

# SELF-PROPELLING ECOSYSTEM DEVELOPMENT

**Six Principles for Supporting and Funding  
High-Impact Entrepreneurs**

A GUIDE BY:

**endeavor**  
INSIGHT

WITH SUPPORT FROM:



**argidius**

### **ABOUT ENDEAVOR INSIGHT**

Endeavor Insight is the research division of Endeavor that provides data-driven analysis and visualizations showing what makes entrepreneurial ecosystems thrive. Our research team of economists, data scientists, and policy analysts specializes in understanding the needs of high-impact entrepreneurs and evaluating the networks that enable them to scale up and pay it forward to the next generation of entrepreneurs. Learn more about our research at [endeavor.org/insight](https://endeavor.org/insight).

### **ENDEAVOR INSIGHT STAFF**

Leah D. Barto

Marine Fujisawa

Ana Paula Gil

Alejandro Noguez-Ibarra

Martin Pickering

Hamza Shad

Divya Titus

### **CONTACT**

For more information about Endeavor Insight, contact Leah D. Barto at [leah.barto@endeavor.org](mailto:leah.barto@endeavor.org).

### **SPECIAL THANKS**

The authors of this guide would like to thank their colleagues at Endeavor including Luisa Fajardo, Adrián García-Aranyos, Dustin Poh, and Linda Rottenberg. We would also like to express our thanks to Harry Devonshire and Nicholas Colloff of the Argidius Foundation.

The following individuals provided valuable input as Endeavor Insight developed this guide: Javiera Araneda (Start-Up Chile), Charlotte Ducrot, Julius Ecuru (ICIPE), Abasi Ene-Obong (54gene), Jenny Everett, Maggie Flanagan (Lemelson Foundation), David Fernandez, Dennis Hall (Palladium), Tabea Hoefig (GIZ), Chris Jurgens (Omidyar Network), Heather Matranga (Village Capital), Marnix Mulder (Triple Jump), Wilfred Njagi (Villgro Africa), Adegoke Olubusi (Helium Health), Scott Onder (Mercy Corps Ventures), Christina Schmittmann (GIZ), Jinesh Shah (Omnivore VC), Vassil Terziev (Telerik), and Juan Carlos Thomas (TechnoServe).



**THIS RESEARCH WAS MADE POSSIBLE BY FUNDING FROM  
THE ARGIDIUS FOUNDATION.**

Argidius Foundation aims to help entrepreneurs build profitable businesses and contribute to the sustainable development of their communities. We do so by improving the effectiveness and reach of small and medium enterprise capacity development services.

# Introduction

Endeavor Insight has partnered with the Argidius Foundation to promote further learning among organizations that support entrepreneurs. This guide draws from Endeavor Insight's body of research on ecosystem development and summarizes the most effective ways that stakeholders, primarily entrepreneurial support organizations and donors, can incorporate lessons into their decisions.

Entrepreneurial ecosystems are composed of actors operating within the same sector and market, such as entrepreneurs, support organizations, donors, philanthropies, and investors. Understanding ecosystem dynamics also takes into account the broader economic and policy environment around those actors. The nature of entrepreneurial ecosystems can vary by sector or business purpose, meaning that the factors for success within them may also differ. The research utilized for this guide primarily applies to ecosystems involving tech-enabled sectors and high-impact entrepreneurs, i.e. those who lead growth-oriented, investment-seeking businesses. Still, many of the findings may also apply to a wider range of contexts.

Endeavor Insight interviewed more than 40 support organization program officers and industry experts to better understand how these lessons are already infused in their activities, and what further explanations or evidence would help promote effective ecosystem development. Hundreds of other interviews — with entrepreneurs, support organizations, and capital providers — conducted between October 2019

and August 2021 for projects supported by the Lemelson Foundation and Small Foundation provided additional evidence to support these conclusions.\* Endeavor Insight's research approach prioritizes the experience of founders, and its data collection focuses on in-depth interviews to understand what helps entrepreneurs succeed and what they find challenging.

This guide outlines six key principles for effectively supporting and funding the development of self-propelling local ecosystems. It also includes a rubric to determine the maturity of local venture ecosystems, as well as case studies of effective organizations and companies that exemplify the six principles.

Endeavor Insight has also developed short guides with practical tools for three groups of stakeholders: entrepreneurs, support organizations, and donors and philanthropies. They include a self-diagnostic tool for support organizations to evaluate their programs, a reflection exercise for entrepreneurs before joining a support program, and an action plan for donors and philanthropies in supporting nascent ecosystems.

\* See Endeavor Insight's series of reports on "Innovation and Entrepreneurship", available at [endeavor.org/innovation-report-series](https://endeavor.org/innovation-report-series).

# SIX PRINCIPLES

## For Self-Propelling Ecosystem Development

Entrepreneurial ecosystems develop when companies scale up and founders pay it forward. Organizations wishing to support founders and their local entrepreneurial communities can follow six principles to ensure self-propelling growth. These principles are based on Endeavor Insight's body of research on ecosystem development in markets around the world and can be grouped into three pillars: select, support, and sustain.

### SELECT

1

#### FOCUS ON SCALE AND LOCAL CAPACITIES

Identify successful founders who have scaled their businesses and utilize their firsthand experience to understand local constraints and opportunities.

2

#### ALIGN ACTION WITH GOALS

Match selection criteria and other interventions to the intended outcomes, such as job creation or increasing incomes, and be clear with entrepreneurs about how support services are designed to achieve these goals.

### SUPPORT

3

#### INCREASE SUPPORT FOR EVIDENCE-BASED SOLUTIONS

Prioritize the types of high-quality services that are backed by evidence and founders' experiences, rather than focusing on quantity of programming.

4

#### TAILOR SUPPORT FOR INNOVATION

Tailor support based on the distinctive business models of innovative companies and provide specific support for founders' needs at different stages of growth.

### SUSTAIN

5

#### ENCOURAGE FOUNDER REINVESTMENT

Encourage and incentivize successful founders to reinvest in their ecosystem, such as by giving mentorship and angel investment to up-and-coming founders.

6

#### ENABLE SELF-PROPELLING LOCAL DEVELOPMENT

Prioritize support for local and returnee founders, and encourage expat founders to invest in local capacity building in order to create a self-propelling ecosystem.

# The Principles in Practice

## SELECT

### 1 FOCUS ON SCALE AND LOCAL CAPACITIES

Each business that local founders build represents an experiment on the types of industries and business models that can thrive in that market. Groups of successful founders who have scaled their businesses by creating jobs are indicators of the type of companies that have a local competitive advantage. Decision makers should learn from the firsthand experiences of these entrepreneurs because they are aware of the local context and have the greatest potential to impact the ecosystem.

[Endeavor research on “Fostering Productive Entrepreneurship Communities”](#) has shown that the handful of companies that reach scale are responsible for the vast majority of job creation, and that companies are more likely to scale when they have ties to experienced entrepreneurs who have scaled companies themselves.

Decision makers should not ignore the knowledge that successful founders of scaled companies possess about local capacities, including both strengths and weaknesses within the ecosystem, when making their own choices on how to support entrepreneurs. Listening to the most successful founders’ challenges allows for an understanding of the true constraints within an ecosystem, rather than limitations of any single company’s individual circumstances. In nascent ecosystems, where there may not be many entrepreneurial success stories to build off of, decision makers can still consider the local economic situation in terms of existing industries, institutions, and even geography. In its 2021 publication “[What We Know About Cultivating Entrepreneurial Ecosystems](#)”, the Aspen Network of Development Entrepreneurs (ANDE) notes that place-specific characteristics often become the basis for an ecosystem’s advantages as it matures.

*“We try to go from what’s in the country or ecosystem, what’s happening with the entrepreneurs, and build from there, rather than coming in with our own hypothesis and then imposing it.” - Charlotte Ducrot, former Global Manager of the Swiss Entrepreneurship Program at Swisscontact*

### 2 ALIGN ACTION WITH GOALS

Support organizations and other decision makers should design their programs and select portfolio companies in accordance with their intended outcomes. Whether the objective is job creation or a different Sustainable Development Goal, decision makers should optimize selection criteria to match the companies that are likely to accomplish them. It is helpful to understand companies’ business models by innovation type because certain businesses, especially in emerging markets, are better suited for impact outcomes.

[In its study of innovative agriculture companies](#), Endeavor Insight found that software firms are well positioned to reach high numbers of users to reduce poverty and to provide digital services like fintech and e-commerce. Hardware companies such as invention-based enterprises are well positioned to have a transformative impact on underserved populations, such as smallholder farmers, by increasing their incomes. Business process innovators, which primarily conduct on-the-ground operations like transportation and logistics, tend to create the most local jobs when they scale.

Decision makers should be clear about their selection criteria and program goals with entrepreneurs so the latter can make an informed decision on whether or not they will benefit from the support services. As the Argidius Foundation notes in its 2021 report “[How to Fulfill the Potential of Business Development Services using SCALE](#)”, paying close attention to the selection process facilitates the formation of a dynamic cohort that can engage in peer-to-peer learning. When evaluating success, programs should also use impact metrics that focus on the entrepreneurs’ performance, such as the number of customers or employees they have, rather than the completion of the program’s activities.

*“Set criteria by which you’re filtering out the companies that aren’t going to really help you achieve results. Those criteria might change depending on the project.” - Anonymous Interviewee*

# SUPPORT

## 3 INCREASE SUPPORT FOR EVIDENCE-BASED SOLUTIONS

Decision makers should understand the types of support the most successful entrepreneurs have utilized to grow their companies, and focus on increasing the capacity of specific initiatives that are already working.

Addressing the most pressing issues that founders of scaled companies have faced in the past is likely to make the greatest impact on the ecosystem by paving the way for the next generation of entrepreneurs. In interviews with entrepreneurs, Endeavor Insight found that they often face the same challenges as previous founders when support organizations do not offer services based on their needs.

Focusing on quality rather than quantity would mean avoiding the addition of more idea-stage, early-stage, and non-founder-led programs. Instead, support programs should elevate the influence of successful founders. For example, the mentors they connect entrepreneurs to should not only have technical expertise, but also firsthand entrepreneurial experience so that they can offer evidence-based solutions to specific challenges. New interventions or solutions that are not based on the direct knowledge of successful entrepreneurs may be ineffective and have a negative impact on ecosystem development by crowding out founders' recommendations. At the same time, innovative or new solutions can unleash great potential if they are rooted in addressing founders' needs.

Listening to entrepreneurs can provide valuable and unexpected insights to support organizations. For example, after implementing a feedback survey, Villgro Africa found that its entrepreneurs rated the due diligence of its selection process to be the second most valuable service of the program, after access to capital — an unanticipated result for the organization which helped inform it about entrepreneurs' preferences.

*"We get feedback from the entrepreneurs to try to improve after each iteration, and we try to do it across programs, so the learnings from one program get shared across the whole portfolio." - Juan Carlos Thomas, Global Entrepreneurship Director, TechnoServe*

## 4 TAILOR SUPPORT FOR INNOVATION

Innovation is needed to solve global issues, such as climate change, food insecurity, and inadequate healthcare. Entrepreneurs are playing a large role in developing cutting-edge, tech-enabled solutions to these challenges in different markets. Research, such as Endeavor Insight's work that focuses on founder-level data, helps identify what innovative entrepreneurs need to grow their companies. Some support programs are not tailored enough to the needs of innovative companies, so they should increase support for specific issues like raising capital, acquiring technical talent, and accessing facilities to test prototypes. Innovative entrepreneurs who have a deep understanding of the relevant sector, geography, and business model will provide the most value as mentors for up-and-coming founders.

Certain business models, like those with physical products, have longer development timelines and need flexible capital for R&D and prototyping. Endeavor Insight's [research on hundreds of innovative entrepreneurs](#) has found that co-founding teams of invention-based enterprises that combine specialized tech or engineering talent with business experience outperform teams without a mix of skills.

Investors should provide patient capital, and support organizations can help entrepreneurs diagnose and address their particular constraints, whether in business operations, finances, or other areas. For organizations that support more than one business model or enterprise segment, it is beneficial to design separate service lines, as [Argidius notes in its case study of Alterna](#).

*"What we've seen, particularly in the very early stage, is that we have a lot of organizations that offer all kinds of services to entrepreneurs. And usually if you're offering all kinds of services you don't specialize, and if you don't specialize you're offering everything and nothing at the same time." - Anonymous Interviewee*

# SUSTAIN

## 5 ENCOURAGE FOUNDER REINVESTMENT

Strong founder-to-founder relationships are important for success, but are rare or exclusive in many entrepreneurial ecosystems. The value of peer-to-peer learning is immense, and the cultivation of those connections often requires facilitation by support organizations in the ecosystem.

Endeavor Insight's research has found that companies are **two-to-three times more likely to scale** if they are connected to other experienced entrepreneurs through mentorship, investment, or prior employment. Many successful founders have the capacity to mentor more entrepreneurs and include additional companies in their angel investment portfolios, especially as global internet connectivity has removed geographical barriers.

Leaders of entrepreneurial companies that have reached scale should be encouraged to serve as mentors and angel investors for up-and-coming founders. Beyond this, decision makers should invite founders of scaled companies to participate in other capacities, as they can also contribute to program design, sit on advisory boards, or make investment decisions. Support organizations should be conscious of whose voices they elevate to positions of leadership and influence, as this has implications for ecosystem development. A bottom-up approach involves elevating the voices of existing successful entrepreneurs in the ecosystem, as opposed to a top-down approach that prioritizes individuals who are less likely to have firsthand entrepreneurial experience.

*"One of the common criticisms is that entrepreneurs aren't included in the conversation around designing programs." - Jenny Everett, former Managing Director of the Aspen Network of Development Entrepreneurs (ANDE)*

## 6 ENABLE SELF-PROPELLING LOCAL DEVELOPMENT

Primary involvement from local and returnee (those who have had educational or professional experience abroad) founders is crucial to building a self-propelling ecosystem.

Hundreds of interviews conducted by Endeavor Insight have found that not only are local entrepreneurs more aware of the context-specific needs of their customers, but that they also have greater linkages to local institutions. They are therefore more likely to become leaders within their local entrepreneurial communities.

These founders should be encouraged to pay it forward as angel investors and mentors for up-and-coming entrepreneurs in their home markets. Local-led companies also bolster a region's industry expertise and feed the pipeline of new companies through serial entrepreneurship and spinouts, which are startups founded by former employees. In the case where expatriate founders dominate the local entrepreneurial community, decision makers can encourage expats to contribute to local capacity building through steps such as being angel investors, supporting workforce development, and opening R&D facilities in the local market. Decision makers can level the playing field for local and returnee founders by facilitating access to networks and resources from outside the local geography.

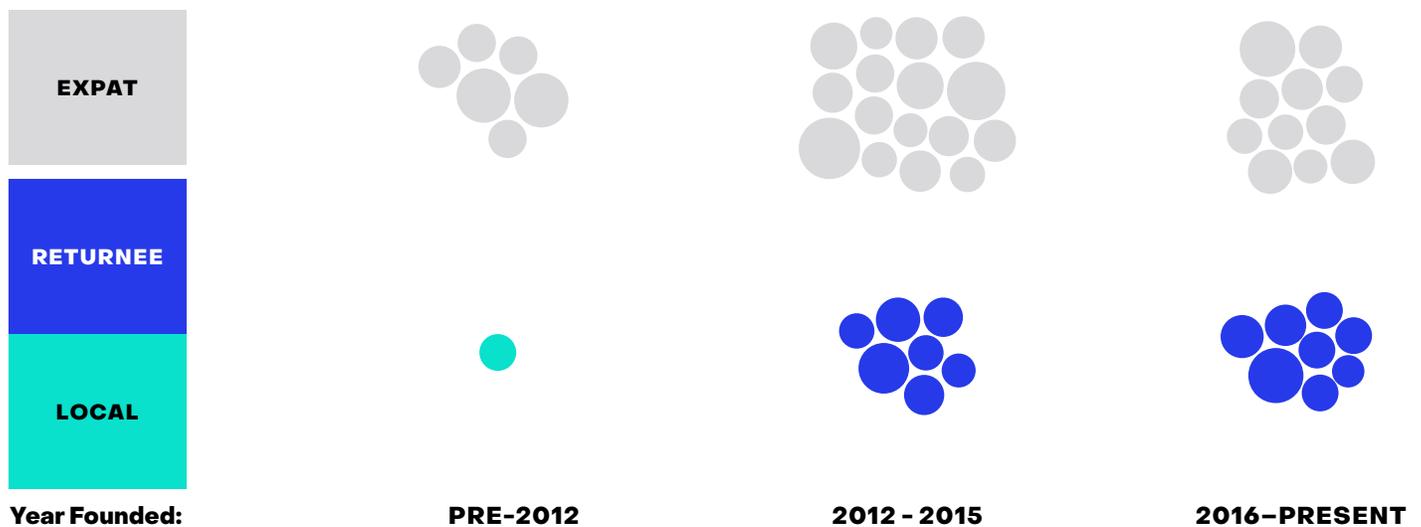
*"When we talk about institutional interventions in ecosystems and the question of sustainability, I think a key aspect is having local stakeholders really involved. That way, in the end you have something that can exist beyond the life of the project, because there is commitment and clear buy-in, and everyday interaction between the ecosystem stakeholders." - Tabea Hoefig, Advisor on Digital Economy, GIZ*

# Evaluating Self-Propelling Ecosystem Development

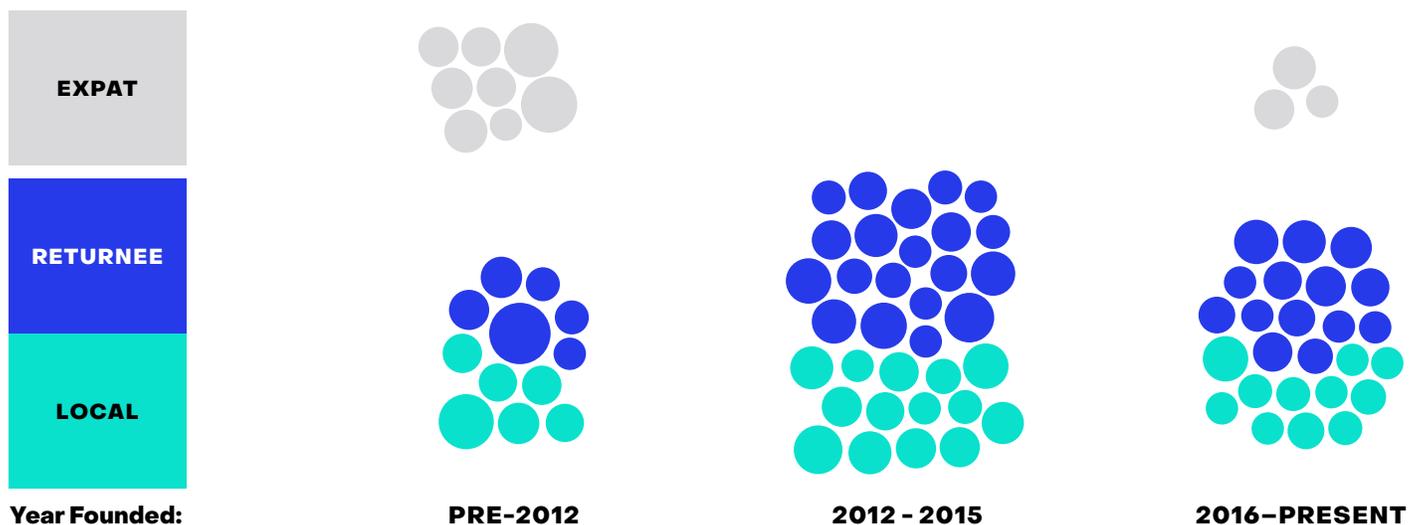
Decision makers can use the tool on the following page to evaluate the extent of connectivity and productivity in a local entrepreneurial ecosystem. This rubric uses a three-tier scale to assess an ecosystem's maturity, which can range from being dependent on external resources and poorly connected to self-propelling with a strong network of local connections. It draws primarily from Principles #5 and #6, which are concerned with founder reinvestment and the roles of local, returnee, and expat founders in ecosystem development.

The six dimensions cover various aspects of ecosystem maturity such as founder-to-founder connections, second generation development (i.e., paying it forward to enable the next group of entrepreneurs), and local wealth accumulation. The role of expat-led companies is also a key dimension, as demonstrated by Endeavor Insight's [research on innovative companies and the backgrounds of their founders](#). As the charts below show, the majority of resources in innovative sectors are absorbed by expat-led companies in sub-Saharan Africa, but by returnee- and local-led companies in India. Each bubble represents a company, and its size is proportionate to the number of resource-providing connections that the company had, including mentorship, investment, and other support.

## In Sub-Saharan Africa, Most Well-Connected Companies Are Expat-Led



## In India, Most Well-Connected Companies Are Local- or Returnee-Led



Note: Companies were included if they received resources or services from at least 10 investors, mentors, and/or support organizations. Each bubble represents a company, and its size is proportionate to the number of relationships it had with those providers. Empty categories indicate the absence of companies with at least 10 investment or support relationships. Founding teams are defined as "local" if they have no expat or returnee co-founder, "returnee" if they have at least one returnee but no expat co-founder, and "expat" if they have at least one expat co-founder. Sources: Endeavor Insight interviews and analysis; LinkedIn; PitchBook; Crunchbase; company websites. Sample size: 1,896 connections.

# Ecosystem Maturity Rubric

## A Tool for Evaluating Venture Ecosystems

Level of Maturity	1] Externally Dependent Ecosystem	2] Emerging Local Ecosystem	3] Self-Propelling Local Ecosystem
<b>Funding and Support</b>	Expat-led companies are receiving most of the funding and support.	Expat- and returnee-led companies are receiving most of the funding and support.	All-local and returnee-led teams are receiving most of the funding and support.
<b>Founder-to-Founder Connections</b>	Few local founders are connected to investors and other entrepreneurs.	Some successful local founders are serving as mentors and investors for companies within the region.	Most successful local founders are serving as mentors and investors for companies within the region and beyond.
<b>Role of Expat-Led Companies</b>	Expat-led companies dominate the market and do not participate as angel investors or mentors.	Expat-led companies are active in the local ecosystem by offering some support to local founders and contributing to local capacity building.	Expat-led companies were previously important to the growth of successful local companies through investment and mentorship.
<b>Local Wealth Accumulation</b>	Investment is sourced primarily from outside the region, so value accrues elsewhere when exits take place.	Foreign investors partner with local funds, which improves the success of deals for all parties. Local angel networks and institutional funds are developing.	Exits significantly benefit local investors and they use profits to reinvest in the local ecosystem.
<b>Scaleup Potential</b>	Key barriers to scaling persist such as: access to qualified managers and technical talent, access to international customers, and limitations in legal frameworks. Scaleups tend to relocate to other tech hubs.	Key barriers are acknowledged by policymakers and local leaders. Some regulatory and support solutions are underway.	Decision makers have an ongoing feedback loop to hear from successful founders and quickly coordinate across public and private spheres to support local scaleup entrepreneurship.
<b>Second Generation Development</b>	Employee Stock Ownership (ESO) plans are not in place or legally available. Non-compete agreements are common and distrust among founders is high.	Some companies have ESO plans and some former employees of successful entrepreneurial companies have started their own companies.	Employees at successful entrepreneurial companies receive active support in starting their own spinout companies. Trust among entrepreneurs is high.



# Case Studies

The following pages feature six case studies of support organizations and companies that operate around the world and exemplify the six principles presented in this report. These include:

- **Mercy Corps Ventures**, the impact investing arm of global development agency Mercy Corps;
- **Telerik**, a Bulgarian software company whose founders reinvested in their local ecosystem;
- **Village Capital**, a venture capital firm that uses peer-to-peer entrepreneur selection;
- **54gene**, a Nigerian healthcare company whose founder is building up local innovation capacity;
- **Palladium Group**, an advisory firm that helps entrepreneurs solve their unique challenges; and
- **Start-Up Chile**, a publicly funded accelerator attracting talent and driving job growth.

Each case study is designed to highlight a few principles that the organization or company excels in, even though it may exemplify all of the principles. Support organizations and companies that seek to contribute to self-propelling ecosystem development can learn from their experiences.





## CASE STUDY: MERCY CORPS VENTURES

**Mercy Corps Ventures (MCV)** invests in high-impact startups, providing early-stage capital, value-added support, and collaborative partnerships with startups. Founded in 2015 as the investing arm of the global development agency Mercy Corps, MCV seeks companies in emerging and frontier markets that are introducing cutting-edge solutions to the global development challenges that Mercy Corps prioritizes, focused on climate and financial resilience. With a greater risk tolerance than other impact investors, MCV seeks to fill the early-stage capital gap in developing countries.

### **Aligning Action with Goals (#2)**

MCV establishes clear goals for its objectives and selects its portfolio companies accordingly. Its managing director, Scott Onder, explains that MCV evaluates its impact by tracking the number of users reached by its ventures, with the goal of “reaching toward companies that have the potential to impact millions of users globally, across regions and countries.” To achieve that goal, MCV focuses on

selecting companies that are likely to scale. According to Onder, this generally involves investing in tech-enabled solutions at the seed and early stage, as these ventures will be the most likely to grow rapidly and reach large numbers of people in frontier markets.

An example of MCV’s impact-focused approach is their work

with **Sokowatch**, a Kenyan e-commerce platform for informal retailers in Africa. The process of restocking goods is generally time-consuming for shopkeepers, leaving them without revenue for hours at a time as they close their stores to physically travel to a central market. Sokowatch’s platform enables shopkeepers to order goods for free same-day delivery via SMS or an app, meaning that they no longer have to close their businesses while restocking, and the prices that a distributor like Sokowatch can offer are lower. In addition to reducing costs for retailers, Sokowatch ensures affordable access to household essentials for low-income communities. The company has built a network of tens of thousands of small retail shops across Africa, and has used the data on purchasing history to facilitate access to financial services, [setting up a credit program](#) for the retailers.

MCV invested in Sokowatch because the company met its priorities related to financial inclusion, last-mile distribution, and scalable solutions. MCV then provided targeted support for Sokowatch’s growing sales agent network and digital payments and credit offerings, while reaching more vulnerable customers who could become long-term customers. The move both helped Sokowatch to grow further and promoted financial inclusion for underserved communities. Then, at the onset of the COVID-19 pandemic, MCV partnered with Sokowatch to help distribute electronic vouchers provided by aid organizations to people in informal settlements. These vouchers could be redeemed at Sokowatch’s network of shops. The collaboration strengthened Sokowatch’s network, meaning that donors did not have to establish new distribution systems, and [provided essential aid](#) to remote communities. MCV has also provided capital



and collaborated on a pilot to support Sokowatch's continued expansion in East Africa. Through this support, Sokowatch has scaled to hire hundreds of employees and has reached over 15,000 users.

#### **Tailoring Support for Innovation (#4)**

According to Onder, entrepreneurs are "uniquely positioned to address a lot of the world's toughest challenges by using cutting-edge technology, innovative business models, and distribution approaches that can reach last mile users." Therefore, MCV seeks to select and provide specialized support for these innovative companies.

The investment team that decides which entrepreneurs to select is comprised of former emerging market entrepreneurs and investors, who make their selection decisions by consulting domain experts, seeing how prospective investees interact with customers, and gathering feedback

from both founders and customers. The focus on due diligence and expert analysis enables MCV to make highly informed and selective decisions in choosing the entrepreneurs that they can best support. Onder adds, "We see over 1,000 deals a year, and we only invest in 8 to 10, so we're highly selective in where we're investing based on that analysis." For selected entrepreneurs, MCV provides technical support in aspects such as accessing customers, as well as domain-specific considerations that MCV has expertise in, like microinsurance, financial services, and agriculture.

Valuing the knowledge that entrepreneurs bring, MCV has iterated its process to allow feedback on its support services from founders. Onder explains, "We added a diagnostic feature to our due diligence process, where we asked entrepreneurs what they most wanted us to work on. That helped us prioritize where to engage and when."





## CASE STUDY: TELERIK

### **Focusing on Scale and Local Capacities (#1)**

**Telerik** was founded in Sofia, Bulgaria in 2002 by four friends who had recently graduated from university, Vassil Terziev (*pictured below*), Boyko Iaramov, Hristo Kosev, and Svetozar Georgiev. In just 12 years they grew the business — an enterprise software company — and achieved Bulgaria’s most successful software company exit. They have continued to build on their legacy by developing a thriving local entrepreneurial ecosystem which now has global aspirations.

The founders came up with the idea of starting a company after working at the Bulgarian office of a British software company. They left to found Telerik and spent the first months developing websites for clients. One of these projects led to their first product, an HTML editor for the upcoming Microsoft development platform, the .NET framework. Encouraged by the early success of this product, they pushed to grow the team and add new tools for building applications.

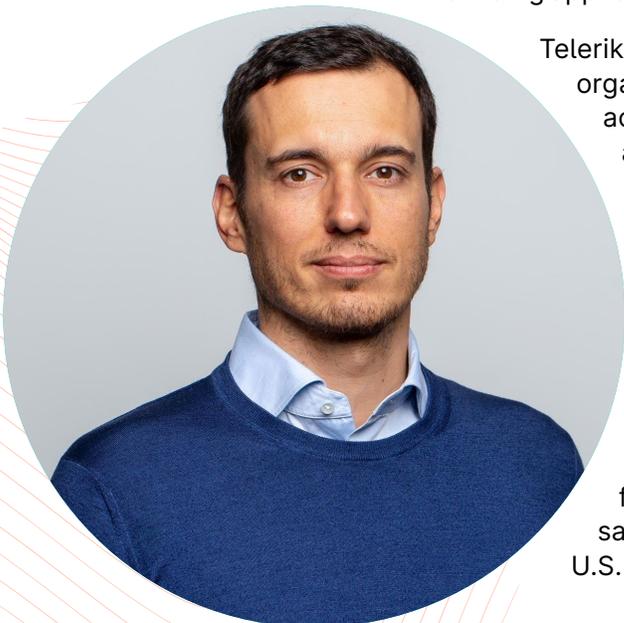
Telerik grew rapidly, both organically and by acquiring companies across Europe, the United States, and Canada. A focus on customer service, innovation, and speed of execution gave Telerik a reputation as a global leader in its field. With strong sales recorded in the U.S. market, they started

to attract interest from top-tier American VC funds. In 2008, Summit Partners invested in Telerik and also provided access to a network of experienced business leaders. Georgiev explains, “Some of the key mentors were the senior executives and board members that Summit helped us recruit. If our company did one thing right, it was institutionalizing knowledge.” By 2013, Telerik had scaled to 800 employees and 15 offices worldwide. The company was [sold to Progress Software](#) in 2014 for \$263 million.

### **Encouraging Founder Reinvestment (#5)**

When the founders started Telerik, there had been little in the way of a local entrepreneurial ecosystem. This motivated them, once successful, to give back and train the next generation of entrepreneurs. They wanted to help other companies establish themselves in Bulgaria, drawing from their own experiences and applying knowledge from more developed ecosystems. They set out to build the missing pieces in the Bulgarian ecosystem, around training technical talent, community-building, and access to capital.

To facilitate the company’s rapid growth, the founders expanded the local talent pool. Although Bulgaria already had a strong base of engineering talent, the company’s rapid growth meant that demand for such talent was outstripping supply. So, in 2009, they founded the [Telerik Academy](#), Bulgaria’s first large private tech-education initiative. The academy helped the company grow by 100 to 150 people per year and also seeded the local ecosystem with technical talent, as Telerik only employed 10 to 15 percent of the academy’s graduates. The rest received a boost to their IT careers, further strengthening the local sector. In 2017, Telerik Academy spun off into an independent organization to provide training



across the broader Bulgarian tech sector, adding both tech and business programs.

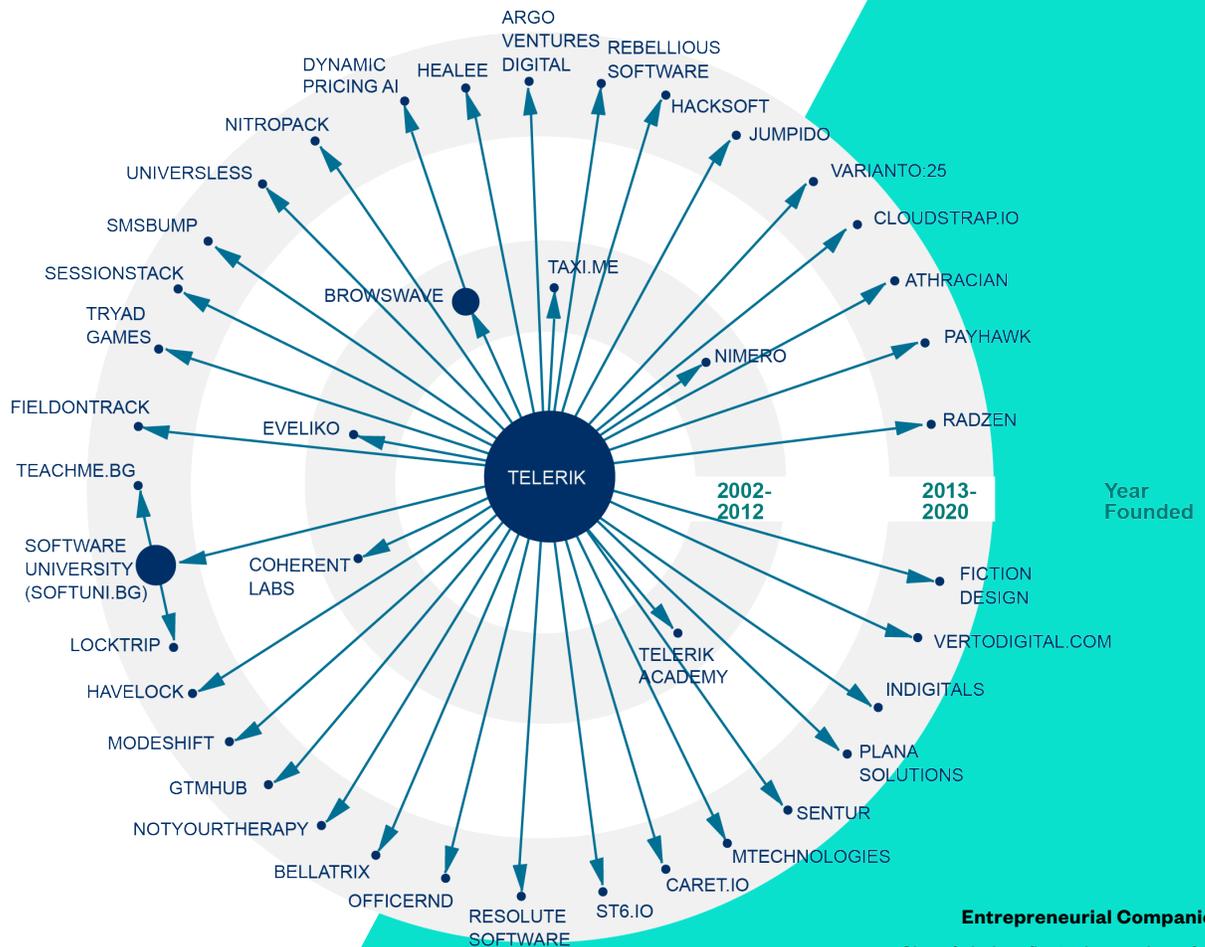
The founders have also played a key role in the establishment and development of organizations such as the Bulgarian Startup Association (BESCO), Endeavor Bulgaria, and the Bulgaria Innovation Hub, which empowers Bulgarian tech startups to expand into the U.S. market, curating introductions and providing customized mentoring, accelerator programs, and logistics support. In 2018, the founders opened [Campus X](#), a center which includes Telerik Academy and provides shared office space to over 1,000 people from 70 startups and scale-ups.

Campus X also houses [Eleven](#) (where Terziev became a Partner in 2017) and [LAUNCHHub](#), two of the most prominent early-stage VCs in Southeast Europe. With access to capital being a key challenge, the founders deployed much of their proceeds from the company's sale into the local ecosystem. Since 2013, they have funded over 70 local startups and have become early and sizable limited partners in local VC funds.

The founders' belief in sharing success led them to structure Telerik with a wide employee stock ownership structure — both through direct shares and stock options. More than 350 of the staff held stock and made sizable returns after the

acquisition, ushering in a wave of new startups. As Terziev recounts, "This is what I am most proud of — my colleagues got not only the knowledge and entrepreneurial spirit, but also the financial stability to start their own companies. There are now nearly 40 companies started by ex-colleagues, and several have true chances to become unicorns. What's most gratifying is that we all continue to be in touch and work together, albeit in a different capacity, and many of those startups will far exceed our own success. Once successful, they will use that knowledge, those networks, and financial resources to invest in the local economy, build more winners, and create better infrastructure for future generations."

#### TECH COMPANIES STARTED BY FORMER EMPLOYEES OF TELERIK\*



\* For more information, see Endeavor Insight's study titled "Mapping the Sofia Tech Sector" at [endeavor.org/sofiatechmap](https://endeavor.org/sofiatechmap).

**Entrepreneurial Companies**  
 Size of circle reflects the number of spinout firms originating from each company.  
 Source: Endeavor Insight analysis, founder-reported data.



## CASE STUDY: VILLAGE CAPITAL

**Village Capital** serves as an example of an organization that makes entrepreneurs central to its decisions on which ventures to support. It also has a focus on targeted mentorship to ensure that the support offered is relevant and of use to its entrepreneurs.

Founded in 2009, Village Capital is a venture capital (VC) firm that invests in and trains early-stage ventures which aim to solve major global problems in economic opportunity and sustainability. It also has an affiliated investment fund, VilCap Investments. Village Capital is notable for its focus on entrepreneurial involvement in all of its programs. Rather than having investors make all investment decisions — which Village Capital argues leads to bias in how those decisions are made — having entrepreneurs themselves do so is both empowering and positive for impact.

### **Increasing Support for Evidence-Based Solutions (#3)**

Heather Matranga, Village Capital's Senior Director for Strategic Innovations and Head of Impact

Investing, notes that the organization's programmatic work is based on evidence-based solutions and self-evaluation. In designing interventions, the organization turns to founder experiences by looking at "what's actually happening in the markets — not

just where the pain points are, but where the solutions are." Then, when evaluating impact, Village Capital tailors its approach as needed. According to Matranga, "we measure impact using metrics that are core to the business model of the company."

Village Capital implements a program of peer-to-peer selection. Matranga explains, "We bring entrepreneurs together through an accelerator program that's focused on getting them ready for investment, and through that process they're not only learning how to evaluate their own companies and work on critical risks in their own businesses, they're also evaluating each other's companies from an investor perspective. At the end, the cohort of entrepreneurs collectively decide which companies in the program will receive investment." The focus, according to Matranga, is on "overcoming or mitigating bias in the investment process to help support entrepreneurs that we think have both lived experience or a nuanced understanding of the problems that they're trying to solve, and scalable solutions to those problems. These entrepreneurs are often overlooked, at times due to explicit or implicit bias. They may not fit into traditional investment patterns — for example, they don't fit the right geography or the right demographic for investors."

Almost 10 years after launching the peer-selected investment program, Village Capital published a report evaluating the success of the program, titled "[Flipping the Power Dynamics: Can Entrepreneurs Make Successful Investment Decisions?](#)" It concluded that entrepreneurs were able to accurately evaluate the future success of their peers when it came to raising investment and, to a lesser extent, commercial revenue. Most strikingly,



gender, ethnic, and geographic biases were shown to be substantially lower than in traditional VC investment. The peer-selection process led to 44 percent of supported companies being female-led (compared to 15 percent of traditional VC) and 26 percent of those in the United States being led by founders of color (compared to 2 percent). Additionally, 80 percent of U.S.-based ventures were outside the typical VC centers of New York, California, and Massachusetts, compared to 45 percent of traditional VC.

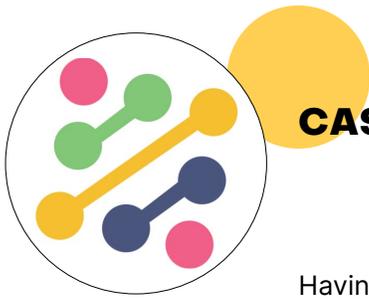
### **Encouraging Founder Reinvestment (#5)**

The bottom-up approach of having entrepreneurs peer-select each other empowers them to make investment decisions and also encourages them to think as investors. It is also positive for encouraging successful founders to reinvest in their local ecosystem, whether through capital or mentorship. Mentorship,

often specialized or sector-specific, is core to Village Capital's programs. "Our programs are very mentor-heavy," explains Matranga. "Throughout the program we bring 50 to 80 mentors in, and we structure it in a topic-specific way, so rather than having a one-to-one mentor match, where you have one mentor throughout the entire program, we have mentors come in for a particular topic and help workshop that topic with the founders."

Village Capital's alumni and network of entrepreneurs are also able to influence the organization's programs in other leadership roles. Village Capital brings in successful entrepreneurs to participate on their boards of advisors and directors, who contribute to program design as well as participate as mentors. This allows the organization to harness the accumulated knowledge of those experienced entrepreneurs to better support their current, early-stage ventures and address the most pressing issues.





## CASE STUDY: 54GENE

Having studied genetics and biotechnology in Nigeria, **54gene** founder Abasi Ene-Obong went to the United Kingdom and United States to obtain a master's degree in molecular genetics, a PhD in cancer biology, and a master's degree in business management. He then worked as a global consultant for a pharmaceutical life sciences company, during which time he realized that Africa lacked molecular diagnostics and precision care. According to Ene-Obong, "While the lack of molecular diagnostics was a problem, there was a bigger problem of health inequalities across the world, especially for people of African origin."

Ene-Obong was motivated to start a healthcare business in Nigeria that would use the continent's untapped genetic data to power research to improve precision care and the development of context-specific medication for Africans. The data gap was substantial, with [less than 3 percent](#) of genetic material used in global pharmaceutical research coming from Africa, a continent and diaspora that is estimated to be the world's most genetically diverse.

In 2019, Ene-Obong teamed up with co-founders Damilola Oni, Gatumi Aliyu, and Ogochukwu Francis Osifoto to found 54gene. The company raised \$4.5 million in a seed round led by Y Combinator. The initial funding and support allowed 54gene to set up a

biobank facility in Nigeria, and in early 2020, 54gene closed a [\\$15 million Series A round](#) led by Adjuvant Capital. Raising capital enabled the company to expand its biobank facility's capacity from 60,000 to 200,000 samples, as well as to improve its lab facilities. This coincided with the onset of the COVID-19 pandemic, leading 54gene to use some of this funding to increase the country's testing capacity and launch mobile laboratories across five Nigerian states. In 2021, a [Series B funding round](#) raised a further \$25 million.

### #4 Tailoring Support for Innovation

In addition to being a scientist with technical expertise, Ene-Obong worked with Fortune 100 pharmaceutical companies, research institutions, and governments as a management consultant prior to founding 54gene. These experiences boosted his business knowledge and global connections, helping him to overcome investor hesitancy towards high-tech sectors in emerging markets. But Ene-Obong still considers raising capital to have been a challenge, saying, "The first round of funding required effort, but I guess I can say it was a breeze, compared to how long it takes for others to raise these funds. For the second round, I had to learn about how to get money from an institutional investor. It was positive, though, because it allowed us to build the right foundations for a company in terms of compliance." In the sphere of access to talent, Ene-Obong also highlights how receiving institutional capital enabled the company to afford hiring qualified staff since 54gene's innovative business requires highly specialized skills.

While the process has gone well for 54gene, Ene-Obong's experience of having to learn how to raise institutional capital also illustrates that tailored support



continues to be lacking. He has had mixed experiences from support programs. Positively, Ene-Obong says, “There was a certain reputation that came with being part of a prestigious program, and it helped to increase my network, which was important for fundraising. We were able to hear from other founders and their experiences, as well as the psychology of being an entrepreneur.” But these programs are not a panacea, and the targeted support that founders seek is sometimes missing. Ene-Obong adds, “People think that once you are part of a program that everything is sorted. I learned that was not the case. It gives you the pedestal, but you have to climb it.” For an innovative company like 54gene, tailored support in aspects such as building commercial ties in the healthcare sector, recruiting the right talent, and managing growth could have helped facilitate its development.

#### **#6 Enabling Self-Propelling Local Ecosystem Development**

The journey of 54gene demonstrates how innovative entrepreneurial companies can contribute to the development of local entrepreneurial ecosystems. Ene-Obong’s experience studying and working abroad helped him build connections and knowledge before establishing the company in Nigeria. As a returnee, Ene-Obong has used these global connections to direct foreign capital and resources to the Nigerian ecosystem.

54gene is now acting as a springboard for other researchers and entrepreneurs in the life sciences in Nigeria and, more broadly, Africa. It inaugurated a [private genomics laboratory](#) in late 2020, the first of its kind in Africa that is capable of full human genome sequencing. This state-of-the-art R&D facility is attracting competitive technical talent to the company, and these skilled individuals will be well equipped to further enhance Nigeria’s entrepreneurial ecosystem in the health sector. Through 54gene, Ene-Obong also founded the African Center for Translational Genomics (ACTG), an initiative to facilitate and promote pan-African translational research, building up local R&D capacity. In addition to a research consortium, [ACTG offers a scholarship](#) to emerging African scientists who have the potential to contribute to genomics research.





## CASE STUDY: PALLADIUM GROUP

The **Palladium Group** serves as an example of how organizations working within an entrepreneurial ecosystem can be effective when they focus on their selection mechanisms and providing support that is tailored towards local demands.

### **Focusing on Scale and Local Capacities (#1) and Aligning Action with Goals (#2)**

As an international advisory and management company founded in 1965, Palladium implements projects for public and private sector bodies, with a mission to have a lasting social and financial impact. While some of the group's projects focus on engaging with macroeconomic policy, others work directly with entrepreneurs. Dennis Hall, the Director of Economic Growth Practice, works across the private sector spectrum, and always, he says, "in the space of trying to create an ecosystem in which businesses can thrive, create jobs, and grow sales and exports."

Palladium's criteria when selecting companies to work with vary according to project, but always have a strict focus. Its work for USAID in

Guatemala, for example, had a specific focus on job creation, as it had been tasked with reducing the potential for irregular migration to the United States. As a result, Palladium focuses on supporting

companies that are able to scale and boost local employment. According to Hall, "We had the goal of creating 50,000 jobs in Guatemala over five years. Everything we do with our selection criteria is focused on companies that can get us those results." The selection criteria and program goals are also clearly communicated with the entrepreneurs, so that they can make an informed decision as to whether they will benefit from the services. He continues, "We invite SMEs to explain the project and our criteria, to make sure those criteria are clear to them."

### **Increasing Support for Evidence-Based Solutions (#3)**

In its work with entrepreneurs, Palladium provides direct technical assistance and specialist consultants to tackle each firm's unique challenges. Its team members address the specific bottlenecks that firms face, listening to the entrepreneur's particular needs and making relevant interventions. As Hall says, "The biggest mistake a lot of people in our business make is thinking we know better than the entrepreneur...My job is not to tell them how to run their business, it's how to help them evaluate the barriers and help them break them down."

Palladium has found that requiring active participation and tangible commitments from the businesses it provides support to often leads to better outcomes. According to Hall, "We don't just give them support. We need them to front resources. It can be time from their people or take a different form, but we need them to have skin in the game." For example, in its work on strengthening value chains, Palladium has developed effective solutions for large "anchor" firms by getting them to invest in smaller companies. Hall explains, "You can



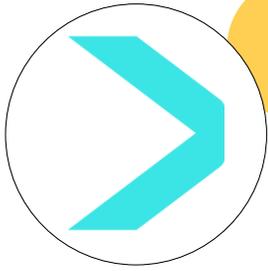
have a multiplier effect working with the big firms, even if you're not directly supporting them. We've been successful with getting some of those big firms to understand the business value—not charity—of supporting smaller firms. And we've got some to actually invest in those small companies. Big businesses become a source of financing for the small ones. That creates a mutually beneficial relationship, and our job's done."

Another example is Palladium's work with small and growing businesses (SGBs) in Latin America, which highlights how support organizations that respond to entrepreneurs' needs can provide the most effective support. In partnership with the U.S Agency for International Development, Argidius Foundation, and Agora, Palladium implemented a Variable Payment Obligation (VPO) program to support local, female-owned businesses in Nicaragua. Through this initiative, innovative debt financing and tailored support services were provided to female entrepreneurs to address the specific challenges that they faced in accessing capital and information. [As the program's evaluation report states](#), Palladium designed the loan product such that its repayment was "based on cash flow generated during the preceding month—so SGBs

can adjust repayments according to their revenue fluctuations." This, along with the lack of required collateral, improved access to capital for female entrepreneurs.

As part of the VPO program, Palladium also contracted [Agora to provide tailored training and technical assistance](#) to the entrepreneurs on topics such as financial management and growth strategy. This support included group modules as well as one-on-one sessions, tailored to the specific needs and characteristics of each SGB in order to promote the long-term sustainability of its business model. The VPO program's financial and non-financial services were successful in driving Nicaraguan companies' growth, so it was expanded to other countries, including El Salvador and Guatemala. By paying attention to entrepreneurs' needs, Palladium has been able to provide practical solutions for companies to grow and succeed.





## CASE STUDY: START-UP CHILE

### Enabling Self-Propelling Local Development (#6)

Following the 2008 economic recession and 2010 earthquake, the Chilean government began to explore ways to revitalize the economy. Authorities at the government's economic development agency hypothesized that supporting the economy in the wake of the two disasters would require developing an innovative entrepreneurial ecosystem. This led to the establishment of **Start-Up Chile**, a publicly funded accelerator that invites high-impact entrepreneurs to Chile and offers them equity-free investment. The program incentivized early-stage entrepreneurs from abroad to launch their startups in Chile, taking advantage of the low costs and relaxed immigration policies. The plan was to accelerate the development of a local entrepreneurial ecosystem with the introduction of motivated entrepreneurs from outside Chile, which would then inspire a new generation of local startups. The [first cohort of the program in 2010](#) attracted 20 companies from 14 countries. As of 2022, around 30 percent of participating companies are Chilean.

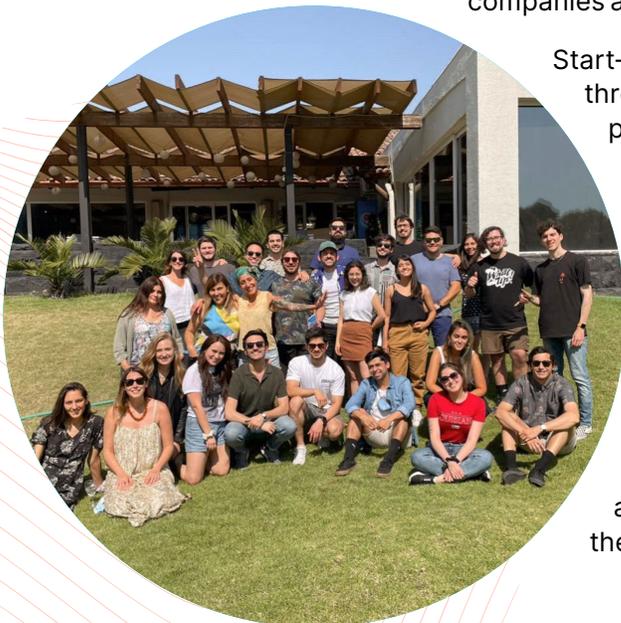
Start-Up Chile offers three accelerator programs, which provide specialized support for the different stages of a company's early development. The first accelerator, Build, is designed for participating companies to build and launch a prototype of their solution. The

second, Ignite, is for startups that are more advanced in terms of technical development and have an existing prototype. Through the course of the Ignite accelerator, the startups are pushed to find a suitable business model to commercialize their technology. Start-Up Chile launched its third accelerator, Growth, in 2020 to enable companies to increase impact by expanding their team or growing in new markets.

### Encouraging Founder Reinvestment (#5)

Mentorship is a core focus of Start-Up Chile's programs. It has cultivated a mentorship network that comprises scaled entrepreneurs from Chile, the broader Latin American region, and beyond. Some leaders of its alumni companies have also joined the organization's mentorship network, often as experts in fields in which Chile is considered to have a regional competitive advantage, such as logistics, solar energy, or retail. Start-Up Chile offers its cohorts two modes of mentorship, as the former Chief Growth Officer, David Fernandez, explains: "The first is through advisory boards. We organize cyclical meetings with these advisory boards comprising three different mentors. We look at fit and the needs of the startup in determining these mentors and match mentors and companies based on mentor expertise. If a mentor is not a good fit for the company, we switch mentors on the advisory board. Secondly, we offer on-demand support. These are subject matter experts who offer pro-bono assistance. The network includes successful entrepreneurs, alumni of our programs, consultants with specific expertise, and industry experts."

Listening to entrepreneurs on what they need to grow their companies is an important source of ideas that influences Start-Up Chile's programs. Throughout



the accelerator, founders are informally asked to provide feedback on different sessions and modules. Founders also fill out a detailed survey about the accelerator after the program has been completed. Both these sources of feedback are taken into account by the Start-Up Chile team, and changes are made to the accelerator before the arrival of the next cohort.

Among the first cohort of companies supported by Start-Up Chile in 2010 was **Entrustet**, a software company co-founded by Nathan Lustig. The company enables customers to create a digital list of their assets to allow for secure and simplified estate planning. The support that Start-Up Chile provided Entrustet allowed Lustig to grow the company to become the market leader before it was acquired by a European company in 2012. Lustig has gone on to reinvest in the Chilean ecosystem by founding [Magma Partners](#), an investment fund and accelerator based in Santiago, as well as by mentoring Chilean entrepreneurs and creating content in Spanish to assist startups.

### **Aligning Action with Goals (#2)**

A startup must have a tech-based solution to be eligible to participate in Start-Up Chile's accelerators. As part of the application process, founders are also asked about how the technology they are developing can benefit Chile and its potential to create social impact in the country. In the 10 years since the inception of Start-Up Chile, participating startups can be broadly classified into three groups. The first comprises startups building technologies in industries that already have a historical significance in Chile such as mining, logistics, retail, and solar energy. Second, there is a group of social enterprises with technologies that address development

challenges such as improving health infrastructure or increasing access to clean drinking water. Finally, the third group of startups includes those that are developing technologies in nascent industries such as cybersecurity and blockchain.

Start-Up Chile uses several metrics to gauge the success of its accelerators, including job creation. Startups that have participated in Start-Up Chile's accelerators have gone on to create over 15,000 jobs in Chile and their domestic markets. Alumni companies have also caught the attention of investors and have raised 18 times Start-Up Chile's initial investment in these companies. Local taxes paid by alumni companies is another metric of impact as Start-Up Chile is a publicly funded organization. Through taxes, alumni companies have paid 120 percent of the money allocated to Start-Up Chile.



# Additional Resources

As part of this project, Endeavor Insight has developed three stakeholder guides for specific ecosystem actors: entrepreneurs, support organizations, and donors and philanthropies. These documents are each available to download at the following webpage: [endeavor.org/self-propelling-ecosystems](https://endeavor.org/self-propelling-ecosystems).



## Stakeholder Guide for Entrepreneurs

This three-page guide includes founder testimonials on reinvestment and a set of reflection questions for entrepreneurs to assess the potential value of a support program prior to joining it.



## Stakeholder Guide for Support Organizations

This four-page guide includes a self-diagnostic tool for support program managers to assess how well their programs reflect Endeavor Insight's six principles for self-propelling ecosystem development.



## Stakeholder Guide for Donors and Philanthropies

This four-page guide includes a detailed action plan for donors and philanthropies that seek to support nascent entrepreneurial ecosystems by laying the groundwork for self-propelling growth.

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