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Walking the startups journey in Kenya: Documentation of successes and pitfalls between 2010-2020

Stephen Muathe [(a)*] *Paul Sang* [(b)] *Lucy Kavinda* [(c)] *Sammy Letema* [(d)] *Samuel Maina* [(e)] *Kenneth Chelule*[(f)]

[(a, b, c, d, e)] *Kenyatta University (KU), Main Campus, Kenya Drive, Nairobi, Kenya*
[(f)] *Kenya Industrial Research and Development Institute (KIRDI), South C Nairobi KE, Kenya*

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ABSTRACT

Kenya's Startup ecosystem has experienced tremendous growth over the last ten years. Further, Kenya's startups have also been among the top-funded in the continent during the same period – attracting financing of between USD 300 million – over USD 3 billion. However, there is currently a lack of granular data guiding policies on the startup ecosystem in Kenya. Hence this Paper traces startup successes and pitfalls of the Ten years (2010-2020) Period in Kenya. The study utilized cross-sectional and longitudinal research designs. The target population was start-ups registered in the 47 Counties in Kenya. A total of 104 startups participated in the study. A mix of sampling techniques was used, namely cluster-stage, systematic, purposive, and snow-balling sampling techniques, to select the respondents for the study. Data were analyzed using Content analysis descriptive statistics were used for data analysis. The findings indicated that startup innovation hubs emerged in Nairobi in 2010 but offer time, which spurred the mushrooming of startups, seats, and co-working spaces with decentralization to significant towns in the country. The Kenyan startup ecosystem has experienced tremendous growth for the last two decades, growing from 10% in the 2000-2010 to 80% in 2010-2020. However, access to financing remains the biggest challenge for startups because of the risk associated with it, especially for early-stage startups. To strengthen the growth of the startup ecosystem, the government, through the statement of Kenya National Innovation Agency, should ensure the development of policies tailored towards startups. The national government should provide matching funds and establish an Inter-county collaboration framework to ensure skills transfer within and among the counties.

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Introduction

Startups are new, small and innovative businesses with ability growth fast (Wickham, 2004). Robehmed's (2013), Nzomo *et, al.* (2020) define start-ups as enterprises that are working to solve a problem where the solution is not obvious or success is not guaranteed and has been in existence for seven years or less. This definition is consistent with Karitu, Wangondu and Muathe (2022) definition that a startup is an innovative business entity, which is scalable and has survived up to 3-5 years. Bahrami and Evans (1995) introduced the word "ecosystem" to describe the entrepreneurial culture in Silicon Valley, which was a shift toward macro-environmental perspective to entrepreneurship ecosystem studies. In line with Vision 2030, views start-ups, particularly tech start-ups, as drivers of innovation (Nzomo *et, al.*, 2020, Muathe & Otieno, 2022). A number of scholars highlighted six elements that constitute a sustainable system of entrepreneurship including formal and informal networks, professional and support services, capital services, Universities and talent pool (Neck *et al.*, 2004).

Moreover, according to a report by lawyers' hub (2020), the Kenya startups scene is seen to be a little over 10 years and during this period there has been a unique absence of government interventions. Hence in the initial stage the start-ups ecosystem lacked a united

* *Corresponding author. ORCID ID: 0000-0001-8192-5774*
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vision which led to unmitigated financial risk and significant challenge in funding. Further startups sustainability is affected by a number of factors associated with the entrepreneur's motivation as well as entrepreneurial ecosystem conditions including academia, industry, Government, and civil society. The path and sustainability of startup companies are therefore determined by actions and interconnections of these actors (Ziakis, Vlachopoulou & Petridis, 2022).

The startups sector in Kenya perceives Government support as insufficient and lack of a consistent pipeline of quality, high potential start-ups limits the country's potential to produce unicorns capable of transcending geographical markets with successful solutions (Silvana & Associates, 2021). Higher startup failure rates may also be indications of gaps in a developing ecosystem. Consequently, sector support organizations development such as hubs, accelerators and co-working spaces are the most realistic avenues to enhance the continued growth and development of the startup ecosystem in Kenya (Ndemo, & Weiss, 2016, Silvana & Associates, 2021).

According to Muathe *et. al.* (2022) in the last 10 years, business landscape has matured and brought opportunities in Africa, this has seen entry of startup ecosystem enablers like accelerators, incubators, co-working space among others. Muathe *et. al.* (2022) however, asserts that to strengthen programming on the startups ecosystem in Kenya scholars should keep updating the existing literature to be at par with the new development. The current study focused on Successes and pitfalls of the Ten years (2010-2020) period Startups Journey in Kenya.

Literature Review

Startups Sector Growth and Development

In Kenya context startups are categorized in the same category with MSMEs as per Micro and Small Enterprises (MSE Act, 2012). According to Micro and Small Enterprises Act of 2012, MSEs have ''annual turnover of less than KES500, 000 and fewer than 10 employees, with small enterprises having an annual turnover of between KES500, 000 and KES5 million and between 10 and 50 employees (Republic of Kenya, 2012, Nzomo *et al.,* 2020) ". As noted by to National Commission for Science, Technology and Innovation (NACOSTI) Kenya's startup ecosystem is considered among the most vibrant and developed in Africa, along with that of Nigeria, South Africa and Egypt (NACOSTI, 2022, Qoriawan & Apriliyanti, 2022). This is as a result of its significant consumer and business market, a strong and sophisticated entrepreneurial culture and a robust business environment and corporate sector. Intelligence reports estimate Kenya's startups to constitute at least 10% of Africa's 6, 989 startups (Giuliani & Murima, 2020). Based on the feedback by the startups, the stakeholders and the analysis of secondary data, Kenya's startup ecosystem has undergone tremendous growth since 2010. Starting M: Lab in 2010, was a major breakthrough for Kenya's startup landscape (Gugu, 2018). This was followed by creation of the first Pitching competition for startups, the Pivot East**.** Moreover, the evolution of the startups also created interest by the government of Kenya through the Ministry of ICT, which initiated Tandaa Grants to fund startups to showcase talents in different sectors, hence a total of 45 startups/companies were funded between 2010 and 2012 (Gugu, 2018).

Over the last 10 years, hubs have become more focused on specific sectors e.g. e-commerce, Agriculture, Circular Economy, Insurance, Education, Health etc (GRID-Arendal, 2021). There is growth in venture capital. Moreover, there has been emergence of locally owned sector financiers / funds that target startups such as Cellulant, Build Grow, and Early Bird which has allowed increasing vertical integration. For example, Victoria Ventures, Nairobi Business Angels Network, Pangia, and GIZ are providing matching funds and business advisory service (GRID-Arendal, 2021)

Most of the emphasis by both practitioners and academia has been on how entrepreneurs and organizations within entrepreneurship ecosystem manage and deploy resources rather than how such ecosystems create resources or solicit external funding (Spigel, 2017). Essential ecosystem components which are conceptualized as resources include technological infrastructure, entrepreneurial knowledge, skilled workers, early-stage investment capital, experienced mentors, support organizations and cultural artifacts (Isenberg, 2011; Motoyama, *et al., 2*017, Bramann, 2017).

Study Context and Design

The scope of the study was startups and other ecosystem support organizations in the 47 counties in Kenya. The study used cross-sectional and longitudinal research designs in order to increase data validity and minimize researcher bias (Saunders *et. al.,* 2009). As noted by Muathe (2010) the cross-sectional design enabled the researchers to collect data from start-ups, accelerators and incubators on one point in time while longitudinal design was used to collect time-series data for a period of 10 years. This was important for tracking changes of what has happened in startups ecosystem since year 2010 (Saunders *et. al.,* 2009). The target population for the study was all registered start-ups in Kenya. The target population was 1, 500 startups obtained from hubs, accelerators and incubators and other ecosystem players. A sample of 104 startups was surveyed. A mix of sampling techniques were used including cluster-stage, systematic, random purposive and snow-balling sampling techniques with the aim of reaching the start-up owners. The study used both primary and secondary data, primary data was collected through a survey monkey to mitigate the challenges posed by Covid-19. In addition, secondary data inform of time-series data was collected in a period of 10 years. However, before the actual data collection approval to collect data was granted by the National Commission for Science, Technology and Innovation (NACOSTI) as well as Kenyatta University Ethics Review (KUERC). Quantitative data was analyzed through descriptive statistics and presented in tables and figures while qualitative data was analyzed using content analysis where common themes were

grouped together, this was necessary for complimenting the quantitative data and also for building a rich understanding of the startups ecosystem.

Results

The results presented in this paper focused on Successes and pitfalls of the Ten years (2010-2020) Journey by Startups in Kenya.

Startups Key Milestones over 2010-2020 Decade

The results presented in figure 1 below indicate that Startups by founding year has grown from 5% between 2000 and 2005 to 40% between 2016 and 2020, with about 80% of the startups founded between 2011 and 2020, 10% between 2000 and 2010 and 10% between 2021 and 2022. This is a good demonstration that Kenya's startup ecosystem has experienced tremendous growth over the last 10 years.

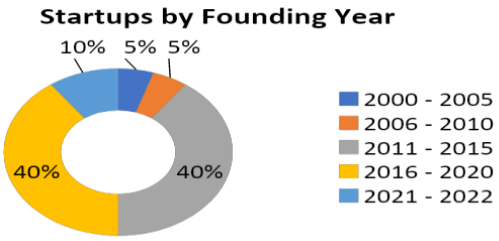


Figure 1: Year startups were founded

Although startups have been around in Kenya since 2000, the startup ecosystem can be traced from 2010 due its tremendous growth since then, coupled with policy landscape development (Table 1) below. Starting M:Lab in 2010 was a major breakthrough for Kenya's startup landscape (Gugu, 2018). This was followed by creation of the first pitching competition for startups, the Pivot East**.** Moreover, the evolution of the startups also created interest by the government of Kenya through the Ministry of Information, Communication and Technology (ICT), which initiated Tandaa Grants to fund startups to showcase talents in different sectors, leading to 45 startups and companies being funded between 2010 and 2012.

The launch of Pivot East by iHub and mLab led to roll out of a number of programs for entrepreneurs that culminated in a pitching competition to investors and partners after undergoing coaching on pitching, sales, digital marketing, legal aspects, and employee retention. Early stage of Pivot East first two editions in 2011 and 2012 was characterized by entrepreneurs lacking business mentoring for market readiness and sustainability, finalists were focusing on prize money rather than building their business, and was localized to Nairobi. However, from 2013 it went regional, downplayed the role of prize money, and emphasized pitch coaching, partnership building, and networking with investors. The competition has attracted sponsors from Intel, Microsoft, Samsung, and Nokia, among others. Startups can compete in one of the five categories, namely finance (digital payments, banks, cryptocurrency, e-commerce), enterprise (Enterprise resource planning (ERP) systems, Customer Relationship Management (CRM), recruitment platform), entertainment (gaming, e-magazine, music, video, photography), social impact (education, agriculture, health, governance), and technology applications in utilities to enhance usability and versatility.

Proliferation of hubs (Table 1) between 2010 and 2020 accelerated innovation hubs, hacker and co-working spaces in Kenya. Some of the hubs are iHub, Gearbox, Metta, Nailab, Nairobi Garage, Mashinani Hub, EldoHub innovation center, Swahilipot Hub, SoteHub, BiktHub, the Entrepreneurs Hub, and LakeHub, among others.

Table 1: Startup Ecosystem Key Milestones over the Last Decade: 2010-2020

Year	Milestone	Success/Examples
2010	Introduction of 3G and fiber internet in Kenya	This was instrumental in catalyzing startups, lead to an explosion of the sector in Kenya and technology hubs
2010-2011	Establishment of Tandaa digital content grants to fund startups and companies to show case talents in different sectors	The grant is worth up to US$50, 000 for companies, US$10, 000 for individuals and teams, and a matching grant of US$150, 000 for established companies Funding of 15 startups/companies in 2010 and 30 in 2011
2010-2016	Sprouting of entrepreneurial hubs	This led to the mushrooming of independent innovation hubs, co-working spaces, and growth of innovation disruption in Kenya‘s startup landscapes i.e. Naihub (2010, iHub (2010), Sotehub (2010), M:Lab (2011), Gearbox (2011), Lakehub (2013), Nairobi Garage (2015), Bithub (2015), Eldo Hub (2016)
2011	Launch of Pivot East pitching competing	Pivot East have been running annual pitching competition since 2011
2012	Establishment of The Micro and Small Enterprise Authority (MSEA)	The mandate to formulate and Coordinate policies that will facilitate the integration and harmonization of various public and private sector initiatives, for the promotion, development and regulation of the Micro and Small Enterprises to become key Industries of Tomorrow
2012	Rise of hackathons with award tokens	Redefined tech innovation lifecycle, accelerating by orders of magnitude technological progress
	Support of hackathons from corporates	Safaricom Ltd
	Emergence of innovation products	mTiba, mLedger
2013, 2016	Kenya National Innovation Agency (KENIA) was established in 2013 and operationalized in 2016	Supporting innovation activities in startups e.g. exhibitions, fairs, competitions, networking, and funding prototype development
2015	Constituency innovation hubs	Bolstered startups hubs activities at grassroots level, which positioned such hubs as integral pipeline for the sector
2017	Launch of Association of Startup and SMEs Enablers of Kenya (ASSEK)	Brings together about 50 startup enablers: incubators, accelerators, and hubs to streamline, coordination and give voice to operation of enablers in Kenya
2017	Government focus on Konza as the center of innovation in Kenya.	Geared to making the city a global hub of innovation
2018	Emergence of Nairobi as a top city attracting entrepreneurial funding in Africa	The determinant of Nairobi as a top city was based on Innovation activity, such as the total number of start-ups, Level of innovation funding and Innovation infrastructure, such as the number of research institutions.
2019	Transition from token-based hackathons to project-based ones	Attraction of foreign innovators to the Kenyan innovation space
	Emergence of great companies from innovations	Twiga
2019	Kenya Industry and Entrepreneurship Project (KIEP)	KIEP is a US$50 million initiative that is implemented by the Ministry of Industry, Trade and Cooperatives between 2019-2024
2019	Enactment of Data Protection Act.	Applies to data controllers and processors processing data about data subjects in Kenya to protect Kenyan individuals' rights and interests
2020	The Startup Bill	Fosters a culture of innovative thinking and entrepreneurship in and facilitate ease of doing business in Kenya
2020	Amendments to Companies Act	Enforcement of local ownership rule in ICT sector

Source: Secondary data 2022

Current Status of Startups: The 2022 Survey

The number of founders per startups are such that 36% have two founders, 32% one, 9% three, 9% four and 5% have more than five founders (Figure 2).

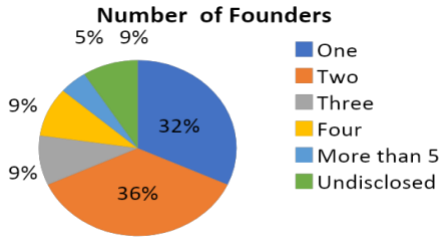


Figure 2: Number of Startup Founders

The researchers tried to established the age of the founders of the startups, the response is presented in the figure below

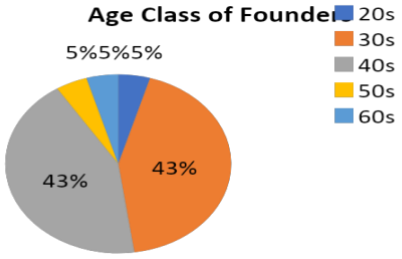
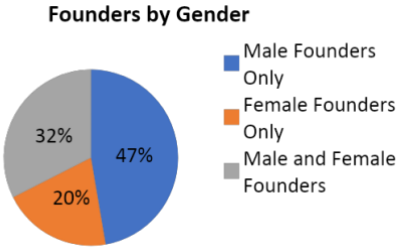


Figure 3: Age of Startup Founders

Majority of the founders are in their 30s and 40s, accounting for 43% each of the total number of founders. Founders in their 20s, 50s and 60s accounted for 5% each. The average age of founders is 41 years. The average age of founders in 1 to 5 year old startups is 42 years, with the oldest founder being 64 years whilst the youngest being 30 years old.



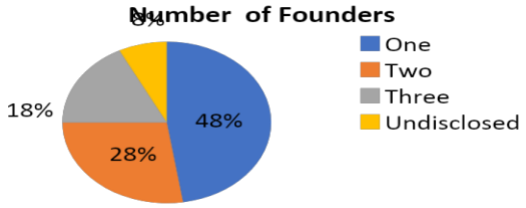
i. The majority of the businesses (47%) have male founders only

ii. 20% of the businesses have female founders only

iii. The remaining 33% indicated that they had both male and female founders.

iv. The findings confirm low participation of women in running startups.

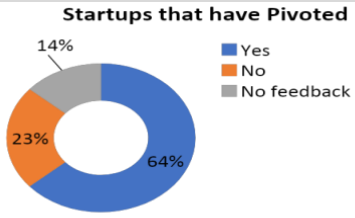
Figure 4: Gender of Startup Founders



i. 48% of the businesses have only one founder;
ii. 28% of responding businesses have two founders;
iii. 18% of the businesses have three founders.
iv. Another 8% did not disclose information on the number of founders.

Figure 5: Number of Startup Founders

When asked if they have pivoted in the course of their operations, respondents indicated as below:



i. 64% of the startups pivoted – with shifts in business model, market orientation, products/services offering and leadership approach (structures / processes).

ii. 93% reported significant success on pivoting, highlighting increased markets/ revenues/ profits.

iii. 23% of the startups had not pivoted; while a further 14% did not indicate whether they had pivoted or not.

Figure 6: Startups that have pivoted

he distribution of startups are such that 23% are in e-commerce retail, 18% financial services, 14% professional services and education, 9% software as a service, 9% in energy, and 5% in agriculture, healthcare and hospitality (Figure 7). Since the emergence of Covid-19 more tech enabled startups emerged across sectors like health and agriculture. Konza Technopolis Authority and Ministry of ICT, for example, supported health related startups during this period that provided intervention for Covid-19.

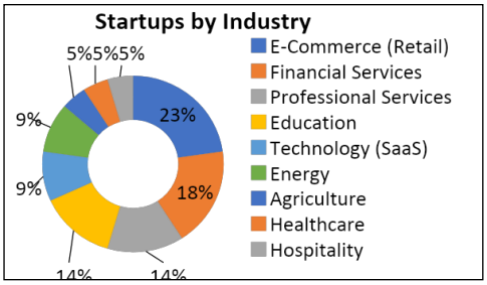


Figure 7: Startup by Industry in Kenya

The survey (Figure 8) shows that about 77% of startups are in the growth and expansion stage that can broaden its horizons through entry into new markets and geographies. About 14% are in early stage of generating revenue and regularly taking on new customers. About 9% are in maturity and possible exit stage, where the business is making stable profits and as such may opt for an exit through acquisition.

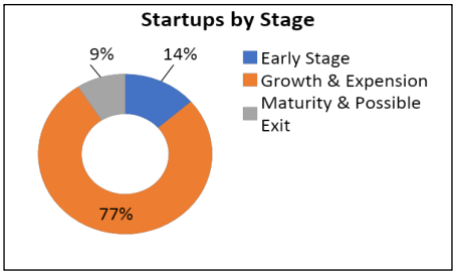


Figure 8: Startups by Stage of Operation

About 50% of the startups who took part in the survey reported annual revenues of between KES 101 million to 1 billion, 20% between KES 11 to 50 million, 10% less than KES 10 million; 10% between KES 51 and 100 million, and 10% more than KES 1 billion (Figure 9).

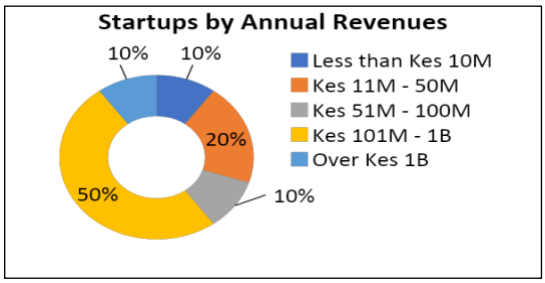


Figure 9: Startups by Annual Revenues

When asked whether they operated a startup which was tech driven their response are presented in figure 10 below

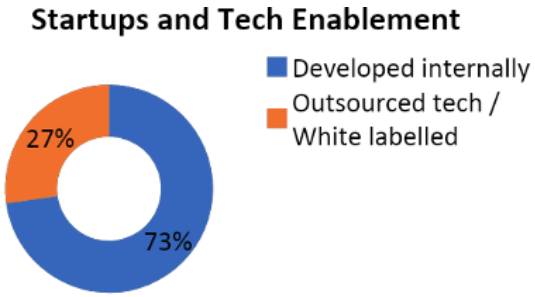
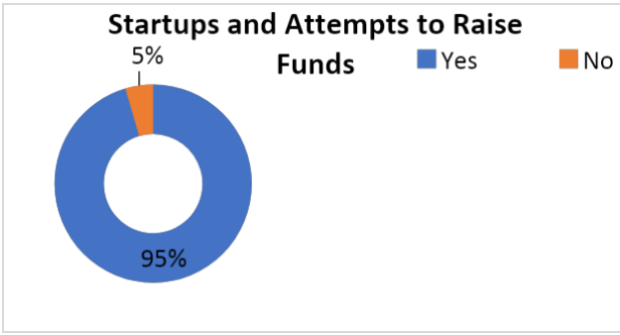


Figure 10: Tech enabled Startups

All the responding startups indicated their business operates on a specific technology and thus it is tech-enabled. About 73% of startups indicated the technology they use is mostly developed internally and the remaining 27% is outsourced as white labelled product.



i. 95% of the responding startups had attempted to raise investment / financing before; while only 5% had made no attempt to fundraise.

ii. This explains why Kenya has been ranked number three in Africa in terms of raising capital for startups.

Figure 11: Startups attempt to raise Capital

The startups were probed further on the amount money they had management to raise. Below are the response which were given by the various startups

Figure 12: Amount of Finance Raised

About 43% of the startups that raised funds raised between KES 101 million and 1 billion, 10% each raised less than <50 million, between 1 and 5 billion, and over 10 billion (Figure 6). About 5% of the startups raised between KES 51 and 100 million, which is similar with those between 1 and 10 billion while 19% of the startups did not disclose the amount of funding received.

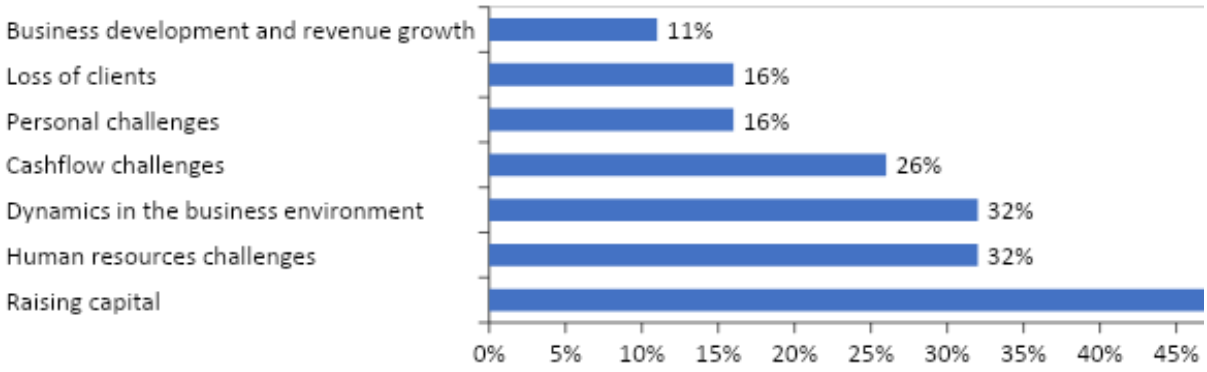
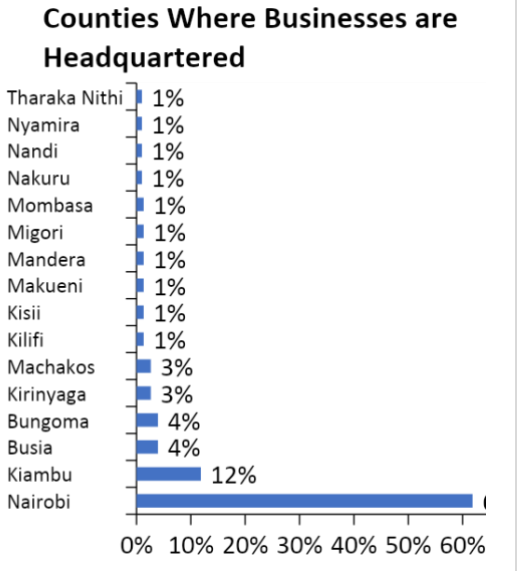


Figure 13: Challenges faced by Startups

When asked about challenges faced in their entrepreneurial journeys, 47% of the startups indicated raising capital as their main challenge – which curtailed among others, capital expenditure, business growth and lack of understanding of the financing landscape; 32% indicated to have had human resources challenges that included among others, finding the right talents, retaining top talents, competitive compensation etc.; another 32% indicated challenges to do with the dynamics in the business environment that included among others, COVID 19 impact on business, unpredictable nature of industry changes etc.; 26% of the startups experience cash flow challenges that are attributed to among others, failure by clients to pay on time and general business slow down; 16% indicated personal challenges such as loneliness, stress and longer hours; 16% lamented loss of clients due among other reasons, COVID 19 pandemic; and 11% faced challenges to do with business development and consistency in revenue growth.

In terms of are of startups' operation, the repossess are presented below



i. 62 percent of the businesses indicate to have their headquarters in Nairobi;
ii. 12% of the businesses are headquartered in Kiambu;
iii. 4% each are headquartered in Busia and Bungoma respectively.
iv. 3% each are headquartered in Kirinyaga and Machakos.
v. 1% each are headquartered in Kilifi; Kisii; Makueni; Mandera; Migori; Mombasa; Nakuru; Nandi; Nyamira; and Tharaka Nithi

Figure 14: Location of Startups

It is worth noting that Kenyan startups have begun in the capital city Nairobi in early 2000s but over time they have spread to other counties out the capital city like Kisumu, Mombasa, Kiambu, Nakuru, Machakos among others hence, it can be noted that more startups are expanding their customer base beyond the capital city.

Below is distribution of advice suggested by the startup owners to upcoming entrepreneurs?

Figure 15: Advice to new Startup Founders

More than 20% of the founders advise new founders to first focus on building a clear path and market validation; 40% advise new founders to choose the founding team wisely; 27% advise them to create a winning culture from the onset; another 27% advise new founders to be resilient and capital efficient; 20% advise new founders to remain operational & close to customers in their onset years; 20% advise new founders to do their homework on all potential investors; 13% advise bootstrap funds to start the businesses; another 13% advise the exploration of non-equity financing options exhaustively first; and 7% each advise new founders to build business management skills; to build value networks; to have co-founders agreements in place; and document journey as much as possible.

On what had been their most successful and fulfilling part of their entrepreneurial journey, the founders responded as shown in Figure below.

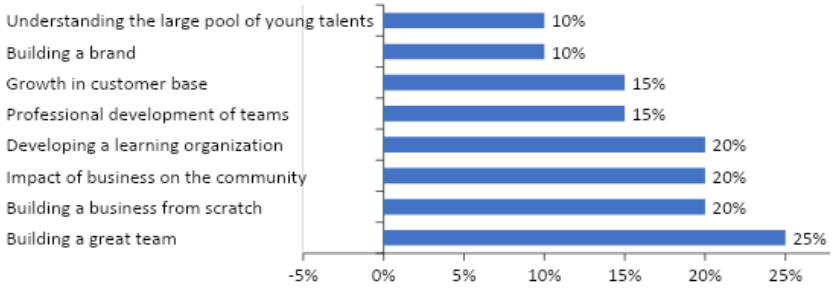


Figure 16: Fulfilling part of their Entrepreneurial Journey

About 25% respondents indicated they found more fulfilment in building a great team, 20% pride on having built a business from scratch, its impact on the community, and having developed a learning organization. About 15% pride in the professional development of teams over time and growth in customer base. About 10% find more fulfilment in building a brand that gets accepted in its markets and understanding the large pool of young talents in a market where employers are struggling with the 'Generation Z'.

Startups Pitfalls

The biggest pitfall highlighted by all the startups in raising capital is finding a suitable investor, lack of investment options available at the stage of raising (33%), and high valuation for the amount of funding (24%). Other challenges are short runway (19%), incorrect product market fit (19%), lack of knowledge about how and when to raise (19%), and business being too early for its time (14%). About 5% each found a challenge in developing a scalable business model that attracts investors, regulatory issues, inability to scale the business, and one of the founders leaving the business.

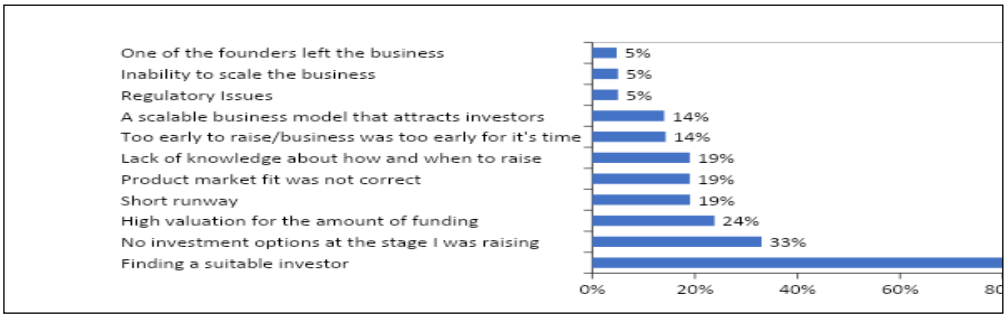
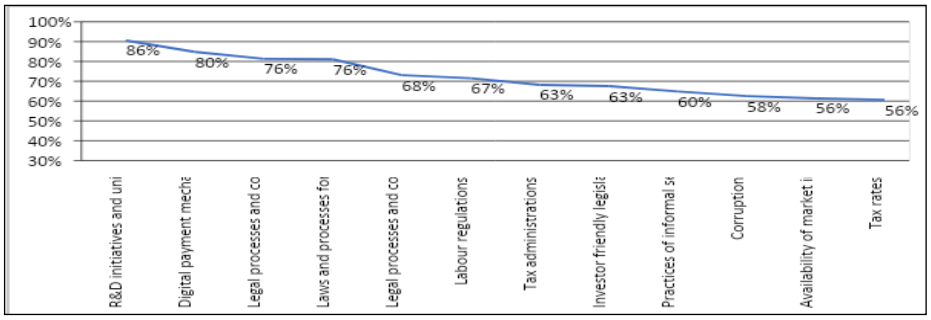


Figure 17: Pitfalls in Raising Capital by Startups

When asked to rate elements of the policy and business environment as obstacles to their current operations, research and development initiatives and digital payment mechanisms is rated as minor obstacle at 86% and 80% respectively. Those that are rated as being moderate obstacles are legal processes and costs for setting up a business (76%), laws and processes for foreign investments in start-ups (76%), legal processes and costs for running a business (68%), labor regulations (67%) tax administrations (63%) investor friendly legislation (63%), and practices of informal sector competitors (60%). Those that were rated as severe obstacles are corruption (58%), availability of market information (56%), and taxation rates (56%). The average rating of policy and business environment as obstacles is 73%, which falls under moderate obstacles.



Obstacle rating: <60 severe, 60-<80 moderate, 80-<100 minor, >100 none

Figure 18 Rating Elements of Policy and Business Environment Pitfalls

Policy and regulatory challenges faced while doing business are punitive tax policies (40%) as the main policy and regulatory challenge, 27% is overregulation of the sector, 20% noted county regulatory compliances, and another 20% identified misuse of regulatory authority and extortion (Figure 19).

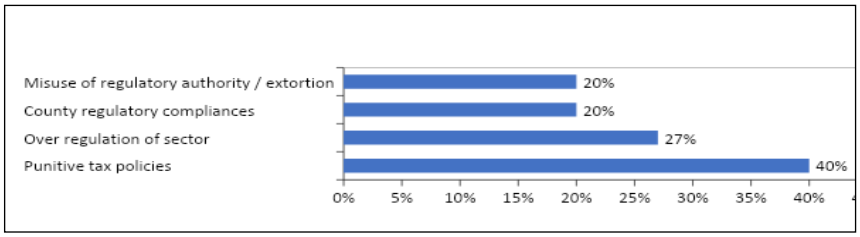


Figure 19: Policy and Regulatory Pitfalls

Suggestions on improving the overall policy environment in aiding the process of starting and scaling businesses, responding founders (Figure 16) pointed at taxation regime (69%) such as incentives for tax compliant businesses, lower VAT rates for startups and tax holidays for startups. Other policy areas identified are work permit cost reductions, friendlier labor laws for small businesses, and reduced level of sector regulation each recommended by 15% of the founders. The work exposure for graduate's policies, low interest rates by banks and single window licenses were each recommended by 8% of the responding founders.

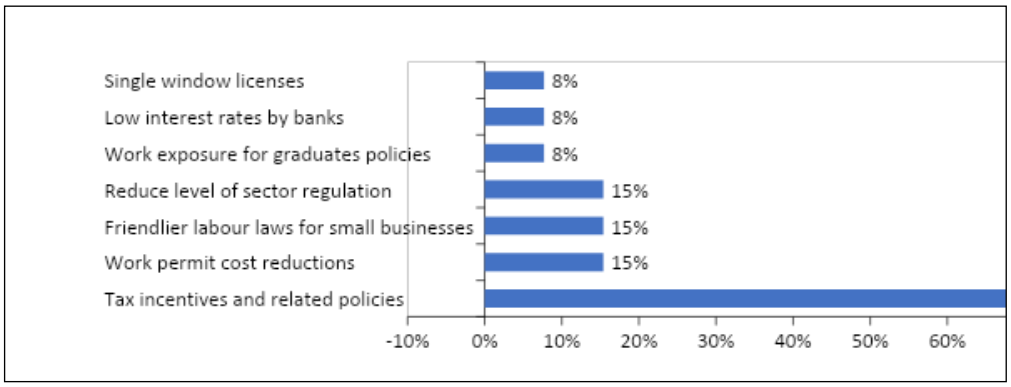


Figure 20: Suggestions on improving the Policyenvironment

Summary of Policy Regulating startups in Kenya

Kenya has been making strides to have in place policies and regulations that would directly impact the startups ecosystem. Some of these policies and regulations include:

Tabel 2: Startups / Business Policies and Regulations

Business setup	**Tax**	**Intellectual Property**
Companies Act of 2015 Limited Liability Partnership Act Limited Partnerships Act Partnership Act Non-governmental Organisation Coordination Act Data Protection Act	Tax Procedure Act Income Tax Act Value Added Tax Act	Copyright Act of 2011 Industrial Property Act Trade Marks Act
Subject Matter Regulations		
Incubation	**Registration**	**Intellectual Property**
Central Bank of Kenya Act National Payment Systems Act Retail Transfer Regulations Capital Markets Act Insurance Act	Kenya Information and Communications Act	Data Protection Act
The Startup Bill, 2021		
Incubation	**Registration**	**Intellectual Property**
Incubation support to be at the County level Incubation programmes to be certified	Startups to be registered Only registered startups shall be allowed to participate in incubation programmes	Subsidised formalisation of startups Facilitation of IP protection Credit guarantees

Source: Secondary data 2022

As indicated in the table 2 above as much as there is a long way to go, commendable strides have been made that should allow for reasonable enhancement of the startup ecosystem. The biggest challenges with regard to policy still remains startup specific policy, implementation and follow through / enforcement.

To overcome the above pitfalls, the startup founders indicated to have adopted the mitigation measures in Table 3.

Table 3: Mitigations to Startup Challenges by Founders

Pitfall	Mitigation
Raising capital	Provision of risk capital Sharing with other entrepreneurs Being strategic in financiers targeting
Human resources challenges	Establishing a database of easy to recruit talents Competitive remunerations and packages
Dynamics in the business environment	Coaching and Mentorship Sharing with other entrepreneurs Business pivoting
Cash Flow challenges	Change business model to ensure regular income
Personal challenges	Taking time off business Engaging professionals, coaches & psychologists
Loss of clients	Diversification Business pivoting Exploit markets outside traditional strongholds
Business development and revenue growth	Diversification Business pivoting

Conclusion

This paper has demonstrated that the Kenyan startup ecosystem has experienced tremendous growth over the last two decades. Startup innovation hubs in Kenya emerged in 2010 initially in Nairobi, but offer time the hubs, and co-working have been decentralized to major towns and counties like Kiambu, Nyeri, Mombasa, and Kisumu among others. This is evidence that the concept has been well received and accepted in Kenya and if the right environment is provided, it can be solution to the high number of unemployment as well as contributing to GDP of the country Pitching competition for startup grants shifted from government driven and localized in Nairobi in the 2010-2011 period to private sector and county governments driven, with downplaying of price money while emphasizing on pitch coaching, partnership building and networking with investors. Thus, pitching competition has emerged as a nexus between talents, investees, and mentorship. However, with this tremendous growth access to financing remains the biggest challenge for startups in the Kenyan ecosystem especially for early-stage startups that are considered riskier by investors. Startup policy and regulatory framework is weak, punitive and inhibiting to startups, especially taxation regime. Due to lack of proper definition of startups in Kenyan context, existing institutional framework are largely on micro, small and medium enterprises, which led to a leap service on startups. However, future prospects of the startup ecosystem in Kenya appear attractive and promising as a result of ongoing policy and legal reforms, which will ease way of doing business resulting to more investors seeking unique business opportunities coming and investing in Kenya.

The study established that there is lack of proper definition of startups in Kenyan context which has led to existing institutional framework to focus largely on micro, small and medium enterprises. Therefore, in order to strengthen the growth of the startup ecosystem, there is a need for various stakeholders to adopt a definition of a status as an innovative business entity, which is scalable and has survived up to 1-7 years. This definition is also consistent with Bahrami and Evans (1995) and Karitu, Wangondu and Muathe, (2022) arguments that depending with the sector the startup operates in, the time could range from 1-3 or 1-7 years. Adoption of Kenyan acceptable definition of startup will lead to harmonization of policies tailored towards startups. Moreover, adoption of a Kenyan definition of startups will lead to establishment of a framework for policy dialogue for all aspects of the startups ecosystem. This will help enrich policies and provide avenues for solutions to existing sector challenges, the Kenyan Government should provide risk capital to contributions done by foundations, philanthropists, and companies, in this way there will be minimization of risk capital associated with startups during their early stages. This may necessitate the building of existing Finance lending institutions like youth fund and women Fund and the capacity of such institutions to ensure effective support to early-stage startups. Finally, there is need to establish Inter- County collaboration framework to ensure skills transfer within and among the country. This will help standardize practice across the country, and allow for the harmonization of county specific policies on treatment of startups regardless of where they are domiciled / operate in Kenya.

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Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to privacy.

Conflicts of Interest: The authors declare no conflict of interest.

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