

Entrepreneurship & Acceleration: Questions from the Field



Aspen Network of
Development Entrepreneurs



Question #1 (February 2015):

At The MasterCard Foundation, we have a portfolio of youth entrepreneurship projects that we support in Sub Saharan Africa. We're always looking for data to better understand the space and to inform our programming. I'm wondering if you could share any data by ages 18-24 and 25-30, and by African country or region if possible. Do you see anything interesting under these parameters?

Thank you in advance,

Steve Cumming, Program Manager
The MasterCard Foundation

Thanks for the question, Steve.

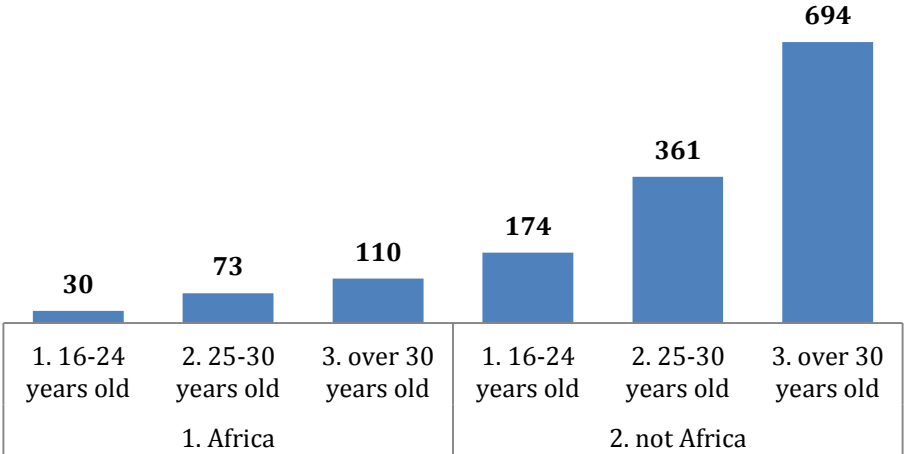
We can begin to explore it with data collected from entrepreneurs between March, 2013 and June, 2014. During this period, we received information about 1,574 early-stage ventures operating in more than 70 countries. This information was gathered as entrepreneurs applied to one of 19 different accelerator programs that work in various regions around the world, including Africa.

To get started on your question, we calculated the average age of company founders and then assigned each venture to one of your three age categories. We have information on the current ages of up to three founders for each venture. After taking the average of these reported ages, we subtracted the venture's current age to come up with the average age of company founders when they launched each venture.¹

¹ Ventures that were launched before 1980 and those that did not report founder or venture ages were set aside, leaving a total of 1,442 ventures.

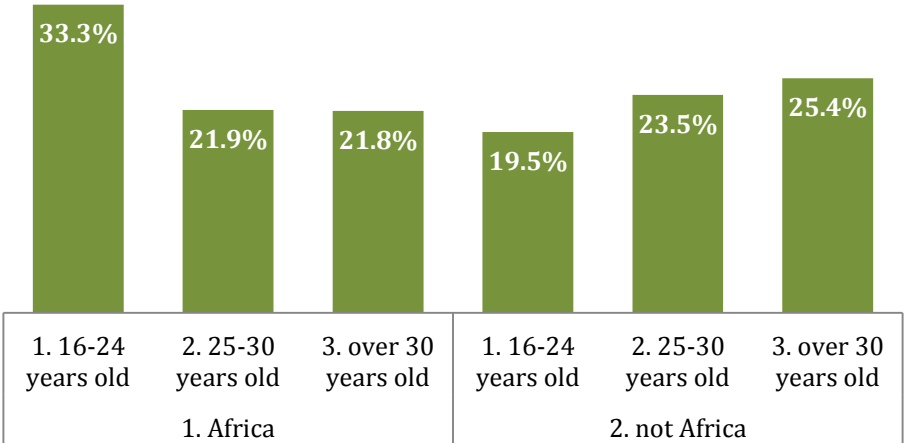
Clearly, ventures that were established in Africa by your two categories of young entrepreneurs are under-represented in the data, where the largest group (by far) is comprised of older entrepreneurs working outside of Africa.² Note also that the percentage of ventures in the two younger-age categories is slightly higher in the African sub-sample; 48.4 percent compared to 43.5 percent for ventures operating outside of Africa.

Counts of Ventures



Now, let’s examine early-stage investment patterns across these six groups of ventures. In the second graph, we see an upward cascade among the non-African ventures in the probability of attracting outside equity as founders get older. However, the opposite pattern appears in the African sub-sample, where ventures founded by entrepreneurs that average 16-24 years of age are the most likely to report receiving outside equity.

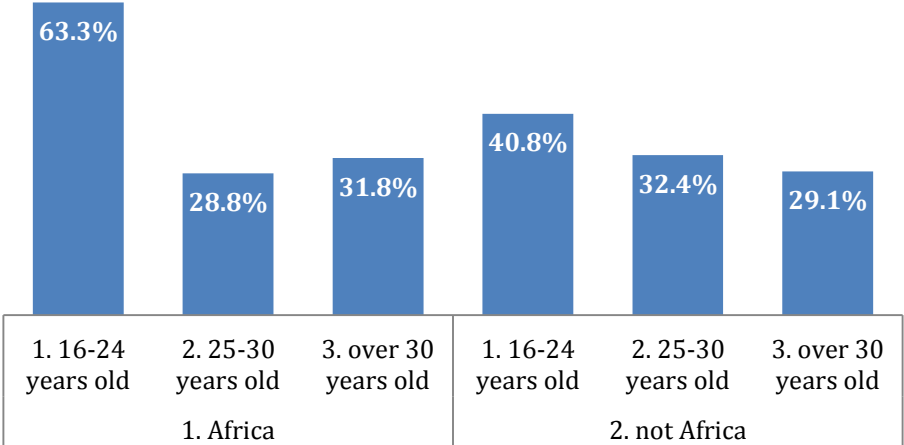
Report any Outside Equity



² One caveat applies to all of the following observations. The data that we collect come through a growing roster of participating accelerator programs that currently includes just two that focus on African-based ventures (most of which are operating in Kenya). Thus, while we can begin to compare the characteristics of African and non-African ventures, we must do so carefully until the number and diversity of accelerator programs, and thus entrepreneurs, increases substantially.

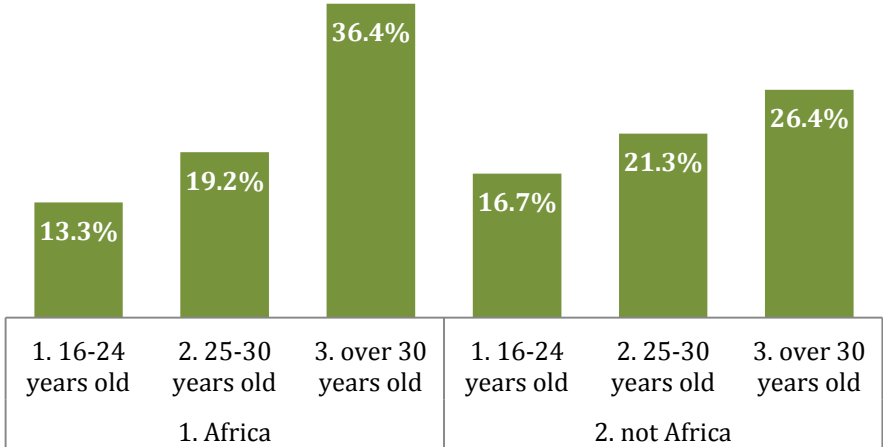
When we turn attention to philanthropic support, we see that ventures with younger founders have a higher probability of reporting some philanthropic support. This time, the pattern is consistent across African and non-African ventures, but is more pronounced in the African ventures, where 63.3 percent of the ventures in the youngest average age category report at least some philanthropy.

Report any Philanthropy



It is interesting to note the contrast between these patterns of equity and philanthropic support and the probability of securing debt. The graph below shows that (around the world) the probability of receiving any loans – from friends, family or other more formal sources – increases consistently as the average age of the entrepreneurs rises.

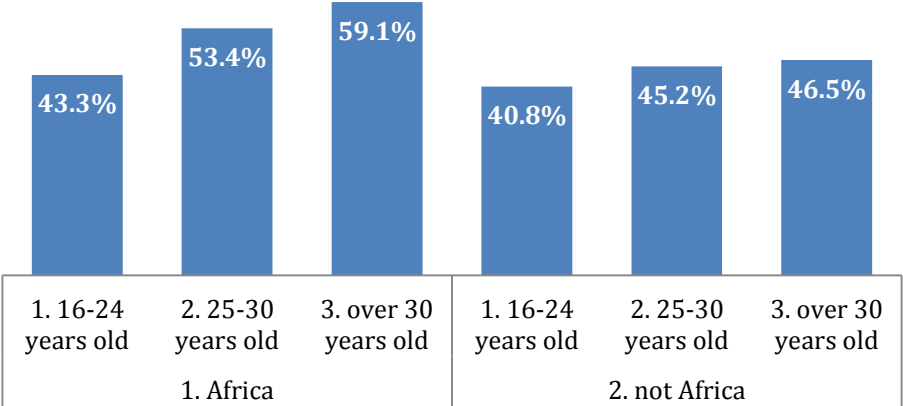
Report Any Debt



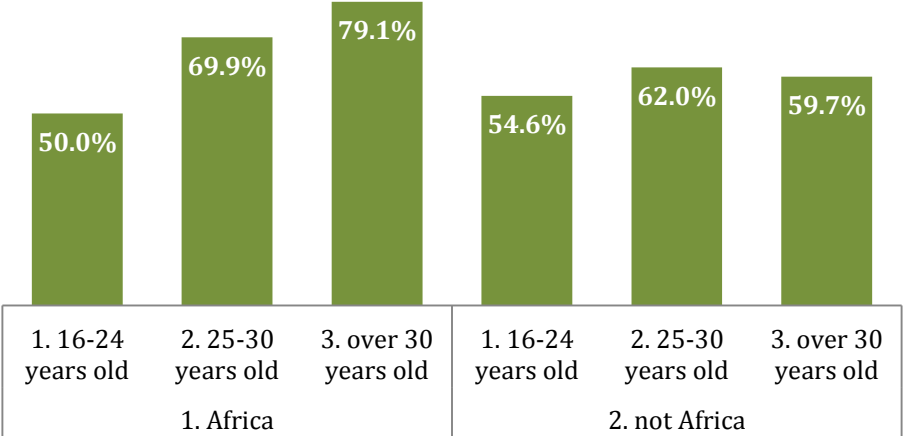
One may wonder whether these patterns in the ability to attract financial support are due to the ventures’ early-stage performance when it comes to earning revenues or hiring employees. The next two graphs indicate that the probability of reporting positive revenues increases with the average age of a venture’s founders. The same is true for ventures reporting hiring any employees. At first glance, it would seem that

lenders are tracking traditional indicators of new business traction when making their decisions; i.e., the loans tend to follow revenues and employees across the entrepreneur age categories. However, early-stage equity and philanthropic funders seem to be tracking other things as they place funds disproportionately in African ventures founded by younger entrepreneurs.

Report any Revenues

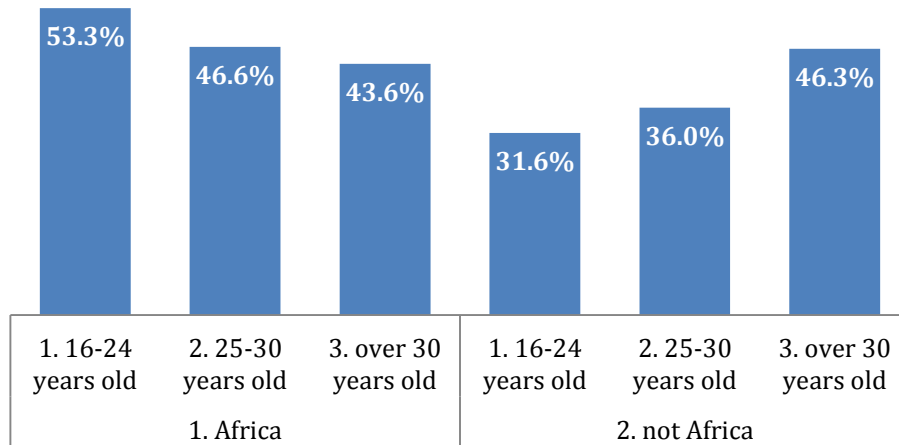


Report any Employees



Another factor worth examining is how these various groups of entrepreneurs differ when it comes to specific aspects of their ventures. One question that often comes up is whether ventures are making use of innovative technologies or processes to achieve their commercial and social aspirations. Note in the final graph that the sampled ventures operating in Africa are more likely to report having proprietary intellectual property, and that this difference is most prominent in the two categories of younger entrepreneurs. While this could be due to the different program emphases of our (currently) small number of partner accelerators, it might also reflect a general encouragement within east Africa of young people into information technology careers and ventures.

Report any IP



We hope that this data brief gives some indication of the kinds of things we are seeing when it comes to youth entrepreneurs in Africa. Of course, there are a myriad of additional observations that might be made to inform practitioners working to support these entrepreneurs. Are younger entrepreneurs working in different sectors or impact areas? What is the gender composition of these different groups of entrepreneurs? Do younger entrepreneurs tend to have less entrepreneurial experience? And, perhaps most critically, how does the age of entrepreneurs influence the sustainability and growth of new ventures over time?

Because this list of policy-relevant questions is long, over the next few years we plan to gather more data from thousands of additional ventures, and then track them regularly over time. As we grow the underlying dataset, we'll continue to produce these kinds of analyses, while providing access to these data to other researchers; all so that we may collectively learn more about how to best support entrepreneurs working around the world.

Stay tuned!