



Handbook on developing sustainable business models

Capacity upgrading module 2 developed in the
framework of the “Africa–Europe Innovation Partnership”





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1 Introduction

This booklet has been developed in the framework of the capacity upgrading activities delivered as part of the "Support to EU-Africa Innovation Cooperation" project financed by the European Commission (see <https://africaeurope-innovationpartnership.net/>). The project intends to connect the technology and innovation ecosystems in Africa and Europe in order to align disruptive innovation creating better opportunities of growth and scale-up for entrepreneurial ecosystems on both continents.

A number of capacity upgrading sessions are developed as part of the project in light of enhancing the abilities of the African start-up and entrepreneurial eco-system to engage in collaborative activities with their EU counterparts. Capacity upgrading activities are also meant to strengthen the African innovation eco-systems on the basis of mutual exchange and learning with European counterparts.

The first training module specifically looked at the landscape of EU funding opportunities specifically designed to support the strengthening of African incubators/accelerators, start-ups and entrepreneurs.

The second training focuses on developing sustainable business models in a context where many African tech hubs are still quite young and do not yet have a stabilized business plan. This training is delivered by the European Commission in partnership with Afric'Innov¹, a leading African incubator network.

This capacity upgrading module and booklet is mainly of interest to African stakeholders wishing to refine the business model of their tech hubs based on practical experience by others practitioners in the field. By exploring the booklet **readers can expect to learn about :**

- matching the support services provided effectively with the entrepreneurs and startups' needs over time ;
- fundraising for tech hubs ;
- sourcing projects and entrepreneurs.

2 Matching the support services provided effectively with the entrepreneurs and startups' needs over time

2.1 About the lecturer

This first training session was led by Lisa Tietiembou, director of LA Fabrique , incubator based in Burkina Faso² founded in 2014. Prior to that, Lisa Tietiembou has got various experiences in supporting entrepreneurships in France and Belgium, ensuring her large understanding of the problematic within various contexts.

¹ <https://www.africinnov.com/fr>

² <https://www.lafabrique-bf.com/>

2.2 The training content

As for a startup, understanding the needs of your target audience is key for tech-hubs. First, it implies knowing the profile of your target audience :

- the profile of the entrepreneurs (background, motivation, localisation, etc.) ;
- the typology of their project (maturity, field, etc.).

It is recommended to narrow it down as much as possible so that their needs are as homogenous as possible and easier to address as a whole for the tech-hub : they all benefit from the same kind of training, events, etc. In a context where money may be scarce, this is particularly important. As an example, LA Fabrique is focusing on social innovation projects based in Burkina Faso.

Then, the tech-hub should be crystal clear with the objectives of the support provided at the very beginning with the entrepreneurs. It may be :

- finding a co-founder ;
- getting their first customer ;
- raising money ;
- etc.

Fixing these objectives will help the entrepreneurs as much as the persons in charge of the entrepreneur within the tech-hub.

At that point, the tech-hub is aware of what should be done, but not how it should be done which arises the question of resources to dedicate : Which human resources and expertise are needed ? What equipment should be bought ? What kind of partnership could be relevant ? All of this should be written in details as it is very key to the business model of your tech-hub and is a prerequisite to raise funds.

It should be noted that the support services should evolve continuously according to the progress and the typology of the new projects hosted. Tech-hub may find themselves willing to broaden the scope once they have established a successful program on their core target.

2.3 Takeaways

Beyond this generic training content, the point of that event is to foster discussions and knowledge exchanges between participants. The table below lists all the points that arose during the training session.

Context
<ul style="list-style-type: none">• A lot of young people are turning to entrepreneurship because they cannot find jobs.• Most people do not know what incubation is about• There is a lack of access to expertise and facilities
Main takeaways
<ul style="list-style-type: none">• There is demand for long-term coaching for entrepreneurs beyond the length of the tech hubs' programmes. Among the participants, the average is 5 entrepreneurs/coach.• Tech hubs are forced into becoming training centers which may not be in their scope.

- Tech hubs have to acculturate people to Innovation & Entrepreneurship. This could be done beforehand at school or via other public entities.
- Tech hubs are attractive notably because they give access to working space and connectivity. This is sometimes the selling point which may attract many people that are not in the tech hub's target.
- It is recommended to be focused on specific sectors, type of entrepreneurs etc. Diversification is too costly and hard to manage.
- Have 3 to 6 months programmes that are sector focused i.e. Agribusiness, FinTech, Energy, EdTech etc., to help start-ups accelerate.
- Support in facilitating partnerships between start-ups and established companies in their country
- The main expectation of entrepreneurs is to raise funds and they are disappointed no matter what of their overall experience and progress in the tech hub if it does not happen. This expectation is unrealistic and should be fought. Better communication at the start of the incubation is a starting point but it appears that many entrepreneurs forget/ignore what they are told at the beginning.
- Track the KPIs of the work done with startups (that approach is also required to raise funds)
- EU definition of incubators does not apply to the reality of most African ecosystems. Incubation should not be restricted to innovative companies
- It is difficult to find trained staff for the tech hubs.

3 Fundraising for tech hubs

3.1 About the lecturer

This second training session was led by Radia Garrigues, director of JA Gabon³ since 2013, incubator based in Gabon. She has extensive experience on project management and fundraising that she used in various context notably the book industry within Hachette Edition and for L'Alliance Française d'Abou Dabi.

3.2 The training content

This session put the emphasis on 2 major points : fundraising is extremely time-consuming (therefore costly, up to 10% of the fundraising) and requires high anticipation (from 12 months to 18 months).

In most cases, fundraising will require to have a detailed budget plan several years ahead (usually 3) that could be segmented in 4 parts : HR, Physical assets, Marketing, Services to entrepreneurs. This budget plan should reveal the money needed to run the tech-hub over the next years and will serve as a basis to go further in the fundraising process.

There are different rhythms at which a tech-hub may raise funds : multi-year, annually, event based. While the most sustainable option is to find funds who can support for 2 to 3 years, this requires the most preparation as this is expected to take 12 months to 18 months from the moment the tech-hub starts preparing its application to the moment it receives the first funds.

³ <https://www.jagabon.org/>

There are a large diversity of entities that can fund tech-hubs :

- public financial institution : World Bank, AFDB, etc. ;
- global companies : Banks, Telecom operators, etc. ;
- non-profit entities / NGOs : Bill & Melinda Gates Foundation, etc. ;
- private donors.

It is recommended to solicit various entities to decrease the risk. It is also seen as a positive sign in applications that other entities are already involved. For public financial institution and non-profit entities, most of the time the process is through an application for a call for project. In other cases, the process may be more specific and "personal".

Besides funds, tech-hubs can find other form of support with entities that also provide skills or physical assets. Most entities supporting the tech-hub will expect something in return, which should be communicated clearly and agreed upon. Good practice, sometimes enforced by the entities, is to have clear "Key Performance Indicators" (KPI) which should reflect the successful use of the received support. These KPI may be used as parameters for the contract and should be seen as deciding factors for further support ; therefore their monitoring is key. There are generic good KPI such as :

- number of companies founded ;
- number of jobs created ;
- satisfaction level of entrepreneurs ;
- survival rate of companies after X years ;
- etc.

There are other more specific KPI that will mostly depend on your own objectives and sometimes the specific agenda of the funding entity :

- rate of women entrepreneurs ;
- number of companies within the Y industry ;
- number of filed patents by the companies ;
- etc.

Below, here is an example of a leaflet by JA Gabon that follows these good practices : detailed description of their actions, list of their donors, several KPIs and overall impact of their activity.

AU-DELÀ DE L'ACTION

Afin d'appuyer ce programme et atteindre les objectifs mais également mutualiser les compétences et expériences de chacun, le programme nécessite des apports complémentaires en expertise, en nature et en financement.

1.1 ÉTUDE SUR LA MISE EN PLACE D'UN CENTRE DE TRANSFERT DE TECHNOLOGIE

La valorisation des résultats des projets de recherche menés dans les entités de recherche et les universités gabonaises pourrait utilement contribuer à la structuration de l'économie par filière industrielle et générer des projets de création d'entreprise sur la base d'innovations issues de la R&D. Un tel centre dédié au transfert de technologie n'existant pas encore, son modèle de développement et ses missions doivent être définis.

1.2 MISE EN PLACE D'UN CENTRE DE TRANSFERT DE TECHNOLOGIE

Le programme Cap sur l'autonomisation des jeunes prévoit une étude pour la création d'un centre de transfert de technologie et de son hébergement par une structure éducative autonome. Un partenaire, intéressé par l'innovation, pourrait financer sa mise en œuvre qui permettra au Gabon de passer de la recherche scientifique à la recherche appliquée et créer des projets d'entreprises innovantes.

1.3 DÉVELOPPEMENT DE FILIÈRES INDUSTRIELLES

Et pour compléter le volet innovation, JA Gabon prévoit d'organiser des initiatives d'innovation au sein des incubateurs pour renforcer les filières industrielles et répondre à chacun des maillons manquants dans les secteurs clés du pays (bois, secteur bois, agriculture, transport et mobilité, économie sociale et solidaire, industries culturelles, edutech, etc.).

1.4 TOUR DE TABLE POUR UN FONDS D'AMORÇAGE RENFORCÉ

Une fois l'étude de faisabilité faite, des partenaires pourraient contribuer à compléter le fonds dédié au financement de l'amorçage.

1.5 PÉPINIÈRE D'ENTREPRISES

En année 3 du programme, JA Gabon souhaiterait donner la possibilité aux entreprises incubées dans le réseau de se réunir autour d'un même lieu, une pépinière d'entreprises, afin de trouver un hébergement de leur entreprise à bas coût mais aussi de permettre de continuer leur accompagnement.

Ces initiatives prendront la forme de parcours à l'innovation et auront une durée de 4 mois avec certains temps forts et un accompagnement de deux années à la startup ou à l'entreprise en développement.

JA Gabon
A Member of JA Worldwide

L'AUTONOMISATION DES JEUNES AU GABON

CAP SUR L'AUTONOMISATION DES JEUNES AU GABON

Dans le cadre du 11ème PND et de la stratégie nationale, suite au programme APD financé par l'Union européenne, TOTAL Gabon, GIZ et Citrix en 2019, les travaux de mise en œuvre du projet de mise en place de la pépinière d'entreprises et de la création d'un centre dédié au transfert de technologie ont démarré en 2017. JA Gabon est en mesure de répondre aux besoins des jeunes entrepreneurs et de leur offrir un accompagnement personnalisé et adapté à leur projet.

JA est installé aujourd'hui dans 121 pays à travers le monde et au Gabon depuis septembre 2013.

5948 jeunes formés en éducation financière	10 203 jeunes formés à l'employabilité	389 jeunes formés à l'entrepreneuriat dont	49 startups accompagnées (programme startup) depuis 2015 23 entreprises créées
17 entreprises encore en activité (programme startup)	162 jeunes insérés en alternance (stage/formation) dans le cadre du programme APD (2017)	374 entrepreneurs formés par l'Espace PME (mentoring, pépinière d'entrepreneurs et ateliers) depuis novembre 2016	17 076 Total de bénéficiaires au 30 juin 2019

6 espaces gérés par JA Gabon: incubateur national depuis 2014, Espace PME depuis 2016, incubateur sectoriel hydrocarbures à POG en 2017, incubateur sectoriel agriculture à Mousis en 2017, incubateur sectoriel bois à ZES de Nkok, incubateur sectoriel agriculture à Tchibanga.

PARTENAIRES STRATÉGIQUES :

PARTENAIRES EN NATURE :

CFPP : Société Civile pour le Développement Makokou Oyem, Port Gentil

LYCÉES TECHNOLOGIQUES : Lycée Tchibanga

UNIVERSITÉ : Centre Supérieur d'Enseignement et de Recherche en Technologie et Technique des Matériaux

Figure 1 JA Gabon leaflet

3.3 Takeaways

This session triggered rich discussions among the hub managers attending the session who in return provided their own experience and practices. Most of the tech hub managers mentioned that they have received funding in the form of grants from international institutions, development agencies and/or foundations such as: European Commission, GIZ, USAID, AfDB, World Bank, Bill & Melinda Gates Foundation. A few mentioned mobilizing funds from enterprises and the Chambers of Commerce of their respective country.

<p>Context</p> <ul style="list-style-type: none"> • There is a lot of money available. The issue at stake is the capacity of the ecosystem to absorb and to actually make use of this money • The main costs are HR and connectivity
<p>Main takeaways</p> <ul style="list-style-type: none"> • The main challenge is the process to apply for funding opportunities which is costly. Almost 1 FTE for small and medium tech hubs for months or even years for the largest projects. • The entities providing funds might not have the same vision as the hubs. Tech hubs should not compromise to simply acquire funding. There are examples where tech hubs were asked how they could receive financial support and could therefore define themselves the specifications.

- Operationalizing funds once received is also challenging
- The lack of crowdfunding platforms in Africa was also discussed. In general, African people do not have confidence in crowdfunding, specifically paying for things online even if they have a visa card. There is a fear if they contribute online, the person would disappear with the money. Crowdfunding does not work for tech hubs.
- Private donors want to be discrete as much as possible.
- The support may not be only money but also access to facilities and expertise.
- The general indicators that the hub Managers mentioned they use to measure their success (that are required when applying for grants) are as follows: (i) number of start-ups supported, (ii) number of jobs created, indirectly and direct, (ii) finances mobilized and raised, (iii) number of women supported in their programs.
- Hubs should develop 3-year budget plans and not just annual ones.
- Fundraising project proposals should have indicators to measure success. There should only be few indicators because the more indicators, the less you track them.
- To save on budget, tech hubs could approach established entrepreneurs to come and be mentors and coaches at respective incubators pro-bono
- This activity is hard to delegate and probably should not

4 Sourcing projects and entrepreneurs

4.1 About the lecturer

This third training session was led by Guillaume Dion, AEIP speaker and former project manager in the leading tech-incubator Agoranov based in Paris. He elaborated and participated to several incubation programs for different stakeholders. Often involved in sourcing for these incubation programs, he shares the good and bad practices encountered.

4.2 The training content

Sourcing is all actions contributing to the actual arrival of projects and entrepreneurs in the tech-hubs including but not only :

- communication ;
- networking ;
- selection process.

Sourcing must be seen as a key activity as a qualitative sourcing leads to qualitative cohorts of entrepreneurs which is a sine qua non condition to a performing tech-hub.

There are various ways to get known by entrepreneurs looking for a tech-hub :

- maintaining an up-to-date website displaying the most recent events and hosted projects/entrepreneurs ;
- communication through social medias and traditional medias if relevant ;
- participating to the events of the innovation ecosystem : jury in a startup contest, presenting your incubator in a tradeshow or simply attending these events to meet new people ;
- keeping contact with alumnus who are the best ambassadors as they will redirect the relevant entrepreneurs that they come across.

Once the contact has been established with the entrepreneurs, there must be a selection process to make sure that the applicants will really benefit from the incubation program.

Therefore, the tech-hub needs to check if the applicant corresponds to the target audience in terms of profile and needs (as detailed in the first training session). Beyond the specificities of each tech-hub criteria, to improve the accuracy of the selection process, there are several good practices to follow :

- a 2-step selection process : there must be 2 instances relatively far apart in time. Second meeting allows to check if progress has been made and if remarks/comments made at the first meeting were retained by the entrepreneur. It tests both the motivation and the ability to listen of the entrepreneur which are quite mandatory for any incubation program to have any effect ;
- physical meetings are preferred : beyond the fact that communication is usually better in physical settings, this is also a way for the entrepreneur to discover the physical space where he will work, etc. ;
- Multiplying points of view by bringing external experts (but avoid investors who could have conflict of interest), ideally on the technology used or the market addressed by the entrepreneur.

Another good practice, which is not relevant to the accuracy of the selection process but to be kept in mind nonetheless, is to avoid hosting projects that are competing on the same market segment since it may undermine the trust between the tech-hubs and the entrepreneurs and therefore the capability to accompany them.

4.3 Takeaways

The main takeaways related to this topic are based on the training session led by Guillaume Dion, tech-hub specialist for AEIP. Participants described how they currently source projects and entrepreneurs and whether it was satisfying. Comparing each other's methods and experience the results are the following :

Context
<ul style="list-style-type: none"> • Sourcing is significant part of the tech hub activity. Around 1/5 of HR. • Incubators act as a label for the startups
Main takeaways
<ul style="list-style-type: none"> • Support to entrepreneurs starts at the sourcing stage • Aim at having rather homogeneous cohort to create synergies between the startups : startups on the same value chain, startups that could share resources, etc. • The startup portfolio of tech hubs is a defining point of the tech hub identity • Sourcing is a KPI for investors • At the moment, most sourcing is quantitative but not qualitative enough. Drop-out rate are high. • Be careful with incubating startups that are competitors. Should be avoided since it creates trust issues. • Various ways to attract entrepreneurs : call for projects, attending startup challenges, word of mouth, social networks, etc. • The selection process should be at the very least a 2-step process involving different people from the tech hub and outside on a lengthy timeframe (~1 month) to assess a true motivation. • Define precise criteria on the quality and availability of the team (#1 criteria), the quality of the idea and the fit with what the tech hub can offer • These methods are inspired of what Venture Capitalist do who are the best when it comes to selecting startups (of course they dedicate much more resources to this activity). • Developing the alumni network is a long term investment for improved sourcing

5 Conclusion

Developing sustainable business models for tech-hubs shares similarities with developing startups hosted by those same tech-hubs. Their product, the incubation program, must fit the needs of their customers, the entrepreneurs and vice versa. The funding ecosystem for African tech-hubs is large ; there are plenty opportunities but the processes most often requires rigor and anticipation through detailed financial plan and well-monitored KPIs. To achieve its ambitions, tech-hubs must source, carefully and according to its identity, projects and entrepreneurs which is the starting point to any successful and sustainable tech-hub. Tech-hub managers are entrepreneurs themselves.

Beyond the content of the training sessions, peer-to-peer exchanges have shown that they could be as valuable if not more. Hub managers brought to the table most of the takeaways mentioned above which are most of the time shared across all African countries. While there are many opportunities to read, to listen and to learn⁴ about the different topics addressed, the tech-hub teams are most of the time on their own in their respective country and do not often have access to the practical experience of their peers. This confirms the necessity of structuring tech-hub networks such as the Afric'Innov one at the African scale.

⁴ Additional resources here : <https://africaeurope-innovationpartnership.net/resources>