

# Building the Entrepreneurial Eco System in Sierra Leone

## Part II

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In July, I wrote a paper on why we need to build an entrepreneurial ecosystem in Sierra Leone to support a new breed of entrepreneurs. In that paper I discussed rent seeking vs value creating entrepreneurship. I argued that we need to build an ecosystem in Sierra Leone that supports the value creating entrepreneurs.

In this follow up, I am going to discuss entrepreneurial ecosystem and high growth firms. I will also look at why Government and its donor partners needs to shift policy towards supporting high growth entrepreneurs in Sierra Leone. For this policy shift to take place and be successful, we have to move away from top-down interventions towards bottom-up interventions. Research has shown that in many cases, the top-down approach is focused on framework conditions.

In Sierra Leone, it is clear that increasing the number of new business is the policy objective. My experience is that just focusing efforts on increasing the number of new firms is not a good policy, because very few will achieve significant growth. If we look at other parts of the world and in some parts of Africa-Kenya and Ghana-many start-up programmes are now concentrating their support efforts on high-growth start-ups. This reflects the growing acceptance that not all start-ups are of equal 'economic value'.

First, let me borrow from an OECD report, a comparison between Traditional Enterprise policies and Growth-oriented enterprise policies. This will give the reader a clearer picture of what I mean by High Growth Firms.

<b>Traditional Enterprise Policies</b>	<b>Growth-Oriented Enterprise Policies</b>
Main unit of focus is on specific actors, such as individuals, entrepreneurs, geographic clusters of firms	Main unit of focus is on specific types of entrepreneurs, networks of entrepreneurs or 'temporary' clusters
Policy objectives is to generate more entrepreneurs and grow more new ventures	Policy objective is to focus on the high potential or 'blockbuster entrepreneurs' with the largest economic potential
Policy actors are targeted by specific focused interventions aimed at parts of	Policy is targeted at connecting components within ecosystems to

entrepreneurial systems (i.e. non-systemic)	enable the system to better function (i.e. systemic)
Main forms of assistance are 'transactional' forms of support such as grants, tax incentives, subsidies etc.	Main forms of assistance are 'relational' forms of support such as network building, developing connections between entrepreneurial actors, institutional alignment of priorities, fostering peer-based interactions
Main push by policy makers is to generate and promote entrepreneurial sources of finance aimed at start-ups, particularly in the form of venture capital and business angel funding	Recognition that different businesses have different funding requirements such as debt finance, peer to peer, crowdfunding etc. As businesses grow and upscale different firms require access to a 'funding escalator' and 'cocktails' of different funding sources
The generation of new firm-based intellectual property and innovation was seen as vitally important. The focus was very much on R&D and the protection of intellectual property rights.	Focus on developing innovation systems and fostering connections with customers, end users, suppliers, universities etc. Increasing recognition of unprotected and 'open' sources of innovation. Innovation is porous transcending many sectors and industries – both new and traditional
The level of policy making is mostly 'top down'. The implementation of policy is mostly undertaken at national level but some initiatives are devolved.	The bulk of systemic policies are enacted at the regional or local level. Multi-scalar policy frameworks are emerging.

\* Entrepreneurial Ecosystems and Growth Oriented Entrepreneurship. OECD. Prof Colin Mason and Dr. Ross Brown

From the above, it becomes clear that the focus of the donors and Government has to shift from companies, start-ups to support the ecosystem. In other words, we move to a more system based- holistic- forms of support rather than the current company specific. This calls for supporting networks that work with entrepreneurs, fostering synergies between the different players and building new institutional capabilities. For example, to support incubators, accelerators, tech hubs and science parks. For the record, we have only one tech hub/co working space -Sensi Tech Hub - in the entire country!

Presently donor organisations working in the entrepreneurship/SME space use their time and resources "searching" for start-ups, SMEs to provide training and other forms of support to. This may not only be misguided, but in the long run, will bear no result. Indeed, the fact is, there are very few start-ups in Sierra Leone that have the potential to scale. And this may be due to the lack of an entrepreneurial ecosystem that they can tap into.



We face unprecedented opportunities for value creating entrepreneurs and innovators to transform this country. These opportunities come under- Demographic dividend, Digital disruptions, Agtech, The Circular Economy, and Social Entrepreneurship.

The demographic dividend means we have 50% of population have the potential to be productive and contribute to our economy. Demographic dividend, as defined by the United Nations Population Fund (UNFPA) means, “the economic growth potential that can result from shifts in a population’s age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older).”

In Sierra Leone we have 50% (3,5million) of the population between the ages of 15-54 years. We have another 40% between the age of 0-14 years. This will be a boost in economic productivity if we can turn them into active economic agents.

Sierra Leone, through high growth, value creating entrepreneurship has the potential to reap this demographic dividend.

Digital disruption is the change that occurs when new digital technologies and business models affect the value proposition of existing goods and services. We see fintech disrupting the provision of financial services, creating opportunities for start-ups.

Digital globalisation has opened the door to developing countries, to small companies and start-ups, and to billions of individuals. Tens of millions of small and midsize enterprises worldwide have turned themselves into exporters by joining e-commerce marketplaces such as Alibaba and Amazon. The main factors preventing Sierra Leone enterprise to take advantage of digital globalisation, is the poor and expensive internet service, and an entrepreneurial ecosystem that would provide the kind of services to such enterprises.

Agriculture accounts for 58% of our GDP, employing 80% of our population. Yet agriculture productivity is low and the dollar contribution to GDP is disproportionate. In other countries, due to the use of technology productivity in agriculture is increasing. Agtech is agricultural software, services, farming techniques, aimed at bringing more data and efficiency to the sector. This sector has attracted interest from tech investors and account for 30% of the 129million dollars that was invested in African startups in 2016. Sierra Leone is ripe for agtech to transform the sector. We already have the likes of Melvin Foday Kamara designing machines to increase agriculture productivity.

A circular economy addresses mounting resource-related challenges for business and economies, and could generate growth, create jobs, and reduce environmental impacts, including carbon emissions.



The circular economy's potential for innovation, job creation and economic development is huge: estimates indicate a trillion-dollar opportunity. In Sierra Leone, we have an opportunity to create new businesses and jobs through recycling, waste management and collaborative consumption. Imagine the collection and processing of plastic waste to finish products or energy can create thousands of jobs. We have a start-up already collecting plastic waste and transforming them into pavement tiles.

Social entrepreneurship offers an altruistic form of entrepreneurship that focuses on the benefits that society may reap. Simply put, entrepreneurship becomes a social endeavor when it transforms social capital in a way that affects society positively. With so many challenges in this country, social entrepreneurs can develop innovative solutions and mobilize available resources to affect the greater society.

There are several advantages of social entrepreneurship. Of particular relevance to Sierra Leone is that it provides employment opportunities and job training to segments of society at an employment disadvantage (long-term unemployed, disabled, homeless, at-risk youth and gender-discriminated women). The example of Grameen and the economic situation of six million disadvantaged women micro-entrepreneurs were improved.

HOWEVER, without an Entrepreneurship Ecosystem that supports value creating and high growth entrepreneurs, we will miss these opportunities.

The term ecosystem was originally coined by James Moore writing in the Harvard Business Review in the 1990s. He asserted that businesses don't evolve in a 'vacuum' and noted the relationally embedded nature of how firms interact with suppliers, customers and financiers.

Since then academics and experts have argued convincingly that in dynamic ecosystems new firms have better opportunities to grow, and create employment, compared with firms created in other locations.

This also echoes the argument of Bathelt et al (2004) that wider global linkages – beyond those connecting firms to product markets – play an important role in the development of entrepreneurial ecosystems. They argue that as well as engaging in localised learning, firms also seek to build channels of communication with selected external partners to access more specialised knowledge and assets not available locally. These so-called global pipelines are seen as being particularly important in the early stages of ecosystem formation, providing access to markets, resources and knowledge before a critical mass is available locally.

This is part of the work the organisation I lead is focusing on. I am responsible for expanding collaboration among Sierra Leone's entrepreneurship ecosystem leaders and connecting them to their counterparts in more than 170 countries.



There is also another compelling reason why we should direct efforts to building an ecosystem. Foreign tech investors are attracted to African countries with a very strong entrepreneurial ecosystem. The likes of Zuckerberg, Bill Gates, Serge Brine, all are active investors in the tech space in Africa.

In 2016, more than 129 million dollars went into African start-ups. 146 start-ups raised investment, an increase of 17 percent from 2017. Those start-ups that attract investments have strong entrepreneurial ecosystems to support them.

Further, SeedStars World's index revealed the correlation between the strength of countries' entrepreneurial ecosystems and national GDP: The three countries with the highest scoring entrepreneurial ecosystems - South Africa, Kenya, and Rwanda - all exhibit higher than average GDP per capita.

In conclusion, it is my professional opinion that until we direct our efforts to supporting networks that work with entrepreneurs, fostering synergies between the different players and building new institutional capabilities, we will fail to capitalise on the potential of entrepreneurs and innovators to transform our economy, our society and people.

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