



## **Policy Brief**

# **Entrepreneurship Between Yesterday & Tomorrow**

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This short study was commissioned by ECES as part of its project on entrepreneurship in Egypt. It is authored by Adly Thoma, Chairman and CEO, Gemini Africa; and Mary Adib, Operations Manager, Gemini Enterprises Africa.

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“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.” (Charles Darwin)

As we navigate our way through 2021, we come to the conclusion that the changes the world witnessed last year were not temporary, that they were a signal for the beginning of a new era; not just from an economic perspective, but for humanity as a whole. Such drastic changes and turns of history are not a novelty; they are a necessity for evolution and development. However, these paradigm shifts can only be led by the catalysts of change.

Catalysts of change are usually the superheroes of their time. They are the doers not the dreamers. They are the most daring and the most willing to face hardship for the establishment of a safer and brighter future for all; and throughout history, entrepreneurs demonstrated that they are those super heroes, with their innovations, agility, dedication, and persistence towards reaching success. They are the catalysts leading and carrying out change. They pave the road for the rest of us.

Entrepreneurs - or as we will refer to them in this article “The Superheroes” - played an undeniably pivotal role as the aftermath of COVID-19 started to kick into economies worldwide during the first half of 2020. The whole world turned their eyes to them looking for their creative ideas to unveil new technology and utilize the latest digital transformation trends to solve the newly encountered challenges that no one was prepared for.

And as anticipated, when crisis shook the world off its feet ... entrepreneurs were the ones ready to catch it!

With the super heroes’ vital contributions - not just during crisis but across the board - towards shaping the world’s economy and to redefining the business world by capitalizing on technology and innovation, it becomes our duty to empower and support each and every resilient one of them in order to help them craft a better tomorrow and to always be ready for the next fight!

But before we embark on our support journey by unraveling the entrapments that challenge the entrepreneurial mindset, and the inevitable evolution they have to go through in order to establish robust, sustainable, winning startups .... Let us get a glimpse on the history of entrepreneurship, how it originated, and the crucial role it played over the years.

### **Evolving Yesterday...**

First let us begin by shedding light on who is an entrepreneur, and how the term was formulated... An entrepreneur can be defined as someone who, starting with little, organizes

and manages a new venture while assuming its associated risk (Price 2011). An entrepreneur can be a business owner, an innovator, or an executive starting new projects, introducing new products, or expanding lines of business.

The concept and wording of “entrepreneur” were initially derived from the French word “entreprendre”, meaning “one who undertakes”. The word was first introduced as an economic concept by theorist Richard Cantillon in a paper published in 1775 on the General Nature of Commerce, where he developed early theorizations of the entrepreneur modelled after merchants, farmers, and craftsmen of the 17th and 18th centuries (Price 2011).

However, the first theorist to explore our modern conception of entrepreneurship and the role of entrepreneurial capitalism in society was the Austrian-American economist Joseph Alois Schumpeter. In *The Theory of Economic Development*, he argued that entrepreneurs are distinguishable from other business people on the basis of innovation and creativity. He illustrated entrepreneurial activity as the creation of “clusters of innovation” that give rise to business cycles, as they create gigantic and disruptive waves. Schumpeter stated that instead of merely inventing new things, entrepreneurs find ways to exploit and restructure existing inventions, a process that he described as “creative destruction” (Price 2011).

While the origins of modern enterprise are often associated with the industrial revolution, there is ample evidence of contemporary entrepreneurial activities from significantly earlier dates ... let us take a look back and see how it all started.

Humanity’s first recorded instance of entrepreneurship comes from New Guinea, during 17,000 BCE, when locals began extracting obsidian and fashioning it into arrowheads with the purpose of exchanging it for other needed goods (Allis). Such an early venture, and countless barter-based ventures that followed, created the first economies known to mankind and set the stage for the development and exchange of human knowledge.

The first big shift in entrepreneurship occurred with the ushering of the agricultural revolution, around 12,000 years ago. People began domesticating plants and animals, and populations began settling for prolonged periods of time in order to farm and manage domesticated herds (Hur 2019). This was a fundamental shift in human history; as villages and towns started developing close to fertile lands, individuals no longer needed to hunt and gather for their personal sustenance. Instead, people began specializing in different areas, such as hunting, gathering, cooking, shelter- building, clothes-making (ibid). Such were the earliest entrepreneurs in human civilization.

Dependable sources of food and the specialization of labor allowed people to build permanent settlements and homes, around which social institutions such as religious centers, marketplaces, and courts arose, providing further business opportunities for entrepreneurs to explore. New areas of specialization like pottery, carpentry, and masonry emerged, and entrepreneurs were always at the forefront of innovation (Hur 2019).

As cities, markets, and the volume of trade grew, banking was invented and the perception of business as an impersonal entity, separable from its owner, took hold (Allis). Early entrepreneurs - traders and explorers - began to raise capital, take risks, and stimulate economic growth, ushering the beginnings of today's world economy.

Between the mid-13<sup>th</sup> century and the 16<sup>th</sup> century, religious institutions, merchants, and members of socio-political institutions such as royal courts were largely engaged in activities that demonstrated entrepreneurial characteristics of risk-taking, evidence-based judgement, and innovation (Casson & Casson 2014). During the 15th century, a global population spurt began, solidifying the market's connection with entrepreneurship. Banking became a complex and integral system as the needs of small-business owners grew. The guild system also grew, providing skilled craftsmen and entrepreneurs with methods for organizing their businesses, regulating their quality, and developing professional reputations across entire continents (Hur 2019). During that period, entrepreneurs were able to import materials, turn them into innovative goods, and sell them on an unprecedented scale.

Entrepreneurship continued to be a primary cornerstone in the development of human civilizations and enterprises across the years despite encountering processes, social conventions, and laws that risked halting their advancement. They still keep moving forward, circumventing, and innovating to ultimately obtain and implement what they want. Not only have entrepreneurs historically improved standards of living and created wealth, but they've also consistently driven social and economic change through innovation.

### **Crafting Tomorrow...**

#### **Becoming a Camel ... not a Unicorn!**

After thorough analysis of the entrepreneurial ecosystem and world trends during 2020 and emerging into 2021, it is fair to say that the only startups who were able to survive were the ones that had real sustainable operations on ground. They were the ones that were ready with solutions to the most inherent needs of the business world. The ones that have established a

proper profitable business model. The ones that used all of their sources of income efficiently to grow their transactional operations and create new business channels.

These are the startups that have given up on becoming unicorns and focused on being camels. Unicorns seek attention for the appeal of their innovations and ideas, not for adding real value. They look out for admiration and demand, not for creating a real need for their existence. On the other hand, camels don't require a lot of attention but can sustain longer and endure harder situations, making them more resilient and prone to survival. So as inspiring as unicorns' acclaim may be, their existence is only transiently aesthetic while camels, although not the most attractive, have made themselves indispensable when it comes to adding value!

In order for startups to become camels, they need to focus on two things: Their financial sustainability, and operational continuity through providing innovative, tangible technological products/services to improve customer experience and add real value. This is the name of the game!

By taking a closer look at startups that have rocked the Egyptian scene at the end of 2020 and during 2021, one would realize that winning companies were the ones seeking to offer innovative added value to the market guided by a futuristic vision ever since their establishment. They were taking the right steps towards refining their products/services following market needs and were intently focused on developing products/services to provide users with on-ground solutions to pressing problems, while incorporating the world trends and the shifts that are taking place due to the digital transformation, not just garnering media attention and seeking investment rounds.

Services ranged from on-ground shipping to delivery platforms like Trella (2018) and Bosta (2017), to online payment platforms like Paymob (2015) and Fatora (2017), to wellbeing and medical platforms like Yodawy (2018) and Chefaa (2017).

One would ask what are the common traits between all of these startups?

They all started years ago and created a robust organization that was ready to fly at the right moment.

The outbreak of COVID-19 along with the changes that took place in the day-to-day activities following social distancing and lockdown, created the right catalyst for these startups to flourish, with the offered products/services being answers to market needs at these difficult times, proving over time that the right entrepreneurial mindset at the right moment will definitely become a winner!

If these startups hadn't sufficiently developed their offerings as well as their readiness to serve huge customer segments, they wouldn't have been able to endure the vast growth in their market shares overnight. If these startups had just focused their energy on their marketing activities and social media presence, they wouldn't have had the resources to offer invaluable products/services that would alleviate some of the most pressing pains humanity was facing at this time.

And so just like a camel ... these startups had enough resilience and readiness for the challenging journey they were about to start!

### **Avoid the Traps!**

So we are encouraging our fellow entrepreneurs to seek becoming more of a camel organization than a unicorn, and here follows some of the traps they should avoid:

**The Money Trap:** Availing the right amount of money hoping it will maintain financial sustainability for a long while, in order to reach the right numbers for traction and transactional operations is very tricky. It entraps entrepreneurs in trying to attract investors and maintain their approval to raise the needed funds. They are tempted to become investment-focused not customer-focused! Defying one of the most inherent purposes of the existence of startups! Adding value to customers through their provided products/services.

Don't get this wrong, working on attracting investment and raising funds is by itself a required necessity for each startup at the right stage; however, being alert to the vicious circle that raising money can create is something that startups should be aware of.

Every round of received investment should be directed to the development of delivered products/services, team capacity building, process creation, and development of sustainable revenue channels to help operational continuity, thus financial sustainability; not to attract more funds that are not spent on the right channels.

**The Marketing Trap:** Marketing is also another illusion that gives entrepreneurs enticing promises, yet never delivers at this early stage. Focusing on spending money to show something that is not tangible is a waste of both time and resources. Startups' success should not be measured by how branded they are, and how much availability they offer on social media anyway.

Having a proper image and market introduction are fundamental things to attract the right attention from both investors and customers. However, the balance of how much money should

be pumped into these marketing operations has to be considered wisely. Branding and marketing with offline and online activities will always remain significant for companies' survival, yet they shouldn't be considered the one and only way.

Over the course of time, it is proven that staying focused on traction and transactional operations will direct investors' and customers' attention to startups, yet the other way around is not really sustainable!

Startups should never overlook the amount of time and effort needed for the actual product/service development, and should use every bit of their resources and capacities to get recognized for their products/services.

### **Mindset Change!**

Becoming catalysts of change, developing the mindset, and adopting proper business strategies to become camel organizations is crucial, and will help vitalise the entrepreneur ecosystem, however it is worthy to note that what is expected from the entities providing support also need a paradigm shift!

### **Supporting Organizations**

Supporting entities, including both the private and public sectors, need to encourage entrepreneurs towards real growth for their business, not to just try to impress stakeholders to attract more money that just leads to burn out. Here are some ideas on the how the support needs to be directed:

- **Governmental Support:** It cannot be denied that providing the proper legal infrastructure, relevant funding entities, and various incubation and acceleration programs can help in supporting the entrepreneurial ecosystem, however injecting the entrepreneurial mindset within governmental bodies is what will really make a difference.

By interwinding this mindset with the experience and resources existing in different governmental institutions, we will always be able to innovate and offer different solutions that would be tailored to the most essential needs of the startup scene following their fast evolution and long-term needs.

Engaging entrepreneurs in governmental entities will require a lot of work from both sides to try and create a middle ground with a unified vision and language that will offer the needed dynamic support to the entrepreneurial ecosystem.



- **Creation of e-Hubs:** The creation of entrepreneurial hubs (e-Hubs) in the ecosystem is one of the most powerful means for positive disruption and providing the hands-on support that uplifts startups and takes them to the next level, regardless of their current phase.

An e-Hub follows a holistic approach where a network of partners (from both the private and public sectors) that are categorized under different criteria, and share similar visions as well as various kinds of support to the ecosystem depending on what is actually needed on ground, each pillaring on their strongest points of offered support.

E-Hubs offer flexibility and agility that is not common to more specific forms of support by creating the right environment for development of any startup, starting from ideation till advanced growth stages. Certain programs can be created to offer support on specific stages for startup growth. Also, startups can always come back to an e-Hub after finalizing different rounds of incubation, investment cycles... etc. only to find the right program to help them to take the next step forward.

- **Funding as motivation:** Funding should always be seen as a means to success, not a destination. It should not be looked at as an ultimate evaluation on the potential of the team and the product/service offered, but rather as a tool that secures the startup for some time to invest effort in adding real value to the market.

When securing investment rounds, investors can follow a staged scheme of pumping funds into the organization with agreed upon milestones.

Milestones should be practical, with each one of them delivering a new feature/product/service to the customers following the agile method of software development. Once the startup reaches the milestone, more funds are delivered to work towards the actualization of the next step.

This way funding becomes a motivational tool for progress; Startups will be focused on delivering and adding value in order to get new funding. They will not waste their limited resources on showing off through unneeded marketing campaigns, thus staying loyal to real on ground development and growth.

- **Funding through banking:** Banking is a challenging destination when it comes to getting funds for startups due to the high-risk factors always associated with the creation of new businesses, however it is pivotal in providing financial support in the upcoming era.

Creating banking facilities that are customized to startups is something that can be done through e-Hubs. The e-Hub can work on bridging of the gap between entrepreneurship and banking to unify the language and build a common ground of understanding, capitalizing on the growing interest from the banking sector to play an active role in the development of the ecosystem, and the readiness to mold the whole sector to be able to offer new financial models that would suit different stages of growth not just established SMEs.

On the other hand, startups can participate through their offered services to provide the ecosystem with diversified solutions that would help with improving bank readiness and eligibility to apply for funding through the banking sector.

- **Business matchmaking:** Supporting organizations should dedicate more time and effort towards creating opportunities for business matchmaking, as this is the most secure avenue to increase traction and create an inflow of operational transactions.

Creating channels for exposing startups fully-fledged to offering their services, and highlighting their potential is something that should be tackled creatively, and not just through investment activities and pitching events.

Programs, activities and platforms (again using technology) should be customized to open channels between different business sectors and the ecosystem so they can share their needs, in order to facilitate matchmaking following received commissions according to available capacities in the ecosystem. It is worth noting that matchmaking also adds a global dimension to startups. Business matchmaking has no physical boundaries as shared opportunities and corporate commissions can come from anywhere in the globe and be delivered by startups from anywhere as well.

## **The Superheroes**

Now we come to our catalysts of change! Our superheroes should realize their true significance, and that it is part of their role to add value to the economy not just by offering new unique products/services, but by participating in building successful, sustainable business models.

So, in addition to giving their undivided effort and attention to grow transactional operations and traction while shying away from extreme branding and marketing illusions, here are some strategies to follow that will help startups in their growth journey:

- **Building Teams:** Entrepreneurs prefer to run solo because they know that not many people around them understand their passion, or will be able to give their new uprising endeavors the attention they deserve. This leaves them standing alone in the face of challenges and causes them to burn out over the duration of their career.

Dedicating some time to build proper teams and create leaders is something that should be part of the daily life of each and every entrepreneur to ensure continuity. This can be done following very simple methods of coaching and guidance; however, the most important ingredient for its success is selecting the right, trustworthy group and believing in the power of teamwork.

- **Formulizing processes:** Work processes are something else that need some formulization when it comes to startups. Staying dynamic is one of the core characteristics for startups and it should always be maintained, however doing the right things right needs standardization of main work activities without falling into the bureaucracy of the corporate world.

Working on creating a work model that merges the best of both worlds is the ultimate solution in order to become a sustainable organization with the inspirational spirit of a superhero that can always endure and grow over time.

A healthy work environment with enough space of creativity and innovation for team members is a must for uprising startups; however, documenting stages of work, ground rules must be set, in addition to offering peer to peer knowledge transfer trainings on different operations of each startup, which will ensure the sustainability of the established work system and the delivery of high-quality products/services complementing the available team within the startup.

- **Stepping into the untapped:** Business matchmaking opens the door to realms of opportunity, yet to be able to seize the moment, startups need to be able to step into untapped areas outside their comfort zones of doing business. They have to accept criticism for their offered solutions and agree to tweaking their ideas to match real business and market needs in the newly untapped areas. By stepping in the blue waters of untapped business and connecting with experts through modern support models, startups can take their businesses to new levels they never thought attainable!

To conclude; entrepreneurship has been the answer to questions in the past ... so it will remain the answer today and in the future.

However, the paradigm shift is not only expected from the entrepreneurship supporting entities ... It requires great change and flexibility from the entrepreneurs themselves! The change is about challenging ALL of our existing beliefs and creating new norms.

Yet, success is the only way to go if we work hand in hand with the same vision and towards the same goal...

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