

# Start-up

Emerging economies need an effective entrepreneurial ecosystem that is government-enabled, youth-led, private sector-supported and future-oriented says **Sherif Kamel**



*Thinking big from the outset definitely helps the dissemination of an entrepreneurial culture and for emerging economies such as Egypt it could be the ideal transformational socioeconomic platform*

**E**ntrepreneurship has, over the last decade, dominated various societies, communities and markets in both developed and emerging economies, giving growing tech-savvy and interconnected young populations around the world the potential opportunities offered by information and communication technologies (ICTs).

However, innovation in general and in ICTs in particular cannot solve all the problems or answer all the economic and societal challenges that have developed over many decades, especially in emerging economies. While ICTs surely represent an enabling environment that can make a difference, such technologies should be coupled with proper legal, regulatory and support environments and an effective and comprehensive ecosystem.

Having said that, building an entrepreneurial ecosystem requires engaging diverse economic stakeholders across the different stages including the private sector, the government sector, non-governmental organisations (NGOs), and other institutions and individuals that can enrich and effectively support an entrepreneurial culture.

The culture of entrepreneurship should be built in-sync, bottom-up and top-down, seamlessly and simultaneously. It is a mindset that transforms society to think entrepreneurially rather than being just focused on start-up enterprises. Noise should be created all along the process to provide the required momentum, passion, drive and energy. The role of youth, practitioners, academics, industry experts, business leaders, mentors, investors, innovators, educators, trainers and more can never be discounted within the entrepreneurial space. But it has to be a collective effort where everyone is effectively engaged, empowered and successfully contributing.

There is never a perfect time to start promoting entrepreneurship but, whenever the ball starts rolling, it has to be disseminated across the community and it has to be open to risk taking, problems, challenges, venturing into the unknown, and failure. Success is only one element of the journey. Thinking big from the outset definitely helps the dissemination of an entrepreneurial culture and for emerging economies such as Egypt it could be the ideal

transformational socio-economic platform.

Since the mid-1980s, Egypt has been gradually experiencing a technological transformation with implications for the different sectors of the economy. This has been coupled with several socio-economic transformations and opportunities that could hold the key to a much better and prosperous future. The crucial building blocks in the equation are human capital and universal technology diffusion.

Egypt's population is growing at a rate of 2.1%, or over 2.4 million people per year, and technology access has been rapidly increasing across the country with over 52% and 114% internet and mobile penetration rates respectively. No less than 60% of the population is under the age of 25, reflecting a young society in a nation that is home to more than 90 million citizens.

Both elements provide a unique opportunity for change and improvement, and the intersection of technology, innovation, youth and entrepreneurship could be the enabling platform. Such trends apply to most emerging economies. Universal access to ICTs means unlimited access to knowledge, people, opportunities, ideas and the world at large regardless of time and distance and should never be confined to certain segments of society. This in itself can provide the infrastructure required for a globally competitive edge rather than being a liability.

Investing in creating a pool of energetic, passionate, technology-savvy entrepreneurs and change agents who can make a difference is exactly what emerging economies need, Egypt included. Creating an entrepreneurial culture is never a one-man show nor the playground or the creation of one organisation. It is the collective effort towards common goals: creating jobs, establishing enterprises and boosting economic productivity.

No less than 7.1 million public servants represent a huge pressure on the government and public administration in Egypt. However, that figure leaves a large segment of the population ready for a more robust, competitive and mostly service-oriented private sector. For every challenge there is an opportunity that can be created and that is the entrepreneurial spirit that needs to be embedded in the popular mindset.



The more diversified and varying challenges there are, the more opportunities and breakthroughs that could be created given the deployment of an innovative approach that is customised to local markets.

In many ways, small and medium-sized enterprises (SMEs) are the primary avenue by which entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovative products and services. In countries with a “youth opportunity” such as Egypt, SMEs become a possible platform for employment and job creation in major cities as well as in remote locations. Today, SMEs employ the majority of the workforce in Egypt, around 7.5 million people, and account for 50% of the nation’s GDP; around 10% or more are led by women and 90% of the total volume of establishments are family businesses. However, the majority of SMEs are not registered, so most probably double these figures are active in the grey economy; that would mean that SMEs represents 80% of the total employment in Egypt.

Moreover, in 2015, in an attempt to promote and improve inclusive growth and employment, the Central Bank of Egypt (CBE) has begun to expand lending to SMEs. In addition, the CBE announced that credit to SMEs must account for at least 20% of any commercial bank’s loan book by 2020, a total that could easily reach \$25 billion as opposed to the current 5% of bank loans that are provided to SMEs.

Such decisions are coupled with a growing number of support institutions represented by associations, NGOs and the private sector, all promoting a growing, collaborative and effective entrepreneurial ecosystem that is diversified, technology-driven, responsible and committed to society. Less than 10 years ago such action was nascent and limited, demonstrating the magnitude of the potential and the untapped opportunities in the market.

In Egypt, some of the main players that have been established and/or joined the entrepreneurial ecosystem over the last decade include the American University in Cairo (AUC) Venture-Lab, Flat6Lab Egypt, Injaz Egypt, Egyptian American Enterprise Fund (EAEP), Cairo Angels, the American Chamber of Commerce



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in Egypt, Endeavor Egypt, Rise-up Summit, Rise Egypt, Nahdet El-Mahroussa, the Technology Innovation and Entrepreneurship Center (TIEC), Pyramids 138, Ashoka and many more that are in the process of being formed and/or increasingly contributing to a collaborative and increasingly effective ecosystem that can have sustainable and scalable implications.

Egypt is not known for being rich in oil but it is definitely blessed with one precious resource that in many ways is the “oil” of the 21st century – human capital. This is an incredible force that could take the country forward through the creation of a start-up culture that could be scaled-up across the nation’s different provinces but that could also proliferate across other emerging economies given that most have similar demographics as Egypt.

The name of the game is start-ups and SMEs. They could make a difference if the proper legal,





# 2.1%

Egypt's population is growing at a rate of 2.1%, or over 2.4 million people per year, 60% of the population is under the age of 25, reflecting a young society in a nation of more than 90 million citizens

# 800k

There is a need to create over 800,000 jobs every year in Egypt, but with 4,000 villages in Egypt, the potential is huge

entrepreneurs, the more likelihood a growing number of start-ups will prevail. It is all about scalability and the continuous flow of ideas that can go to the next level.

With 4,000 villages in Egypt, the potential is huge and with challenging conditions, innovation becomes a model by which underprivileged communities kindle the passion, determination and will to make a difference and improve their standards of living.

The best ideas come in desperate times and real motivation happens when people are more challenged economically and socially so what really counts is human capital and people's effective role in society as agents of change and, more importantly, the transformational impact they can help realise.

Creating a thriving entrepreneurial culture and start-up ecosystem requires both talented individuals and a receptive and enthusiastic society. Therefore, while spreading the notion of entrepreneurship to a broader audience across the community, there is a need to identify, mentor, incubate, finance, connect and support those who possess natural talents and facilitate their success moving forward.

From the theoretical and academic to the practical and applied, a well-established entrepreneurial culture could be on its way to help build Egypt's economy in a more inclusive and impactful way and could be the platform for a start-up culture, a start-up society and a start-up region. For emerging economies, it is time for an effective entrepreneurial ecosystem that is government-enabled, youth-led, private-sector supported and future-oriented.

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#### ABOUT THE AUTHOR

Sherif Kamel is professor of management and vice president for information management at the American University in Cairo. He was the founding dean of the university's School of Business. During his tenure as dean (2009-2014), Kamel led a major repositioning of the school and initiated EQUIS, AMBA and ACCET accreditations. The school was also recredited by AACSB in 2011. The school became ACCET accredited in 2011 and gained AMBA and EQUIS accreditation in 2014. Moreover, he helped establish the Center for Entrepreneurship and Innovation investing in Egypt's young promising entrepreneurs becoming a leading educational partner in the entrepreneurship ecosystem and helped establish the university's Venture Lab becoming Egypt's primary university-based incubator focusing on startups that can realize scalable impact on the community.

# 75%

Today, SMEs employ the majority of the workforce in Egypt, around 75%, and account for 80% of the nation's GDP

# 90%

Many of these SMEs are led by women, and 90% of the total volume of establishments are family businesses

investment, regulatory, educational and other support mechanisms are in place. No scaling-up can happen unless the right infrastructure and "infostructure" is timely, disseminated and institutionalised.

SMEs have the potential to create thousands of jobs and enterprises in the years to come and that is exactly what emerging economies such as Egypt need. However, to be able to promote a scalable and sustainable impact, it is much more rewarding and effective for Egypt and emerging economies in general to create an entrepreneurial culture than to simply promote entrepreneurship, start-ups and SMEs.

In the 21st century, young graduates are more than ever eager to start their own business, be self-employed, make a difference and contribute to society. Unlike previous generations, they are not primarily looking for opportunities as civil servants. They want to take risks, venture into the business world, even if they do not have all that it takes to be successful in a competitive, global and dynamic marketplace.

With the need to create over 800,000 jobs every year in Egypt, the path for development and growth can only be created through a scaled-up, agile, competitive and growing start-up community. The bigger the base of potential

