

Fostering African unicorns: The crucial role of the enterprise-startup alliance

Africa, renowned for its inventive spirit, is steadily emerging as a breeding ground for pioneering high-tech enterprises. [According to BCG](#), between 2015 and 2020, there was a 46% growth in companies attracting and securing funding.



Sergio Barbosa | Source: Supplied

The problem, however, is nurturing an environment conducive to sustainable growth and scaling past the startup phase. The solution lies in enterprises turning their existing partnership approach on its head.

There are [currently](#) 1,200 unicorns (startups with a valuation of \$1bn or more) in the world. Seven of them are in Africa, and of those, [six are in the](#) fintech space.

However, the same BCG report points out that African startups seldom survive past the Series B funding round and, “As a result, returns on venture capital investments are weak - less than 3% on average across the region over five years, compared with around 11% in Asia-Pacific and nearly 16% in Europe.”

For a continent with such huge potential and latent innovation, there seems to be a disconnect between ideation and building a sustainable, scalable operation.

Sergio Barbosa, CIO of enterprise software development house, Global Kinetic, and CEO of its open banking platform, FutureBank, says:

“We know that partnering with nimble, innovative fintechs can make all the difference to enterprises hoping to deliver exciting new products and services. Enterprises should be looking to invest in tech startups where the startup's sphere of influence will have a large impact on the enterprise's revenue in key business focus areas.

“Unfortunately, most business leaders see this as a high-risk move, worrying that they may suffer should the startup fail to deliver, and rather assign their engagements to sidecar investments in low-impact areas to reduce risk. This needs to be turned on its head.”

Barbosa says the cautious approach of enterprises often stems from business leaders worrying they could be found negligent or that their brand may be negatively impacted should the startup fail.



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However, he strongly believes that investing in tech startups that operate in high-impact areas will give the required impetus to the tech startup to deliver on expectations. It will also encourage the enterprise to take its investment in the startup more seriously.

In addition, Barbosa says the momentum of success in a high-impact area will almost certainly guarantee long-term sustainability for the tech startup, helping it reach maturity faster and boosting its sustainability.

Adopting a 'more' or 'better' approach is best

How enterprises choose to partner with startups has a significant impact on their chance of success. Barbosa says setting up a robust product and market feedback loop, as well as ensuring a great talent acquisition strategy, can make all the difference.

“There is a great industry anecdote that talks about ‘More’ or ‘Better’ and how companies must focus on one or the other. In the beginning of a partnership, companies should focus on making their product or solution better, ensuring they crack the right product or market fit.

Once they have achieved that, they can focus on the ‘more’ part and scale their sales and marketing. Once the company starts facing constraints, they should switch again to focus on the ‘better’.

This means they once again work to improve the efficiencies, and then flip back to look at scale. And so it goes, ‘more’ or ‘better’, but always starting with better,” he explains, adding that when scaling begins, companies should also be mindful to pay attention to executive and business development processes and hires.

Let them be startups

Barbosa says another big challenge facing startups is the often unrealistic expectations placed on them by their enterprise investors and partners. He warns that what works for enterprise companies will hinder small companies.

The added pressures of unnecessary governance, bureaucracy, and processes that are designed for larger companies with multiple teams, focus areas and disciplines, can be crippling to a small startup.

“Startups should be allowed to leverage their nimbleness and agility. It is their greatest asset and it is easily and quickly lost as the startup becomes successful. However, enterprises can help startups see blind spots and then guide them through the challenges of dealing with them.

“Having key people that cross-pollinate or move between the enterprise and startup worlds allows the relationship to develop with a sense of empathy and appreciation for each party. Africa has a vibrant startup ecosystem. But with the right approach and mindset, enterprises could very well hold the key to ensure they survive to become flourishing growth companies. Unicorns needn’t be a mythical creature anymore,” Barbosa says.

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