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Mobile Capital and (Im)Mobile Entrepreneurs: Start-up Success, Institutional Context and the “Laws of Start-up Money” in Silicon Savannah

Summary

Kenya has become one of the leading venture capital (VC) destinations in Africa. This has been buttressed by ambitious ideological projects such as Silicon Savannah, which has tried to re-brand Nairobi and its greater environs as an innovation hub. Many start-ups have emerged from this landscape and attracted venture capital, often from funds based in North America and Europe. A closer look at the Kenyan start-up eco-system, however, complicates narratives about ‘Africa success stories’ and self-determined development. Studies and practitioners have repeatedly highlighted that the existing ecosystem is highly stratified by race, ethnicity and gender and that mostly start-ups with ‘White male faces’ have received funding and are credited with success. Indeed, the VC scene, heavily influenced by North American standards of ‘doing things’ is socially very homogeneous, usually offering less social mobility to non-White persons.

In this project, we account for the fact that capital accumulation in venture capital domains is a process often mediated via raced, gendered and ethnic social relations with strong historical underpinnings. However, we also seek to move beyond a purely pessimist view to uncover the full range of factors that shape social (im)mobility in Silicon Savannah. This will be explored via a combination of assembling a data bank on the socio-economic profiles of founders in the Kenyan entrepreneurial ecosystem and detailed entrepreneurial biographies. The project will also focus on the institutional level to uncover how actors representing the institutional context assess and seek to address the funding challenge and to undo the colonial legacies engrained in the ‘law of start-up money’. The project contributes to the Research Section on mobilities, where currently both the issue of capital mobility and social mobility among entrepreneurs in the formal economy are absent as themes. Links to the RS affiliations and moralities may be developed.

Key questions

■ **What has been the socio-economic profile of first-round funded teams in the Kenyan start-up ecosystem 2010-2020 and how has this composition changed through various funding rounds (where applicable)?** Africa is home to some of the fastest growing economies. This has been spurred

by private and public investments into small and medium enterprises and start-up funding. Despite this, trajectories and experiences of funded founders across Africa display highly divergent patterns, raising the question of how “structural barriers” have shaped these.

■ **How does the social structure of Kenya’s start-up ecosystem shape access to capital and entrepreneurial mobility from the viewpoint of founders?** We aim at reconstructing patterns of the social structure of the Kenyan start-up eco-system that reflect how different variables interplay and affect entrepreneurial mobility therein. At the same time, we aim to be sensitive to the agency of start-up founders, who make sense of, work with and potentially politicize these structures. Both dimensions of our objective are captured by the following research question.

■ **What structural and practical changes are required in Kenyan financial markets to equitably provide capital to all eligible founders?** We seek to explore how ecosystems can be organized in more inclusive ways, particularly when it comes to accessing start-up finance. This objective turns our focus on the local institutional context of the Kenyan entrepreneurial eco-system.

Methods and concepts

Largely qualitative-exploratory in nature, this research project balances deductive and inductive concerns. The project’s first objective is to map the Kenyan start-up eco-system and the social profiles of funded teams. The team will assemble a data set that allows for accounting in both lateral and longitudinal terms for patterns and changes in the funding landscape 2010-2020. Emphasis will be placed on the diversity characteristics of sampled funders (or better: their teams) and potential changes across the study period. We also seek to add other information to the data set such as educational background, age, and type of venture so that one is able to explore how these interrelate with the project’s key categories of interest – race, ethnicity and gender.

Objective 2 will be to develop an understanding of how the social structure of Kenya’s start-up ecosystem shapes access to capital and entrepreneurial mobility from the viewpoint of founders. Thus, a larger emphasis will be placed on the current landscape of entrepreneurs. Due to the delicate nature of the topic, whereby it can be assumed that strong trust-building efforts are necessary in order for people to be willing to ‘talk’, we will construct a sample of that landscape

via a relational sampling strategy (we use this term rather than the notion of snow-balling to indicate that we need to build and navigate relations of trust to recruit respondents, which usually involves the help of other respondents). The sample will focus on the experience of Black Kenyan founders, internally diversified by ethnicity, but also attend to the investment biographies of 'counter-cases' (White, Asian-Kenyan, other). The sampled founders will be interviewed via semi-structured, in-depth interviews.

Addressing objective 3, we shall explore what structural and practical changes are required in Kenyan financial markets to equitably provide capital to all eligible founders, taking into account the perspective of both founders and actors representing the organizational and regulatory dimension of the institutional context of the start-up ecosystem. Both founders as well as actors representing the organizational and regulatory dimension will be interviewed to shed more light on what aspects of the institutional context would have to change (and how) in order to Kenya's start-up ecosystem more inclusive.

Vision

We seek to contribute to the reconfiguring African studies agenda by further pushing the boundaries of thinking on the future of African start-up entrepreneurship and business finance. Beyond this, a strong transdisciplinary potential guides this project in a double sense. On the one hand, it unites scholarship from economic geography, feminist theory, the sociology and economics of race, business finance and critical management studies with a deep professional experience in policy-making and professional finance. On the other hand, it seeks to share its findings with the communities it does research with.

Contribution or relation to the Clusters aims & goals

We seek to contribute to the Cluster's research section "Mobilities", which so far has neither focused on the mobility of capital, nor on the social mobility social group of entrepreneurs. We argue that the Cluster's call to reimagine social relations across Africa as 'multiple' is desirable because it opens up emancipatory spaces, but it is at odds with the rigidity of how social relations are forged in certain professional fields such as the world of high finance. While there are multiple ways to organize capital accumulation and to produce value more generally, the VC scene is known to be highly self-referential and socially homogenous. Thus, VC investment chains are not just conduits for capital; they also constrain, restrict, direct, and subject. Thus, we deal with a set of 'hardened' relations that express through and are reinforced by, in part, gendered, ra-

cialized, and ethnic dynamics. With this focus, we relate to the Cluster's key theme of relationality. We study this relationality via the heuristic entry points of modalities and spatialities. We study the modus operandi through which start-up entrepreneurs connect with VC funds and the other way round, conceiving of the Kenyan start-up ecosystem as a 'contact zone', where global VC worlds and actors embedded within a specific local institutional context meet. Thus, we posit that the start-up ecosystem in Kenya, with its hot spot Nairobi, is shaped by both local and translocal relations, institutional configurations and economic practices. This contact zone exposes a distinct 'glocal' spatiality. We also speak to the key Cluster theme of reflexivity, acknowledging the actors' capacities for reflection, evaluation and projection.

As researchers, we are also reflexive about how we ourselves co-produce knowledge together with our respondents. We will document these steps accordingly and also explore sharing opportunities via the digital knowledge environment. Sharing the results during a stakeholder workshop and further validating these via community engagements will be a firm part of that reflexivity.