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# Venture capitalism: The case for the innovation ecosystem

The case for a more collaborative innovation ecosystem in Africa

Venture capitalism has proven itself to be a window to the innovation economy, without which companies like Apple or Google wouldn't be the global heavyweights they are today. Silicon Valley, once heralded as the most fertile breeding ground for startups, emerged as an innovation powerhouse in the 1970s and seduced some of the world's brightest minds. The undisputed king of venture capital. But times are changing. Over the years, Europe and Asia began replicating Silicon Valley's magic with varying degrees of success. Today, this is also true for Africa.

A massive shortage of funding has historically held back African startups from growing their businesses beyond local, informal markets. Until recently. Take Jumia, a Nigeria-based venture-backed tech company, commonly known as 'Africa's Amazon.' Earlier this year, it became the first African startup to be listed on the New York Stock Exchange. A watershed moment for Africa's entrepreneurship ecosystem. Since then, all eyes have been on the continent. African innovators are raring to go, and investors are itching to be a part of the next African success story. With a highly entrepreneurial culture, as many as 200 innovation centres, and in some cases, the Government's commitment to improving ICT policies, the continent is a hotbed for investment, with several startups breaking through the billion dollar ceiling in funding. So why has venture capitalism not taken off in Africa the way it has in other countries?

While these facts and figures are promising, reality paints a different picture. The market is far from reaching its full potential, and young firms are facing one critical challenge when it comes to scaling up their great ideas. One of their greatest barriers is a deep-rooted, cultural one that lies not in a lack of a robust pipeline or opportunities, but in how the pipeline operates. The scarcity of funding has created a culture of fierce competition between players of the region's nascent innovation ecosystem, who refrain from collaborating or sharing knowledge in their quest to grab a piece of the pie. The truth is, there is plenty of pie for everyone.

The definition of an ecosystem is, after all, a collective of interconnected and interactive people and organisations. Without support and collaboration, the very notion of an ecosystem ceases to exist. Silicon Valley, Bengaluru and Singapore are only a few examples of powerful innovation ecosystems that have become magnets for global talent. The common thread? Openness and sharing between key stakeholders—incubators, startup accelerators, driven entrepreneurs, venture capital firms, private investors, legal consultants, and even research or academic institutions—and a culture that is conducive to entrepreneurship. For an innovation

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ecosystem to function, each one of these players has a role to play in perpetuating an environment of co-creation and cross-collaboration.

In Africa in particular, there is a dire need for a fundamental improvement in the dynamics of relationships; a shift from a suspicious, secretive and competitive climate to an enabling environment in which players leverage one another's resources and knowledge to create mutual value. Solid bonds of trust, transparency and cooperation must be forged between them, creating a multiplier effect in which hundreds of startups and entrepreneurs can emerge.

In certain places, like Silicon Savannah in Kenya, such an ecosystem is beginning to take shape. Home to over 200 startups, it has emerged as a vibrant center of innovation and catalysed a profound shift across the continent, with the creation of over 30 incubators in Uganda, Cameroon, Ghana and Senegal, amongst others. But more needs to be done. Successful collaboration will depend on an alignment of interests and on the identification of the most appropriate collaboration model for a mutually beneficial relationship. The good news is, most stakeholders in the innovation ecosystem have a common agenda in mind—position Africa as a major global financial player and transform society—and herein lies the importance of greater collaboration and a more supportive community. It is imperative for investors to combine their capital, knowledge and network, and to create the web of support needed for startups to accelerate their growth and established businesses to innovate more aggressively. With that kind of support, there will be no stopping the new generation of African startups.

Building an ecosystem that transcends cultural predispositions takes time: it demands new mindsets and capabilities, and that's why a long-term vision is essential. Meetings, conferences, sharing platforms and other initiatives may not produce immediate measurable results, but strengthening the continent's long-term ecosystem health through greater synergies is likely to support wider innovation, drive economic and social change, and achieve ambitious goals that no single player of the ecosystem could have achieved alone.

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