disney	Pearson
+ More control - Risk of being too stringent	+ Flexibility for teams - Maintaining corporate involvement is more difficult	+ Existing ecosystem + Cost efficient - Less control	+ Global reach + Cost effective - Disadvantages of virtual communication

Questions to pose:

01
Where should we locate the accelerator?

02
Physical or virtual?

03
Should we run our own programme or do so in partnership; and if so, with who?

Beyond Incubation and Acceleration

It is suggested that for each growth priority and business model disruption, large corporations ought to consider investing in start-ups across multiple horizons and through a variety of vehicles, (e.g. equity investments, licenses, alliances, and acquisitions) rather than solely funding and incubating start-ups just to disrupt existing competitors.[60] Currently, corporates hold the relationship power; but it is only a matter of time before increasing competition will occur with rivals increasingly fighting to secure the most promising start-ups to work with. Corporates need a clear strategy and a diverse portfolio of unique partnerships. Far more experimentation is needed with bolder, more pioneering models to try different approaches and take different risks. Start-ups too need to think how they can work to scale their innovative propositions into core businesses. We also believe a shift in mind-sets alongside greater creativity will lead to more success, especially as and when greater collaboration becomes the norm.

The limitations of imported corporate incubation and acceleration models must be better acknowledged. Pure enterprise development models seeking capital returns are too myopic, not holistic, nor entirely sustainable. Where they are established, they can work much better. Opportunities are being missed and larger gaps are forming. Greater contextual adaptation for African conditions is critical. The underlying challenges in Africa require far more radical and progressive approaches and leadership. Much more challenging and disruptive thinking is essential alongside greater ambition, cooperation and collaboration.

59. Corporate Accelerators: Building Bridges Between Corporates and Startup. T Kohler, Business Horizons, 2016.
60. See Africa's New Generation of Innovators, Harvard Business Review. January/February 2017.

03

A Framework for Developing Greater Ecosystem Change for Transformational Impact

Misapplying the imported model of innovation – bolting on what works in London, New York, or Silicon Valley – will only result in a small pool, short pipelines, and a leakage of talent. Support for the many, not the few, needs much deeper consideration. Adaptation, agility, local African solutions, rooted in local context and conditions, is the only way forward. The entire ecosystem must work better – together, in collaborative partnership, and not in fragmented silos.

We have listed some trends and insight reflections as a framework for transformative action which – considered together – could catalyse the innovation ecosystem and promote greater socio-economic impact across Africa.

Top 5 Ecosystem Cities[61]

01
Lagos | **31 Hubs**

02
Cape Town | **26 Hubs**

03
Nairobi | **25 Hubs**

04
Cairo | **23 Hubs**

05
Accra | **16 Hubs**

Insights / Observations

01

Corporates can achieve significant transformational social impacts through clever incubation/acceleration strategies, especially by revising their narrow approach to target under-served areas.

The scale of corporate social ambitions needs to be significant and commensurate to the scale of the challenges in Africa. Bolder transformation programmes are necessary to deliver innovative market-based solutions to address the problems facing poor and vulnerable people.

For seemingly sound commercial reasons corporate have mainly focused their attention within clusters in key urban cities for viable returns. In these areas, hub and incubation differentiation will be important due to concentration and competition. Outside of metropolitan areas public sector incubators and subsidised hubs support wider geographical (rural) coverage given needs are very different to cities and often feature a lower base of digital literacy, skills capabilities, and basic services capacity. But, significant populations across Africa remain significantly under-served, especially those living in townships. This cannot persist.

There are excellent examples of entrepreneurship activity within under-served areas, but there is way too much fragmentation and non-harmonised ecosystem alignment. Far better integration and coherence across the ecosystem is required, smart systems-thinking and dedicated corporate incubation and acceleration that work more effectively alongside social and public innovation initiatives for wider formal economic growth.

The South African National Planning Commission has highlighted the triple challenge of poverty, inequality and employment, and a high youth population as a "ticking time bomb", especially as these issues will be amplified by the forces of the Fourth Industrial Revolution. In partnership with community social enterprise RLabs, technology investor Naspers is piloting a tech-driven, holistic township socio-economic up-lift model, which includes a youth café model offering '3rd space' locations for positive social interaction, exchanging ideas, building social capital and finding solutions that stimulate township economies and create employment opportunities.

61. Kindly reproduced with permission from GSMA

Incubation and acceleration strategies are not necessarily the only route to impact. Whilst they are part of the portfolio mix they need to be better honed and focused on the problems they are trying to solve. Potentially reframing commercial returns as longer term strategic bets grounded in local reality would be valuable.

Insights / Observations

02

Corporate-to-corporate collaboration is too minimal. Substantive co-leadership on thematic issues is necessary. Pioneers can gain significant first mover advantages.

Greater partnership and collective collaboration is essential, especially between corporate partners. Mechanics are needed to ensure aggregated benefits of sharing information, insight and intelligence is realised. More integrated approaches to challenges should be devised. Joint and/or distributed leadership and governance is essential for deeper and wider impacts. The African Creative Leadership Collective[62] is a step in the right direction. Innovation Directors would also be well placed to look to the sustainability sector for functional (and somewhat ironically, more innovative) models.

> The Network for Business Sustainability[63] brings different (often seemingly competitive entities) together because of the potentially significant disruptions to systems that are emerging, often precipitated by breakthrough technologies. Harnessing the power of the collective to help chart difficult waters is going to be increasingly helpful.

The challenges associated with making a business case for strategic partnership can be complex, especially when intellectual property issues arise.[64] The reality is some corporate accelerators have formed consortia with other corporate partners to extend their reach (e.g. Orange partnering with Visa, LG, and others).[65] Synergies between certain categories work for many of the same principles as this report sets out between start-ups and companies. Beyond these examples, more creative, disruptive, and stretch mindsets are encouraged.

> In South Africa, most strategic entrepreneurial development is happening through corporates, but everyone operates in siloed silence. Working together more, collaborating and sharing information, passing each others [entrepreneur] pipelines will be very valuable.[66] Bridgit Evans, Executive Director, SAB Foundation.

We believe that syndicated models extending beyond innovation challenge prizes are essential to assist progressive champions to achieve corporate Sustainable Development Goal (SDG) themes, as well as to tackle the forced complexities associated with fourth industrial revolution. Significant ecosystem spillover benefits are the wider prize. In the absence of national Government direction, it is for executives within larger corporates to play greater leadership roles to drive transformative change. Leadership models should be shared, distributed, and inclusivity made commonplace as the de facto way of doing business.

62. See: https://www.clcafrica.com/ | 63. See: https://nbs.net/ | 64. Interview. Niki Neumann, Managing Director: AFGRI Technology Services. 7 March 2018
65. Corporate Accelerators: Building Bridges Between Corporates and Startup. T Kohler, Business Horizons (2016)
66. Interview. Bridgit Evans. Executive Director. SAB Foundation. 4 April 2018

Insights / Observations

03

Innovative strategic partnership collaborations, greater experimentation - and with greater purpose - are both on the increase and increasingly necessary.

Every sector is moving at a different speed and within its own context. What is consistent is that smart companies, founders, and investors that recognise the value of collaborative partnerships have a far better shot at making history, rather than running the risk of becoming a footnote to it.[67]

Collaboration has been described as the new secret sauce for start-ups and industry alike. For true disruption to take hold, old and new must work together, playing to each others strengths. A Harvard study last year found that collaboration now trumps acquisitions or built-it-from scratch start-ups. Not simply the exchange of equity but unique, new partnerships.[68]

> **"Corporates are still operating from a stale perspective in terms of collaboration. They need to start thinking win-win."**[69]
> Ashwin Ravichandran. General Manager, MEST Accra Incubator.

New partner models are already being applied so organisations can be scaled more efficiently and effectively. The Social Franchise Accelerator, a collaboration amongst three organisations – the International Centre for Social Franchising, the Bertha Centre for Social Innovation and Entrepreneurship, and Franchising Plus is one example. With social franchising, enterprises can lean on independent franchisees, who then hire employees and acquire assets on their own, reducing the resource burden for the impact enterprise, enabling it to expand operations more rapidly. Franchisees can more effectively build business in new locations as they often have greater local expertise than the enterprise.[70]

The cost of shared resources like internet, utilities, and barriers to meeting customers will continue to decrease and the overall barriers to entrepreneurship will decline, especially in rural, less populated areas.[71]

Thomson Reuters told us "there is more interest, openness and appetite to explore differentiated acceleration models, although the 'how' varies there is no doubt room for experimentation".[72] The Director - Entrepreneurship of BongoHive in Zambia, Simunza Muyangana, suggests, "it is exciting for corporates to be associated with the growth of new companies; but for many, it's still corporate responsibility".[73] In other markets some are trying to figure out what the start-up game looks like so it's foggy. But more transactional relationships are happening in the market with pilots, to revenue sharing agreements, and structured investments.

Open franchising and 'business in a box' models provide empowerment opportunities to all. Organisations such as TipHub have the foresight to recognise that the 'future of entrepreneurship is remote'. The ingenuity of frugal and open innovation are highly powerful and should be absorbed and blended more into traditional (closed and rigid) corporate orthodoxies. Models that take both these factors in account can obtain competitive advantage.

Insights / Observations

04

Longer acceleration processes with better ongoing post-acceleration support mechanics and more peer learning communities can assist start-up maturity.

Reflections from the pan-African World Bank XL Africa Acceleration Program indicate that entrepreneurs learn just as much from exchanges with their peers as they do from mentors, especially on topics specific to local ecosystems such as HR, employee stock options, or management compensation.

67. Innovation Is as Much About Finding Partners as Building Products. Harvard Business Review. July 2017 | 68. Innovation Is as Much About Finding Partners as Building Products. Harvard Business Review. July 2017 | 69. Interview. Ashwin Ravichandran. General Manager, MEST Accra Incubator. 6 April 2018
70. Accelerating Impact Exploring Best Practices, Challenges, and Innovations in Impact Enterprise Acceleration. Rockefeller Foundation. February 2015.
71. TipHub http://www.tiphub.org/philosophy/ | 72. Interview. Sarah Anne-Alman, Solution Space. 20 February 2018 | 73. Interview. Simunza Muyangana. Co-Founder and Director. BongoHive. 6 April 2018

Thomson Reuters notes there are lots of incubators but far fewer alumni programmes — this is a major miss. The challenge is when people graduate from acceleration they don't have on-going support. Accordingly, "there should be more ways to bring entrepreneurs together – more peer networking and group support so that people aren't left to their own devices".[74]

Even well-networked organisations, such as the Innovation Hub in Pretoria have identified a gap in community support structures for shared learnings, knowledge exchange and collaboration. Incubations and accelerations are competitive entities, but also serve to bring innovators together. They too should compare and collaborate with one another to benefit their clients and the wider ecosystem as a whole.

A longer yet more holistic approach is required for ventures during acceleration. CiTi CEO, Ian Merrington, asserts his allergy to "glamour vanity acceleration projects", of which, he suggests there are a lot. Authentic incubation, clustered around technology-specific incubation is where the traction is. Incubation itself needs more than advice and mentoring, but rather support with commercial brokerage. For start-ups, leveraging different corporate partnerships to bridge access to markets and bulk customers is highly valuable. Niki Neumann, the Managing Director of a pioneering AgriTech business identifies a provision gap in terms of the support entrepreneurs need to take products to market.[75] Intermediaries that understand both sides of the start-up/corporate divide and navigate both towards rewarding commercial and social impact outcomes over a much longer incubation and support period will become increasingly attractive.[76]

Insights / Observations

05

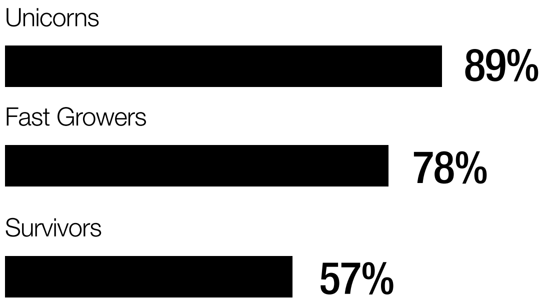
New approaches to support scale-ups,[77] not just start-ups, will better focus support and deliver improved returns.

Scaling represents a new approach, with an attitude that embraces openness, intentionally allowing things to happen that have the potential to deliver massive beneficial results.[78] Research from Deloitte and the THNK School of Creative leadership in Amsterdam, indicates that only about 0.5% of start-ups reach scale by their fifth year.[79] And those that do are designed to do so from the very start.

A number of factors really matter, as shown by "Scaling-Up: The Experience Game" by Deloitte and THNK.[80]

- **Experienced leadership.** Founders of scale-ups, as opposed to start-ups, all had prior corporate experiences under their belt. University incubators and first-time startup support systems are not the breeding ground for scale-ups. They serve foremost as a playground sandpit. The ability to inspire, direct, support, empower, are abilities and qualities are developed through years of experience and cannot be learned from reading books or listening to lectures. It can only happen after years of trials, errors, feedback, encouragement, and an increase in responsibility.

Percent of Unicorn founding teams that have at least one experienced team member



- **Functional Depth:** a service or product capability that is distinctive when compared to the incumbents in the field, which cannot be copied quickly and has broad market application. Deep understanding of the customer, and thus market, is also vital. Some products are inherently more scalable than others: software products, online services, media and entertainment formats and content, electronics, infrastructure, and

74. Interview. Saidah Nash Carter. Head of innovation, Thomson Reuters. 26 February 2018 | 75. Interview. Niki Neumann, Managing Director: AFGRI Technology Services. 7 March 2018 76. HYBR operates a five-year venture support, in partnership with Scale Up Nation, Netherlands, broadly along these lines. | 77. Defined as companies that grow to more than $10 million by their 5th year of revenue | 78. Scaling. Smart Moves For Outsized Results. M Van Dijk, M Turrell. (2016) | 79. Scaling-Up: The Experience Game'. M van Dijk, J Dirk Kruit, G Mogendorff, W Scheper. Deloitte and THNK, July 2015 | 80. Ibid

energy are some examples. Scalable products address larger markets and are well suited for international roll-outs.

- **Catching the wave:** typically start-ups have a very specific plan - to launch as quickly as possible, given they tend to work with extremely limited resources. Many incubators and accelerators promote and facilitate this fastest-time-to-market model and advise to make a minimum viable product that will launch as quickly as possible. The idea is that pivoting will take place after the product is on the market, as insights will allow for improvement along the way. This will ideally convince investors to finance the subsequent development stage. While this approach is a tested-and-proven way to determine whether a new product can establish a minimum market position, it says little about its scale-up potential. A scale-up distinguishes itself by getting the market timing right.

Creating a scale-up is truly against the odds – especially in Africa. But strategic support and investment decisions could reflect more on the particular differences between start-ups and scale-up opportunities at the earliest possible chance. This is not to discount the value of scaling across - migrating business models in small scale ways adapted to local contexts - as means for job creation. Unicorns are rare. We need to hedge bets widely across the ecosystem.

Insights / Observations

06

Mentorship is a critical blind spot. Different solutions are needed to fill the sparse pool.

Formal mentorship systems are underdeveloped across Africa. Many incubators still lack experienced mentors to guide young businesses. In countries like Ethiopia, which is home to few internationally successful businesses, finding qualified staff can be challenging. Even in more mature markets, like Nigeria, mentors can be sub-standard. The Economist also notes that some actively harm young start-ups by, for example, pushing them into raising capital too early.[81]

World Bank XL Africa executives note that, although all companies are often matched with “global” and “local” mentors for advice on entering new markets and maximising presence in local markets, the recruitment of local mentors posed a significant challenge for XL Africa. It recommends that future pan-African and national programming ought to catalyse regional ecosystem mentors and the African diaspora.[82]

Incubators and accelerators programmes should not staff the mentors exclusively with advisors from one company as this limits the ability of founders to get the broad product feedback essential for success. There should be a mix of employees, entrepreneurs, and domain experts.[83] More cross-category exposure helps take people out of silos and broadens thinking.

Community networks, like those offered by VC4A, have their uses. Tomi Davies from the African Business Angel Network suggests that to deliver mentorship well, someone should have to ‘skin in the game’.[84] Therefore, the investor community may consider rethinking how it can collectively make longer-term development contributions rather than circling for high value start-ups post acceleration. Corporates may also further add resources voluntarily to provide depth to the mentoring pool. After all, their executives are rewarded with highly valuable energy and insights from start-ups. Successful entrepreneurs also have a moral obligation to give back to the systems that precipitated their good fortune.

Insights / Observations

07

A saturation of African accelerators has led to start-up fatigue. More experimentation, purpose, and strategic collaborative partnerships can help.

81. Hurdles for hubs. Encouraging African entrepreneurship. The Economist. 7 April 2017
82. Is acceleration the panacea for scaling growth entrepreneurs? Reflections from XL Africa. World Bank Blog. 2 February 2018
83. Corporate Accelerators: Building Bridges Between Corporates and Startup. T Kohler, Business Horizons (2016)
84. Interview. Tomi Davies, Africa Business Angel Network (ABAN). 5 April 2018

There are concerning signs that start-ups have already become fatigued from the acceleration stimulus, due to a saturation of supply (and sadly, duplication), combined with the lack of immediate economic success. Apathy is starting to set in, yet more and more programmes are available to an ever-smaller pool of un-incubated start-ups. Both incumbents and new entrants to the acceleration market need to offer differentiated approaches, as well as be strategically smarter.

To offset this fatigue, adaptation and experimentation is happening, especially lean business approaches, design / systems thinking, and agile methodologies. One example is LaunchLab, a lean 'Iterator' programme designed for rapid development of incremental iterative improvements of an idea, with real experimentation and insight data-mining. Start-up studios that create companies very quickly by connecting and evolving a generation of entrepreneurs and corporate innovators will become more common. Diversifying the supply will not a cure the fundamental market challenges, but it should weed out the less effective undifferentiated programmes which are causing unintended pain to the ecosystem rather than helping it.

Information is more readily available than ever before. Organisations such as VC4A and the African Management Initiative (AMI) have developed online learning platforms because traditional programmes do not recognise entrepreneurs limited ability to travel and participate in person. They enable access to content, resources, and tools and a wide community. Hub in a Box crowdsources best practices in revenue generation for hubs of all shapes and sizes. Notwithstanding ongoing Internet challenges and not discounting the value offered by physical structures, such cost effective resources in the ecology are highly valuable.

More convergence is happening, both structurally and across sectors. We also see the traditional distinctions between incubation and accelerators blurring in response for greater convergence across platforms and industries, especially due to technology and software advancements. Alongside this, increasing synergies between and across sector verticals is apparent with common purposes around 'technology for good'. Far more coherence across the incubator and acceleration arena can only help.

Insights / Observations

08

Make multi-lateral actors' interventions strategic not episodic. Rethink the role of development in creating prosperity.

Professor Clayton Christensen wrote in the Harvard Business Review in 2017 that, to his knowledge, no major development agency has established a formal programme or an office to spot and nurture market-creating innovations. He imagines the impact that a World Bank unit focused exclusively on documenting, analysing, and teaching the essentials of these innovations could have on entrepreneurs in Africa and on the lives and welfare of people throughout the world's emerging economies. While the United Nations Development Programme's (UNDP) Innovation Unit does laudable development work, such a functional role stands outside their purview. The failure (and cost) associated with traditional development funding is staggering. Rethinking of the role of development in creating prosperity would have significant impacts.[85]

Current enterprise development models have failed to adequately cater for the Bottom of the Pyramid (BOP). Tools are needed to promote collaboration, peer-to-peer learning mechanics, and the development of local business networks. There is a serious need to close the

85. See Africa's New Generation of Innovators, Harvard Business Review. January/February 2017.

gap between the mainstream economy and the BOP local economy. Unless this happens, the two-tiered (informal/formal) two speed economy will only perpetuate.

Telecom operators, financial services companies, and technology companies are all obvious actors in prime position to help start-ups create more market-disrupting innovations. Some good work is certainly happening, such as GSMA's efforts, but much more needs to be done. Corporates should seize the opportunity to play a leadership role with their incubation and accelerator strategies targeting non-consumers (large segments of the population who would benefit through owning or using a product but cannot due to cost, time, or the expertise needed to use it), alongside global and local development bodies strategies.

What we choose to measure (or not) affects success and impact. Often an NGO's funding is connected to locked-in metrics, and often they are relevant, but sometimes not. Incentives can distort both the measure and the reward.[86] A far more sophisticated discussion is necessary to ensure measurement captures cause and effect which will prevent the system being gamed. Theory of change models need more rigorous examination, better data, be constantly assessed against objectives, and offer more holistic appraisals to ensure ecosystem metrics look at all the right areas. Adaptive processes and actions should reflect this.

Hubs need to think beyond their biases and corporates must be sensitive to their ability to pull the ecosystem in a particular direction with their demands – especially by looking at the problems on the ground that need solving more closely. Hubs are closer to local action so they have a vital role to play both as receivers and transmitters to understand local needs, offer feedback loops, and have to strategic consultative conversations with corporate about how to design programmes which serve real market needs. This flow isn't happening, but it needs to. There are significant opportunities for parties that start to get this right.

Insights / Observations

09

Tackle confidence and perceptions of perceived failure with mechanisms, tools, and new models that allow entrepreneurial risk to occur.

Conservatism and risk avoidance is inherent in many African cultures. In countries where entrepreneurship is booming, failure is seen as a critical part of the process – in fact, the feeling is that if you never experience failure, you are not being innovative enough. Investors in the USA and UK take this approach and accept that there is a high chance that a first venture will fail, but recognise it is a necessary part of the entrepreneurial journey. Fear of failure has many roots beyond intrinsic traits and can be conditioned by societal norms and the legal and social consequences of failure, which acts as a capability deterrent.[87] The challenge is that multiple opportunities for many individuals stop before they can even begin because gambling on high risk ventures where access to capital is a decisive factor in the outcome bears too much risk.[88] And this risk extends well beyond individual failures but the wider impact on a family, which can be potentially devastating.

Fear, a lack of skills from a failed education system, inequity and closed doors, are all toxic combinations for entrepreneurship growth. Ecosystem builder, Jay Cousins, talks about new approaches such as 'entrepreneurial commons' whereby risk is shared around funding pools by VCs, angels, and corporate investors. In the event of failure an entrepreneur is not left with nothing, but instead a share of their peers' success. Stronger safety nets mechanisms and structures and cultures whereby entrepreneurs can feel more safe, stable, and secure, in order to take innovative risks given the comparatively high penalties associated with failure.[89]

86. See Africa's New Generation of Innovators, Harvard Business Review. January/February 2017
87. Global Entrepreneurship Monitor Report. 2016/7
88. Interview. Jay Cousins. Innovation Catalyst. 10 April 2018
89. Interview. Jay Cousins. Innovation Catalyst. 10 April 2018

Upskilling is essential and cannot take a 'one size fits all' empowerment approach. Tools are needed to provide high quality and individually tailored learning and support interventions at scale. Corporates have a wider role too, potentially by sponsoring school and university start-up clubs where ideas can be explored with lower financial risk.

Insights / Observations

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Deeper systems change thinking across the ecosystem is essential

Somewhat ironically, there are only limited system change interventions that help the ecosystem function better. Ecosystems work when there is mutual and supportive interdependence between multiple actors, collective learning, and alignment objectives. Corporates should be clearer and upfront about what they are investing in, and what outcomes are sought in terms of their investment (whether this be the infrastructure and ecology via hubs or direct sponsorship via incubation activities). Hubs should push back when certain partnerships don't fit well. Start-ups should focus on serving real needs within the system and then find the right alignment with particular corporates. Development agencies and NGO partners need to consider what their role is (and equally what it is not) in terms of catalysing the innovation ecosystem to avoid mission creep.

We need to be able to engage various stakeholders in a systems-oriented conversation. A lot of organisations have done a lot of mapping work, which is important for common understanding and taxonomy. But what is less clear are the dynamics between actors, the power of the hierarchy, the barriers, and the highest point of leverage.[90]

Without taking systems approaches or having clearer strategic direction, misalignments will continue to occur, underserving markets and investors and limiting the socio-economic returns, reducing the circumstances for transformative change to transpire.

90. Interview. Tayo Akinyemi. Head of Growth, African Tech Roundup and Advisor, Afrobytes. 6 April 2017

Concluding Remarks

Whilst the promise of the entrepreneurship ecosystem is yet to deliver its full potential there are causes for optimism and concern. Countries are moving at very different paces. According to a World Economic Forum report, eight pillars are required for a healthy entrepreneurial ecosystem: access to markets; human capital/workforce; funding and finance; support systems/mentors; government and regulatory framework; education and training; using major universities as catalysts; and cultural support. Institutions, resources and investment are limited in each area across Africa and maturity will take time. In other instances, it will be fast due to the 'evolutionary leap' nature of disruptive innovation. The journey ahead is long, but foundations are being built, and hubs are an important step, even if it has taken too long to get to where we currently are. More can and should be done, especially with corporates leading the charge with the right interventions and collaborations. Inevitably, the tide will turn.

Innovation is inherently risky and unpredictable, but companies can improve their odds by reimagining their approaches. For too long, large firms have viewed start-ups as threats looming in the rear–view mirror, while start-ups have seen incumbents as ripe for disruption. The truth is that with the right partnership, carefully forged, both can benefit hugely, while creating value for their customers.[91] At some point in the future, we hope that corporates, start-ups, investors, and other key ecosystem actors will become far more cooperative along the lines we have set out. More careful and strategic thinking about how to shape and implement a two-sided model, in which integration and propagation is key.[92] Great care and consideration should be offered to break the two speed model so the formal/informal economies are more tightly linked so success can be shared far more widely. As the ecosystem matures we expect that a commercial consensus will slowly emerge where we are all responsible for our world. Deep social challenges will require organisations to work more closely together and collaborate better. And in the end, we will all wonder how we could have ever thought otherwise.

91. Africa's New Generation of Innovators, Harvard Business Review. January/February 2017
92. BCG. A Framework for Deep-Tech Collaboration. BCG. April 2017

Biographies

Scott Walker

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Scott has nearly 20 professional years of experience advising a wide range of clients on a broad spectrum of innovation, government relations, policy, public affairs, and sustainability issues around the world. His innovation focus includes promoting innovation policy and advising Nesta and Innovate UK. He has extensive experience advising government in the Middle East building internal innovation capability.

He has advised governments and politicians and has worked as a facilitator for an international capacity development organisation specialising in delivering coaching, innovation, and consulting solutions to emerging economies. His work has taken him from refugee camps to the White House. He holds two degrees (politics and law) and two master's degrees (international affairs and public administration), a post-graduate diploma in public relations, and was a participant at the THNK School of Creative leadership in Amsterdam. Scott has worked with global think-tanks and also in academia, having established and taught a strategic corporate responsibility course for executive students at Columbia University in New York.

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Ben's bike racing background led directly to his career in innovation. His early experience working in product R&D leading to a more general curiosity and drive to improve upon existing ways of doing things across multiple categories. Ben's work spans and connects the strategic and creative functions required to kickstart innovation, along with the operational capabilities to translate concepts to commercial reality.

Ben's innovation work focuses on unearthing new insight and applying strategic rigour to exploit new breakthrough ideas with real impact. He brings over 17 years experience of product, service, brand and organisational development delivering commercial growth and social impact for global blue chip, international governmental & visionary entrepreneurial clients alike. He has worked in North America, Europe, the Middle East and Asia delivering commercial growth to the automotive, FMCG, alcohol, technology, DIY, TV and financial services sectors. The new innovation he's worked on has contributed over £2BN incremental revenue to his clients. A developing area of focus for Ben has been to coach organisations to help themselves to think, act and become more innovative. Working with clients on long-term programmes involving numerous internal departments and external partners / stakeholders, Ben helps organisations to break the confines of their current operations, revealing new opportunities, untapped markets and meaningful commercial alliances. Ben has enjoyed notable coaching and innovation success with Google, having helped the technology giant to bring Street View, Google Earth and Android OS to the world.

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