

# ACCELERATING YOUTH-LED ENTERPRISES IN NIGERIA

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Thank you!

To learn more and access the data presented here, visit [www.galidata.org](http://www.galidata.org)

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# SUMMARY

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The number of accelerators has increased considerably in various emerging market countries in the past decade, especially in Sub-Saharan Africa. This includes Nigeria, the largest economy in West Africa. One important question then is: are these incubators and accelerators effective in providing support to enterprises in emerging markets, especially youth-led enterprises? This knowledge brief seeks to capture information from our study of incubators and accelerators in Nigeria in relation to their effectiveness in supporting youth-led enterprises. This brief was developed using the Global Accelerator Learning Initiative (GALI) data alongside interviews and stakeholder meetings held in Lagos and Abuja with support from Oxfam in Nigeria.

## ASPEN NETWORK OF DEVELOPMENT ENTREPRENEURS WEST AFRICA

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The **Aspen Network of Development Entrepreneurs (ANDE)** is a global network of organizations that propel entrepreneurship in emerging markets. The ANDE West Africa Chapter envisions a thriving ecosystem for small and growing businesses (SGBs) in the region. The goal for the ANDE West Africa Chapter is to create a platform that supports all stakeholders in the SGB ecosystem through training, knowledge dissemination, and collaborative events.

# ABOUT THE GLOBAL ACCELERATOR LEARNING INITIATIVE

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Global Accelerator Learning Initiative

Since 2005, hundreds of accelerator programs have emerged around the world. Investors, development agencies, and governments are excited by their potential to drive growth, spur innovation, solve social problems, and increase employment opportunities in emerging markets.

Despite this interest, we know little about accelerator effectiveness or how differences across programs influence venture performance.

To address this gap, Social Enterprise @ Goizueta at Emory University and ANDE launched the Global Accelerator Learning Initiative (GALI) in collaboration with a consortium of public and private funders. GALI builds on the Entrepreneurship Database Program at Emory University, which works with accelerator programs around the world to collect and analyze data from the entrepreneurs that they attract and support.

## OXFAM IN NIGERIA

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Oxfam in Nigeria works with a diverse and broad range of individuals and partner organizations to create sustainable and lasting solutions to poverty, suffering and injustice.

Through the Work in Progress! (WiP!) project funded by Ministry of Foreign Affairs of the Netherlands, Oxfam provides small and medium enterprises (SMEs) with Business Development Services (BDS) in the hope that when they grow, more employment opportunities for young people can be created. WiP! also supports start-ups with acceleration and engages in advocacy to foster an enabling environment for youth and SMEs in Nigeria, Egypt and Somalia.

# INTRODUCTION

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Nigeria remains the most populous country in Africa with over 190 million inhabitants, half of which are young people. According to the National Bureau of Statistics 2017 third quarter report, 67% of young people were either unemployed or underemployed. The unemployment rate stood at 33% among people aged 15 to 24 and 20% among those aged 25 to 34.

Policymakers have turned to entrepreneurship as one solution to this challenge. For example, the YouWin! program was designed to create jobs by providing startup capital to small businesses. The Nigerian entrepreneurial landscape is dynamic with a growing entrepreneurship culture and awareness among young people. Despite the economic challenges in Nigeria, youth are committed to creating their own jobs through their entrepreneurial endeavors with support of the private sector and government.

Entrepreneur support programs such as accelerators and incubators provide critical non-financial support such as business skills, networks, and advice to these young entrepreneurs. The global landscape of business support is growing and changing at a rapid pace. Looking just at accelerators, GALI has identified over 500 organizations around the world that run accelerator programs, of which nearly 60 operate in Africa.

As more of these programs begin working with young entrepreneurs, they should consider ways to best serve this segment of the population. This brief explores how incubators and accelerators are supporting youth-led enterprises in Nigeria, the common challenges faced by youth-led teams, and guidance from stakeholders on how to improve the support targeted to these entrepreneurs.

# METHODOLOGY

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The information in this brief comes from two sources: data collected by the Entrepreneurship Database Program at Emory University, and a series of roundtable meetings hosted in Lagos and Abuja by ANDE West Africa.

The Entrepreneurship Database Program works with dozens of accelerators to collect standardized data during their application processes. Then it follows up with annual surveys for all the entrepreneurs who applied to these programs, including those that were accelerated and those that were not. This helps create a deep understanding of how accelerators affect the growth of entrepreneurs over time.

The roundtable discussions were attended by more than 70 individuals from incubators, accelerators and other relevant enterprise support providers in Nigeria. Discussions focused on how incubators and accelerators in Nigeria are supporting youth-led enterprises. The roundtables featured a presentation of GALI findings and breakout sessions discussing challenges faced by incubators and accelerators in supporting youth-led enterprises in Nigeria.

# WHAT IS AN ACCELERATOR?

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Accelerators share a set of program characteristics that distinguish them from other forms of capacity development services. The Global Accelerator Learning Initiative defines accelerators as **time-limited programs that work with cohorts or “classes” of entrepreneurs to provide mentorship and training, with a special emphasis on connecting early stage ventures with investment.\***

In Nigeria, the terms incubator and accelerator are often used interchangeably, and many have similar goals and structures. Based on conversations, incubator programs are typically fee-based, accept new ventures on a rolling basis, involve physical space and technical facilities, and have an open-ended duration. Meanwhile, accelerator programs are geared toward growth-stage ventures, use a cohort-based model, involve seed funding, and run for a fixed duration of time.

The selection procedure for both types of programs is similar, with an open application process that, after multiple stages of selection such as external reviewers and an interview, results in a small number of entrepreneurs being selected to join the program.

\*These criteria are adapted from: Cohen, S. & Hochberg, Y.V. (2014). Accelerating startups: The seed accelerator phenomenon. Available at SSRN 2418000

# HOW DO ACCELERATORS SELECT ENTREPRENEURS?

Based on conversations with stakeholders, the passion and commitment of entrepreneurs is an important factor in the selection process. Others noted that they look for entrepreneurs with leadership, problem solving and networking skills that can help them succeed in the incubation/acceleration program. Stakeholders in the roundtable meeting mentioned a wide variety of selection criteria, including:

- **Innovation and creativity:** The ability to generate or recognize ideas and implement them
- **Problem solving skills:** The ability to define problems and offer solutions
- **Sustainability and technology integration:** Sustainability of the business model through technology
- **Leadership and commitment to business:** Willingness to sacrifice personal interests or agendas to support the business
- **Viability of business idea:** The prospects that the business can become profitable in the future
- **Empathy:** The ability of founders to work in a team and respect other people's opinions
- **Teachability:** Willingness and ability to unlearn unsuccessful habits and practices and relearn new ones
- **Communication (verbal and writing):** The ability to pitch (through writing and oral communication) the business value proposition to relevant stakeholders, such as investors
- **Sector Knowledge:** Deep understanding of the sector in which the business operates
- **Passion:** The enthusiasm and interest of founders towards their idea.

## Common Application Criteria for Accelerators and Incubators in Nigeria



Scalable  
Business Idea



Team of  
Founders



Technology  
Integration



Sector  
Knowledge



Technical  
Capability & Market  
Opportunity



Potential  
To Raise  
Investment

# DATA FROM YOUTH-LED VENTURES

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This report summarizes application data from 275 ventures operating in Nigeria that applied to one of 13 participating Entrepreneurship Database Program accelerator programs between 2013 and 2016. These teams provided details about the ages and backgrounds of up to three members of the founding team. The data presented below refer mostly to prior-year data, in other words, on business results from the year before the ventures applied to their respective acceleration programs.

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## MORE ABOUT THE DATA

### **Defining “Youth-Led” teams**

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The Entrepreneurship Database Program includes detailed information on up to three founders for each venture, including age. Using Nigeria's national youth policy 2009 definition of "Youth" (people between the ages of 18 and 35), the founding teams presented here may include all youth founders, a combination of youth and older founders, or all older founders.

### **Defining participating and rejected ventures**

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The Entrepreneurship Database Program collects information from each accelerator partner on which applicants ultimately participate in the program, and which are rejected.

## Most accelerated ventures are led by youth. Youth-led teams made up 58% of all applicants and 64% of participating ventures.

- Youth-led teams were the most common applicants to these programs: 159 teams with founders all under the age of 35 applied, compared to 76 mixed-age teams and 40 teams with founders all 35 and older.
- Youth-led ventures also made up the majority of accelerated ventures.

## These youth-led ventures were less established at application.

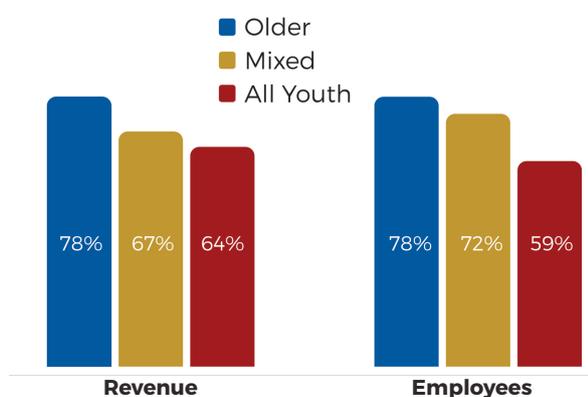


Figure 1: Percent that report revenue and employees

- Youth-led ventures were two years old on average, compared to three years for mixed-age teams and four years for older teams.
- A smaller proportion of youth-led ventures reported having earned revenue or hired employees in the year before application, compared to older teams.

## In general, few teams had raised equity or debt financing.

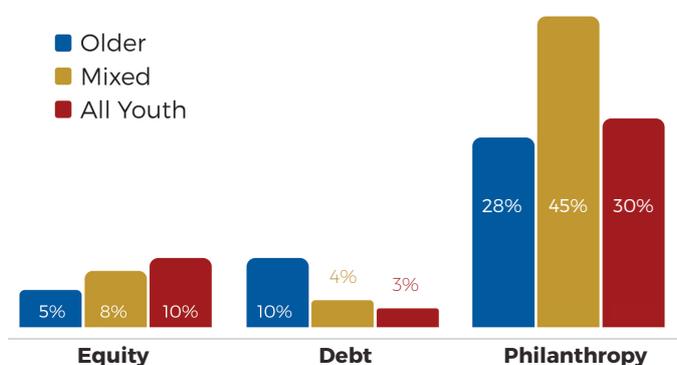
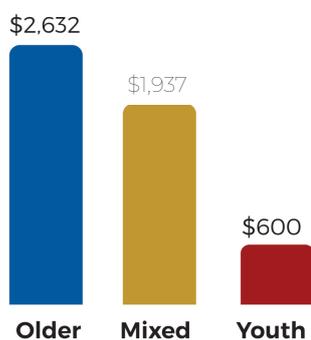


Figure 2: Percent that report investment

- Relatively more youth-led ventures had raised equity, and relatively fewer had raised debt.
- Overall, the most common type of financing was philanthropic capital. A smaller proportion of youth-led teams reported grant funding compared to mixed-age teams.

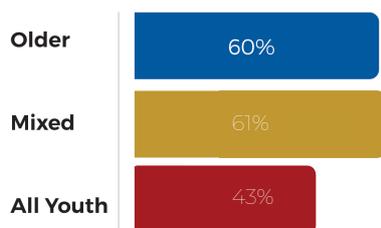
## Youth-led teams had invested less of their own funds.



- Youth-led teams invested their own money at the same rate as other teams (overall 64% of all teams had put money into their businesses), but the median amount they invested was over four times lower than older teams.

Figure 3: Median amount of founders' own funds invested

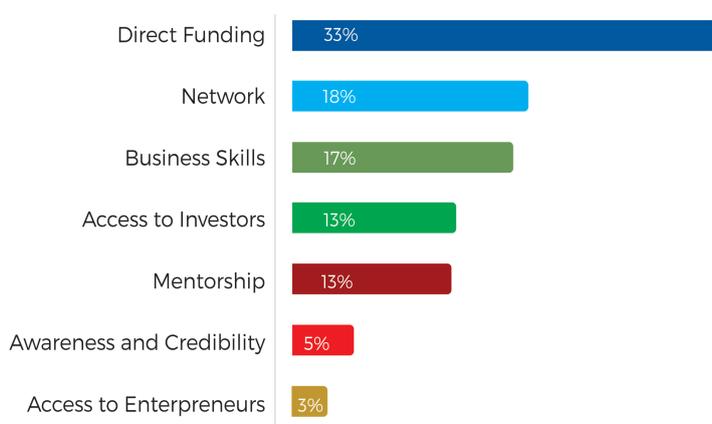
## Most youth-led ventures are run by first-time CEOs.



- A smaller proportion of youth-led teams reported that any of their founders have past experience in a CEO or Executive role.

Figure 4: Percent of ventures with at least one former-CEO founder

## Regardless of age, entrepreneurs are hoping to get direct funding from accelerator programs.



- Nearly one-third of all applicants listed direct funding as the most important benefit of the program to which they applied.
- Direct funding is a priority in Nigeria in particular. The percentage of teams that prioritize direct funding is higher in Nigeria (33%) than for Sub-Saharan Africa (27%) and for the overall global sample (22%).\*

Figure 5: Percent that rank each benefit first, at application

\*Acceleration in Sub-Saharan Africa: Initial data from the Entrepreneurship Database Program (available at [www.galidata.org/publications/acceleration-in-sub-saharan-africa](http://www.galidata.org/publications/acceleration-in-sub-saharan-africa))

# INSIGHTS FROM ACCELERATORS AND INCUBATORS ON SUPPORTING YOUTH-LED VENTURES

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Data from GALL indicate that **youth-led ventures dominate accelerator programs but are less established** and may face different challenges than their counterparts with more experience. Conversations with accelerators and incubators during the GALL roundtable in Abuja and Lagos further define some of the challenges they see young entrepreneurs facing as well as the challenges they face in supporting these youth-led ventures:

## Challenges faced by youth-led ventures:

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**Entrepreneurs out of necessity:** High unemployment rates may drive young people to start businesses out of necessity rather than passion. Accelerators and incubators pointed out that many of these “accidental entrepreneurs” often end up pulling out of their business during the very challenging startup phase.



**Lack of experience:** Accelerators and incubators point to lack of business skills as well as lack of sector-specific knowledge as challenges for young teams. Accelerators recommend taking time to learn from existing businesses to avoid common mistakes and conducting deep research on the relevant sector and product-market fit.



**A need for soft skills:** Accelerators and incubators noted that many youth-led teams lack relevant soft skills relating to communication, marketing, and human relations.



**Weak systems:** Accelerators and incubators pointed out that youth-led ventures often lack basic business infrastructure that is crucial to successful growth, such as financial accounting procedures and quality management.



**Unrealistic Expectations:** Accelerators and incubators explained that some of the youth founders tend to have unrealistic expectations about timing and the amount of capital they can raise.

## Challenges faced by accelerators and incubators:

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Accelerators and incubators themselves are often startup organizations, facing their own suite of challenges in general and when serving the youth segment in particular. Some of the challenges discussed at the roundtable include:



**Pipeline-building:** Difficulty identifying the right entrepreneurs who should apply and ensuring that the selected entrepreneurs maintain their commitment throughout the entire program.



**Government Support:** Lack of functional government policies that support the activities of accelerators in their efforts to help entrepreneurs scale their businesses.



**Collaboration:** There is room to foster more partnerships between accelerators, as well as with investors.



**Attracting Mentors:** Lack of willingness by successful entrepreneurs to voluntarily provide mentorship to the youth-led enterprises and other ambitious entrepreneurs.



**Trust:** Investors expressed distrust after experiences with start-up founders who did not responsibly use their investment. Likewise, many entrepreneurs are hesitant to share details of their business idea with prospective investors because of the notion that the idea might be stolen.

# RECOMMENDATIONS

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**Rethink the value of accelerators.** Educating and advocating for the role of incubators and accelerators will create a more trusting environment for entrepreneurs. Efforts should be geared towards creating awareness within the entrepreneurial ecosystem.



**Emphasize non-financial support.** Shifting the mindset away from solely direct funding to the additional benefits that these programs provide will also help reorient entrepreneurs to focus on the value of non-financial support.



**Provide accountability and follow up.** When giving grants, accelerators and incubators should consider making payments in tranches and providing follow-up services after the program ends to build in accountability.



**Coordinate across the ecosystem.** Entrepreneurs should be able to move fluidly through the ecosystem of support as they grow. For example, accelerators and incubators need to connect more effectively to investors, and pre-incubation services (such as through a university) can help prepare young students to navigate the entrepreneurial ecosystem.



**Attract mentors and build skills.** Connections to skilled role models is especially important for young founders without much experience. In addition, program curriculum should expose entrepreneurs to legal standards, proper accounting and book keeping, monitoring and evaluation, while also supporting their development of effective business communications and other soft skills.



**Cultivate the local entrepreneurial ecosystem.** As much as it is advisable to gain insights from best practices abroad, Nigerian accelerators and incubators should also focus on tailoring programs to meet local needs. There is also opportunity to better self-reflect and foster a culture of continual improvement by measuring impact and using this data to improve programs.



**Effective advocacy:** Accelerators should endeavour to continuously advocate government and private partnerships.

# INCUBATORS AND ACCELERATORS IN NIGERIA

NAME	WEBSITE	LOCATION
440NG	<a href="http://www.440.ng">www.440.ng</a>	Lagos
African Founders	<a href="http://www.african-founders.com">www.african-founders.com</a>	Lagos
African Hub International	<a href="http://www.africanhub.co">www.africanhub.co</a>	Lagos
Alftech	<a href="http://www.alftechhub.com">www.alftechhub.com</a>	Ogun
BD Hub	<a href="http://www.bdhub.com.ng">www.bdhub.com.ng</a>	Abuja
Box Office Incubator	<a href="http://www.boxofficeng.com">www.boxofficeng.com</a>	Abuja
Co-creation Hub (CcHub)	<a href="http://www.cchubnigeria.com">www.cchubnigeria.com</a>	Lagos
Devamplify Hub	<a href="http://www.devamplify.com">www.devamplify.com</a>	Anambra
Enspire Incubator	<a href="http://www.enspire.org.ng">www.enspire.org.ng</a>	Abuja
Enterprise Development Centre (EDC)	<a href="http://www.edc.edu.ng">www.edc.edu.ng</a>	Lagos
Fate Foundation Scale-up Lab	<a href="http://www.fatefoundation.org/scaleup">www.fatefoundation.org/scaleup</a>	Lagos
Focus Hub	<a href="http://www.focushub.net">www.focushub.net</a>	Port Harcourt
Harmony Innovation Hub	<a href="http://www.harmonyinnovationhub.com">www.harmonyinnovationhub.com</a>	Abuja
Hebron Startup Labs (by Covenant University)	<a href="http://www.covenantuniversity.edu.ng">www.covenantuniversity.edu.ng</a>	Ogun
Impact Hub Lagos	<a href="http://www.impacthublagos.com">www.impacthublagos.com</a>	Lagos
Innovation Growth Hub	<a href="http://www.ighub.com.ng">www.ighub.com.ng</a>	Aba
Kad Ict Hub	<a href="http://www.kadicthub.com">www.kadicthub.com</a>	Kaduna
Ken Saro-Wiwa Hub	<a href="http://www.kensarowiwafoundation.org">www.kensarowiwafoundation.org</a>	Port Harcourt
LeadPath	<a href="http://www.leadpath.com.ng">www.leadpath.com.ng</a>	Lagos
MakeIT in Africa	<a href="http://www.make-it-initiative.org">www.make-it-initiative.org</a>	Lagos
MEST Incubator	<a href="http://www.meltwater.org">www.meltwater.org</a>	Lagos
MindtheGap Innovation Hub	<a href="http://www.mindthegap.ng">www.mindthegap.ng</a>	Lagos
nHub	<a href="http://www.nhubnigeria.com">www.nhubnigeria.com</a>	Jos
Olotu Square	<a href="http://www.olotusquare.co">www.olotusquare.co</a>	Port Harcourt
Passion Incubator	<a href="http://www.passionincubator.ng">www.passionincubator.ng</a>	Lagos
RAD5 Tech Hub	<a href="http://www.rad5.com.ng">www.rad5.com.ng</a>	Aba
Roar Hub	<a href="http://www.roarnigeria.org">www.roarnigeria.org</a>	Enugu
Root Hub	<a href="http://www.theroothub.com">www.theroothub.com</a>	Uyo
Sabi Hub	<a href="http://www.sabihub.org">www.sabihub.org</a>	Benin
Spark Accelerator	<a href="http://www.spark.ng">www.spark.ng</a>	Lagos
Start innovation Hub	<a href="http://www.starthub.com.ng">www.starthub.com.ng</a>	Uyo
Startpreneurs	<a href="http://www.startpreneurs.com.ng">www.startpreneurs.com.ng</a>	Abuja
Stonebricks	<a href="http://www.stonebrickshub.com">www.stonebrickshub.com</a>	Abuja
Strategic Hub	<a href="http://www.strategichub.net">www.strategichub.net</a>	Port Harcourt
TD4PAI	<a href="http://www.td4pai.org">www.td4pai.org</a>	Abuja
The Zone Tech Park	<a href="http://www.startzone.org">www.startzone.org</a>	Lagos
Ventures Platform	<a href="http://www.venturesplatform.com">www.venturesplatform.com</a>	Abuja
Vibranium Valley	<a href="http://www.venturegardengroup.com">www.venturegardengroup.com</a>	Lagos
Wenovation Hub	<a href="http://www.wenovationhub.org">www.wenovationhub.org</a>	Ibadan



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