

Entrepreneurial ecosystems: the importance of success stories

Entrepreneurs have a vital role to play in achieving universal water and sanitation, but many countries still lack the conditions needed for WASH businesses to thrive. This Piece discusses the components of a successful entrepreneurial ecosystem, emphasising the importance of a 'success story' to catalyse growth in the sector.



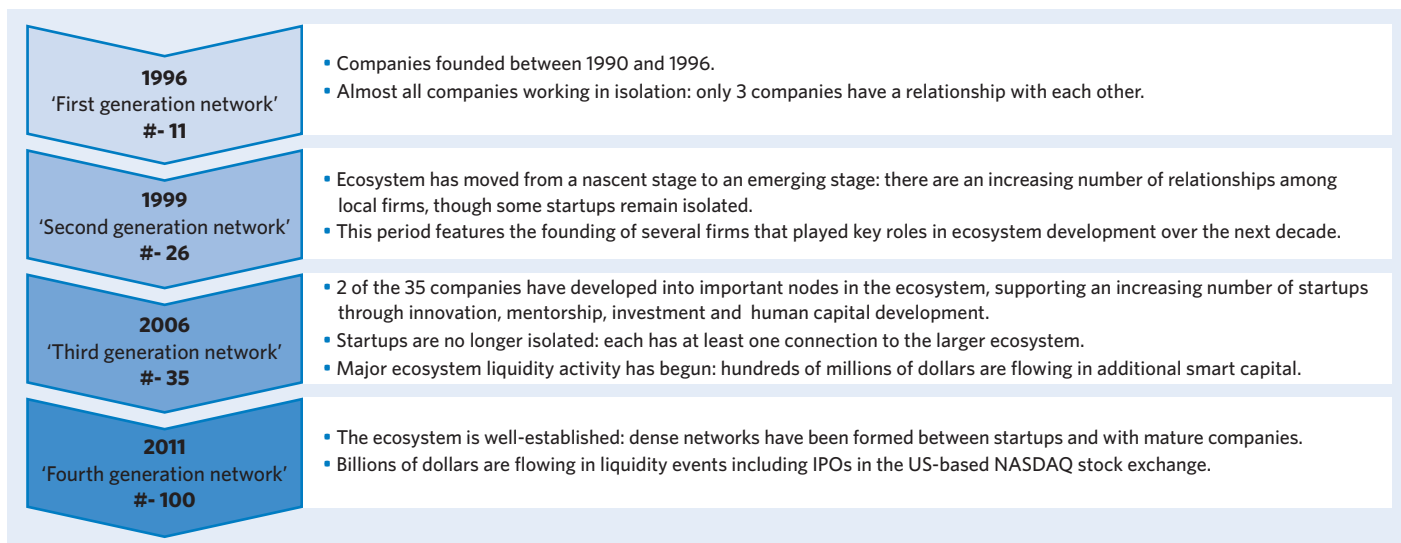
Creating WASH ecosystems: the beginning of a journey

Entrepreneurial ecosystems are characterised as entrepreneur-centric hubs of activity, focused on a specific sector or market opportunity in a given city or region. A number of international actors in the WASH sector are seeking to catalyse the growth of ecosystems through innovative and investable entrepreneurial ventures; one example is Clean Team, a containerised toilet service developed by WSUP in Kumasi, Ghana. While these ventures are showcasing the potential of businesses to provide citywide water and sanitation solutions, the challenges associated with developing viable WASH businesses take time to overcome, and WASH ecosystems are typically at an early stage in their development.

Leading by example: entrepreneurial ecosystems in the ICT sector

The challenges facing the WASH sector are unique and we cannot assume equivalency with any other sector. This vital caveat notwithstanding, there may be lessons to be drawn from observing general patterns in how established ecosystems have developed over time. Over the past two decades, Information and Communication Technology (ICT) focused ecosystems have flourished around the globe. Figure 1 presents how the ICT sector in Buenos Aires evolved from 11 companies to over 100 companies in 15 years, demonstrating the long-term interest required to build a successful ecosystem. In observing the Buenos Aires case study, it is also notable that sector evolution was underpinned by the gradual emergence of two high-impact entrepreneurs, who then provided support to start-ups through innovation, mentorship, investment and human capital development, accelerating the growth of the sector.

Figure 1. Evolution of the ICT entrepreneurial ecosystem, Buenos Aires, Argentina. **Source.** World Economic Forum.



The catalytic role played by a small number of high-impact entrepreneurs in Buenos Aires is significant, and has also been observed in the growth of ICT ecosystems elsewhere. We explore this finding and other ingredients for creating successful ecosystems on the next page.

Creating entrepreneurial ecosystems: key ingredients

Successful ecosystems will create the conditions required to draw talented individuals away from traditional career trajectories, and towards starting their own business. A survey of over 1000 entrepreneurs by World Economic Forum found that entrepreneurs viewed accessible markets, human capital and financing as being pivotal to ecosystem development. More specifically, a recent review of the literature by ViKtoria Solutions identified eight factors that are core to this enabling environment:

1. Strong frameworks for intellectual property protection, coupled with technical standards suited to new business models and products.
2. Availability of funding that permits business model discovery, development and iteration.
3. The presence of successful entrepreneurs who act as role models, inspiring and supporting the next generation.
4. Umbrella organisations to promote sector interests and showcase success.
5. A market which is open to new products, services, and business models departing from the status quo.
6. A skilled and well-educated workforce operating in a professional environment that promotes experimentation and allows for failure.
7. A well-resourced pool of professionals and organisations providing business support services.
8. Contributions from the corporate sector to foster new business ventures (e.g. incubator sponsorship, corporate venture capital, engaging young businesses as suppliers).

Success breeds success...

Creating an ecosystem from scratch - as many countries are attempting to do in the WASH sector - can seem an overwhelming task. The above ingredients will take time to develop, and both corporate and government commitment are needed to get the foundations in place. However as noted on the first page, optimism can be drawn from the observation, demonstrated in other impact sectors, that a small number of entrepreneurial successes can play a pivotal role in transforming and catalysing activity in the ecosystem. Clearly that initial breakthrough is difficult to achieve - elements of the enabling environment must be in place, and the market timing must be opportune - but once an entrepreneurial success story arrives in a given sector, that entrepreneur is then positioned to become the central lever, and to drive the ecosystem forward based on their own unique experience, networks, reputation and earned wealth.

In search of a success story: Kenya's ICT sector

An example of the importance of success stories is the ICT sector in Kenya, where Nairobi has become a 'nascent' hub for ICT entrepreneurs, but has yet to breakthrough to 'emerging' status. ICT start-ups are springing up in Nairobi from co-working spaces, incubators and academic institutions, coupled with the introduction of numerous corporate, government, investor, and donor initiatives to promote the growth of these companies. Trends underpinning these developments include Nairobi's positioning as the regional economic hub, the city's reputation as the home of mobile money, the recent arrival of fibre optic cables, and a growing workforce trained in ICT. However a major entrepreneurial success story is yet to arise, hence the ecosystem has yet to reach the most critical milestone on the path to success; ecosystem development initiatives need to direct more resources to the highest-potential entrepreneurs in order to achieve the breakthrough.

What does this say about current approaches to WASH ecosystem development?

In WASH as in other sectors, new entrepreneurs will need start-up finance, adequate expertise and time to get their business off the ground. Traditional WASH donor approaches have tended to prioritise quick wins, focusing on the number of beneficiaries impacted. Such an approach fails to adequately reflect that entrepreneurial ecosystems take-off on the back of one or two success stories, and that to become that success story may take a number of years. One of the greatest challenges facing the WASH sector is setting the right criteria to correctly identify which entrepreneurs (and which solutions!) have the best chance of success; from that point onwards, patience and perseverance are required to ensure a select group of entrepreneurs are given the opportunity to blaze the trail for others to follow.

Credits: This Perspective Piece was written by Yaron Cohen, Rachel Adelman and Sam Drabble, with important inputs from Andy Narracott, Nitida Wongthipkongka and Neil Jeffery. Production Coordinator: Gemma Bastin. Design: AlexMusson.com. [Version 1, May 2015]