

Enterprising Nigeria: How “Job Seekers” can become “Job Creators” through Functional Entrepreneurship Ecosystems

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Abstract

Africa's future as the largest working population in the world by 2040 implies underemployment and unemployment rates will rise, causing a shortfall in the number of available jobs for the working population. To prepare for this imminent future, "job seekers" must become "job creators". By leveraging the power of enterprise and entrepreneurship, this brief seeks to address how Nigeria's enterprising youths can become sustainable job creators. At the core of this challenge are three key issues: (1) Translating the high volume of entrepreneurial activities in the country into investable job-creating ventures, (2) Closing the massive skills gaps among young Nigerian entrepreneurs, (3) Building better-functioning entrepreneurship and innovation ecosystems to support start-ups. This policy brief submits that fostering collaboration amongst key ecosystem players can enhance the success rate of start-ups in Nigeria. It proffers key ecosystem support activities that can help young entrepreneurs before submitting three key policy options: i) creating new Entrepreneurship Centres of Excellence across Nigeria, ii) creating a blueprint for entrepreneurship development in Nigeria, and iii) developing knowledge-sharing systems within the entrepreneurial economy.

Introduction

Young Nigerians venture into entrepreneurship to achieve three things, among others: to make a decent living, to solve wicked problems profitably, and to ultimately build investable businesses. Yet, in achieving these, they are confronted by low levels of technical and business skills necessary to achieve their dreams. With an 85% start-up failure rate in the country (African Business Communities, 2023) and limited access to top-quality management education at the university level able to fill this void, a huge demand for validated and localised technical and business skills exists in the country. For these youths, access to credible technical and business education with reputable institutions, as well as coaching and mentoring to develop their business ideas, are their short-term focus. Their long-term focus is gaining exposure to funders, investors, and other key stakeholders who can support their ultimate dream of building investable businesses.

The sprouting of technology hubs (643 as of the end of 2019) (Shapshak, 2019), typically functioning as incubators, accelerators, and co-working spaces, have attempted to address the skills gap by providing support services (such as training and mentoring, etc.) and access to critical infrastructure (working spaces and high-speed internet) for young entrepreneurs to transition from idea to market. Still, it has become apparent that they are not universities and are unable to fully commit to eradicating the massive skills deficiency, especially business skills for which they have minimal competency. Similarly, for investors, access to portals where credible and validated investment-ready start-ups are forged remains a critical short- and long-term need. The supply of investment capital in the Sub-Saharan Africa (SSA) region remains significantly mismatched with demand from validated Small and Medium Enterprises (SMEs) businesses, giving rise to the "missing middle" financing gap.

More practically, there is strong evidence that many young entrepreneurs in Nigeria are building in isolation, under pressure, and are disconnected from the wider ecosystem, thereby contributing to potentially high failure rates. Yet, ecosystem players such as academic institutions, industry partners, and investors have the knowledge, human and financial assets to offer specialised technical and market support for young entrepreneurs. Hence, it seems that while relevant key stakeholders that make up functional innovation ecosystems are present, the synergy amongst them seems weak and needs to be strengthened if "job seekers" are to become "job creators."

This paper submits that by building a bridge between the 'research economy' (African Universities that can provide validated management knowledge) and the 'market economy' (investors and the tech hubs who can provide market support), through multi-stakeholder collaborations, the high volume of entrepreneurship activities on the continent will benefit from the right level of skills, knowledge and better-functioning ecosystem that can catalyse change and drive economic growth. The key questions pertinent to this brief, therefore, are:

- How can Nigeria's enterprising youths become sustainable job creators?
- What critical support programmes should functional entrepreneurship ecosystems offer young entrepreneurs in Nigeria?

The Relevance of Entrepreneurship Ecosystems

Entrepreneurship ecosystems (EE) consist of a group of individual stakeholders that are heterogeneous, interconnected, and interdependent and combine to produce and sustain entrepreneurial activities - these elements include capital markets, sociocultural values, community agents, political leadership, and institutions. These elements, while in silos, can play their part in contributing to entrepreneurship development but are usually insufficient to sustain growth. However, working in tandem can ensure that these elements address the root challenges of entrepreneurship and create the enabling environment for business success.

EEs are the result of careful and deliberate actions of entrepreneurs and other elements in the ecosystem to build a strong nexus, one that can adapt and respond to its environment and is resilient to internal and external forces. EEs are intricately linked between micro and macro-level processes within the ecosystem, and every EE is unique, depending on its local context and the political, social, and economic situation surrounding it; the diverse group of stakeholders, venture capitalists, business models, and support organizations and the shared socio-economic connections. Identifying the connections between the partners and what makes the partnership work, the diversity and coherence build resilience across the ecosystem layers.

Strong networks connect entrepreneurs with investors, mentorship, and skilled human capital - the three critical resources required for venture growth. However, the major challenge in Nigeria is how all major ecosystem players can work together to develop a strong, functional EE. The goal has to be a healthy ecosystem typified by a strong culture and network of successful entrepreneurs and a wealth of entrepreneurial knowledge. A clear vision in this direction is the first step toward building thriving, healthy, and functional ecosystems.

Current Nigerian Entrepreneurship Ecosystem Realities

The current realities of the Nigerian entrepreneurship ecosystem suggest that there are some vital essentials in place, although more concerted efforts must be invested toward understanding the challenges young entrepreneurs face and how to help them navigate these challenges. For instance, Nigeria has long-standing public support systems such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), established to support SMEs through rural industrialization, poverty, and new job creation. The agency is responsible for connecting SMEs in Nigeria with domestic and foreign funding opportunities. The main focus of SMEDAN initially was supporting agripreneurs, but more recently, tech entrepreneurs have become significant grant beneficiaries and finance opportunities through the agency. Similarly, The National Information Technology Development Agency (NITDA) was established to implement the Nigerian Information Technology Policy and ensure adequate ICT infrastructure, while the Office for ICT Innovation and Entrepreneurship (OIIE) in Nigeria focuses on enabling start-up growth by eliminating the barriers

that start-ups face while supporting innovation and entrepreneurship. This is done through programmes such as The ICT for Change Empowerment Program, which focuses on ICT, innovation, and entrepreneurship.

There are also well-documented incentives for investors in Nigeria in the form of capital gains taxes associated with the sale of start-ups, even as business Angel activities continue to show good promise despite limited institutional support. In Nigeria, the number of angel investors and their investments are limited. Angel investment is not supported by incentives compared to other economies, limiting individuals with high net worth to invest in riskier options such as tech entrepreneurship. On the other hand, many young Nigerian entrepreneurs are resilient and well-informed. Many actively apply for international grant programs to some good degree of success. With many founders' journeys into entrepreneurship being based on necessity as opposed to choice, their innovations are usually centered on solving social issues that align with the focus of many foreign grants.

Besides these, Nigeria's skills and entrepreneurship knowledge gap needs urgent redress. Nigeria's spending on education is one of the lowest in Africa, with less than 7 percent of the national budget invested in education. As a result, the education standards are deemed low, suffering from inadequate funding and deteriorating teaching capabilities. Universities lack quality educational research and are inadequate to prepare students to solve marketplace challenges and be entrepreneurs. Nonetheless, Nigerian universities are required to provide compulsory entrepreneurship education. However, the effectiveness of the entrepreneurship education being provided and the overall objectives and execution are still relatively unclear. Young entrepreneurs still graduate from universities with huge entrepreneurship skills gaps. Technology has made it easy for young entrepreneurs to access massive open online courses with leading global universities. This, in addition to many formal and informal training provided by different stakeholders, has shored up knowledge gaps, but most young entrepreneurs still desire to access validated, relevant, and useful management education from credible institutions.

Specific ecosystem support activities needed by young entrepreneurs

The main focus of ecosystem support activities should be to de-isolate young entrepreneurs and connect them to an ecosystem of knowledge intervention and technical support services. By this, the silos amongst key ecosystem stakeholders can be broken to allow for better functioning support systems to improve the chances of start-up success in Nigeria. Some of the key activities that have been proven through research and practice to benefit young entrepreneurs in their journeys toward building sustainable ventures include:

- Validated Management Education Programmes – These programmes can be delivered in partnership between academic institutions and industry practitioners. Knowledge intervention can be based on the identified knowledge gaps as well as the learning needs of young entrepreneurs. The objectives enhance business founders' entrepreneurship skills and ultimately facilitate the development of stronger and sustainable businesses.
- Professional and Personal Development Programmes – In addition to the management education course, there is a need for professional and personal development programmes to cover the essential social and emotional needs of entrepreneurs. These could include business development, effective communications, and stakeholder engagement.
- Business Mentoring & Coaching – Interventions such as coaching and mentoring grant young entrepreneurs access to one-to-one technical skills support with seasoned entrepreneurs

who are typically willing and happy to give back. Alumni bodies of academic institutions provide a ready pool of business mentors to further support the young entrepreneur's venture-building journeys.

- Investment Readiness / Assessment – This market-driven narrative articulates the entrepreneur's journey into investable and sustainable ventures from their early stages. Investment Readiness Assessments can be conducted formally and informally to help evaluate the readiness of the founders who have gone through the aforementioned programmes towards attracting investment and exposing them to opportunities and partnerships.
- Pitch Events – Pitch events are designed to assess the founder's investment readiness. The effectiveness of the prior interventions can be measured by exposing the youths and their ideas to investors through investor communities. Investor panels will typically comprise avid angel investors and external investors with a background in early-stage investing impassioned about helping start-ups grow and become successful.

Policy Recommendations and Conclusion

Nigeria has a youthful population, with the tech industry gaining inroads into the continent and start-ups receiving much attention. While shaping the entrepreneurship ecosystem, the acts and policies guiding the ecosystem should be tailored to suit the local culture, values, and socio-economic and political climate. This can ensure that entrepreneurs are guided by policies that are not 'foreign' to them. However, a supportive and localised culture may not be enough to sustain long-term entrepreneurial development. Entrepreneurs will need to draw on resources such as risk capital, talented workers, and mentorship from experienced entrepreneurs and support organizations as they start up and scale new ventures. The following options will also further ensure this.

- **Creating new Entrepreneurship Centres of Excellence across Nigeria**

While evaluating the effectiveness of current entrepreneurship education options is crucial, it is even more important to create new systems for accessing validated, relevant management education in Nigeria. This can be achieved by creating key regional centres of entrepreneurship excellence. Centres of excellence ensure that quality management education and access to crucial support services are available and accessible to young entrepreneurs in Nigeria. With this approach, the academic institutions housing these centres will be carefully chosen based on the track record of excellence in critical areas, including the ability to foster fruitful partnerships with key ecosystem stakeholders. The funding needed to drive these centres of excellence will come from multiple stakeholders. If these centres can support quality entrepreneurs and enterprises, they become 'factories' for building the next generation of businesses that can power Nigeria's future.

- **Fostering effective partnerships for entrepreneurship development in Nigeria**

A clear vision and blueprint are necessary to achieve coherence within the Nigerian entrepreneurship ecosystems. Given the current state of entrepreneurship development and the fragmentation of efforts among different key stakeholders, fostering coherence becomes critical to ensuring more effective partnerships. Coherence is the degree of connectedness between the partnerships in the EE and what makes them work as one system despite the diversity between the components. This can be achieved when entrepreneurs and other ecosystem partners have shared goals and operate with some degree of common values. These values influence their activities and how they look out for each other within the system - who their ideal investors are, what they want from the government, how to test their business models, and what defines successful outcomes for them. Support organisations such as profit or non-profit-oriented incubators and accelerators can increase the level of coherence in the ecosystem by working with young entrepreneurs and exposing

them to practical knowledge that enables them to pursue innovation, sustainable business models, and diverse ventures, ultimately opening up new market opportunities.

- **Knowledge-sharing systems within the entrepreneurial economy**

It is essential to build "community logic" as a philosophy of any policy intervention. Communities focus on developing mutual trust between EE participants to enable knowledge-sharing and learning about the ecosystem's needs. A knowledge-sharing economy will require consistent effort and investment from the partners, and EE participants are expected to undergo a series of trial-and-error approaches on the road to growth. However, lessons learned along the way are viewed as experiments in their search for the right business models. Platforms for frequently disseminating such insights can create Nigeria's knowledge hub that can help the government across all levels target interventions based on genuine facts. This will also mean all stakeholders can plan for entrepreneurship ecosystems based on local conditions.

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