VENTURE CAPITAL IN RWANDA:

THE FINANCE GAP FOR STARTUPS AND ROLE OF INSTITUTIONAL THEORY

A MASTER THESIS PROJECT

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Abstract

The entrepreneurial landscape in Rwanda has prospered over the last decade where startups have taken on some of the greatest challenges of the country. Nonetheless, access to capital continuous to be one of the most prominent hurdles challenging the development of the Rwandan entrepreneurial ecosystem. Venture capital has been set forth as a viable concept to combat capital constraints given their efficient flow of risk finance. Nonetheless, despite an increased interest from foreign venture capitalists in the Rwandan market, the funding challenges persist. Hence, through an abductive approach and explorative research design, the thesis aims to investigate the bottlenecks for Rwandan early-stage startups to obtain foreign venture capital funding. Furthermore, serves to develop an investment readiness program aiming to combat the experienced bottlenecks. The thesis draws upon a combined theoretical framework derived from the Venture Capital Process, Institutional Theory and Investment Readiness Programs. Primary data is collected through field research with semi-structured interviews, deploying a multiple case-study with a total of six interviewees from incubators, accelerators, entrepreneurs and impact funds, with both local and foreign heritage.

The key findings of the bottlenecks are a lack of investment readiness from the entrepreneurs stemming from a knowledge gap and lack of data and statistics. Furthermore, the market is characterized by a low-quality deal flow, which entails higher costs for VCs and thus challenges the attractiveness of local startups. Moreover, that cross-border scaling potential is essential, which is challenging due to institutional barriers, cultural differences and access to market data in neighboring countries. Finally, that a cultural dissonance between foreign investors and local entrepreneurs, on trust, humbleness and confrontational issues, create hurdles during the investment process. The developed investment readiness program serves to combat the hurdles through capacity building, impact consulting from Nordic students and training entrepreneurs in pitching to foreign investors with a cultural adherence deviating from the Rwandan humbleness and non-confrontational notion.

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1. INTRODUCTION

"Out of the 250 startups that I have mentored in Rwanda, I have never heard a startup not mentioning that one of their biggest challenges is access to capital"

Envisage Incubators, Victor Lindahl

Rwanda has in recent years enjoyed significant economic growth and been stressed as one of the fastest growing economies in the world (World Bank, 2021). The capital, Kigali, is the second-largest destination in Africa for meetings, conferences and events, due to its strategic positioning, located in the heart of the continent (Hansen, 2020). Rwanda has been ranked second in the World Bank's Ease of Doing Business Index 2020 in Africa (World Bank, 2020). Kigali has been regarded as one of the safest and cleanest cities in the world, whilst simultaneously being ranked as one of the least corrupt countries on the continent (Hansen, 2020). The government has in recent years undertaken a series of initiatives to foster the entrepreneurial ecosystem in the country, ranging from improved policies, tax incentives and new constructions aiding entrepreneurial activity (IMF, 2020). Despite its small size, the country has caught the attention of many investors across the globe (KPMG, 2019). Once accounting for its strategic location and cross-border opportunities, it is by no surprise that the country is becoming an important tech hub in Africa (Hansen, 2020).

Envisage Incubators is a non-profit organization that operates incubators and accelerators who have acknowledged the entrepreneurial momentum in Rwanda. Envisage Incubators was founded in 2019 by a cross continental team of Nordic and Rwandan scholars and serial entrepreneurs. The incubator is the first in Rwanda that focuses on agritech startups, given that 62 percent of the prevalent workforce are operating in the aforementioned sector (World Bank, 2021). The organization serves to empower ambitious entrepreneurs with capacity building enabling the execution of sustainable change. On a more general note, thrives to enable a generation of problem solvers in Rwanda. Nevertheless, during its operations over the last two years in Rwanda, the organization has shed light on a bottleneck which persistently challenges problem-solvers in Rwanda from pursuing their sustainable ventures. As one of the founders of Envisage Incubators, Victor Lindahl, stated, *"Out of the 250 startups that I have mentored in Rwanda, I have never heard a startup not mentioning that one of their biggest challenges is* *access to capital"*. Envisage Incubators further stresses that the personal savings of the Rwandan entrepreneurs are most often severely limited or inexistent, which challenges personal savings as an initial funding option. The Rwanda Development Board (2021) reassures the problem on a national level, claiming that the most prominent obstacles hindering the entrepreneurial development and growth of SMEs across Rwanda are capital constraints (Rwanda Development Board, 2021). The World Bank (2021) denotes that SME's are less likely to be granted a bank loan in comparison to larger firms, which in turn, requires heavy reliance on internal funds to establish new ventures. Accordingly, the International Finance Corporation (IFC) estimates 40% of SME's in developing countries to be faced with a financing deficiency each year, corresponding to a finance gap of $5.2 trillion per year.

The Venture Capital (VC) model has been advocated as a viable concept to facilitate the growth of innovative SMEs. VCs are suggested to foster entrepreneurial prosperity and economic development given their efficient flow of risk finance (Lerner, 2010). Briter Bridges (2021) reported that African startups raised at least $1.3 billion in 2020. Nevertheless, the top ten deals of the year accounted for 50 percent of the aforementioned raised capital. In addition, 30 percent of the ventures are incorporated in the United States (Briter Bridges, 2021). The report presents a skewed allocation of capital across industries and geographies, where fintech obtained 31 percent of the volumes, cleantech 22 percent and healthtech 9 percent. According to the 2019 Africa Tech Venture Capital Report (2019), 85 percent of the fintech funding obtained across Africa in 2019 was distributed across four countries, including Nigeria, Kenya, Egypt and South Africa. Despite the nascent stage of the African VC funding ecosystem, Briter Bridges (2021) acknowledges a promising development where it is believed that the steady market growth along with the increasing interest from investors, corporates and academia, is steering the continent towards sophistication and maturity in the future (Briter Bridges, 2021).

1.2 Problem Formulation

Indeed, an increasing interest from foreign venture capital firms to invest in emerging markets has been observed (Chemmanur et al., 2016). Impact investments are gaining momentum and have been illustrated by the increased interest in the East African market amongst foreign investors (KMPG, 2019). Nonetheless, Gugu & Mworia (2016) acknowledges the increased costs of operating a VC fund in East-Africa given the time-consuming process of locating, evaluating and investing in ventures. The research further attributes the challenges within deal-sourcing to nascent and somewhat underdeveloped deal intermediaries, such as incubators and accelerators, which delays an efficient process. Simultaneously, challenges with exit opportunities are tied to poor private liquidity options and immature financial markets which obstructs IPOs (Gugu & Mworia, 2016). IMF (2020) further highlights the information asymmetry and difficulties in performing accurate due diligence given the poor (or absent) corporate governance and formal reporting mechanisms. Consequently, navigating in the local institutional environment proposes a severe challenge to foreign VC in order to make rewarding investments (Divakaran et al., 2018). Simultaneously, the majority of VC funds operating in Rwanda are from North America of Europe, implying the necessity of foreign VCs to be able to navigate in the institutional environment of Rwanda (AVCA, 2020). Or put another way, implies the necessity for Rwandan startups to overcome the institutional barriers in order to become an attractive investment in the eyes of a foreign investors.

Taking departure in the vital role of startups and SME's for the Rwandan economy, funding barriers calls for a resolution to allow for its development to further evolve. Given the challenges with debt funding in emerging markets, venture capital is deemed an important part of the equation. Despite the raising momentum of impact investments amongst foreign venture capitalists, along with an increased interest in emerging markets, the funding gap in Rwanda persists. Taking departure in theory on VC in emerging markets, institutional theory and theory on investment readiness, the thesis serves to understand why the funding gap persists and what bottlenecks Rwandan startups are experiencing. Furthermore, serves to formulate an investment readiness program which addresses the bottlenecks and aids startups in becoming attractive investments in the eyes of foreign venture capitalists. As such, leading up to the following research question:

What are the bottlenecks for Rwandan start-ups to obtain foreign venture capital funding and how can an investment readiness program facilitate in bridging the gap?

1.3 STRUCTURE OF THE PAPER

The following figure has been designed as a reading-guide which serves to visualize how the dissertation will evolve. Accordingly, it outlines the structure of the paper whereby each stage will be carefully assessed in the illustrated order.

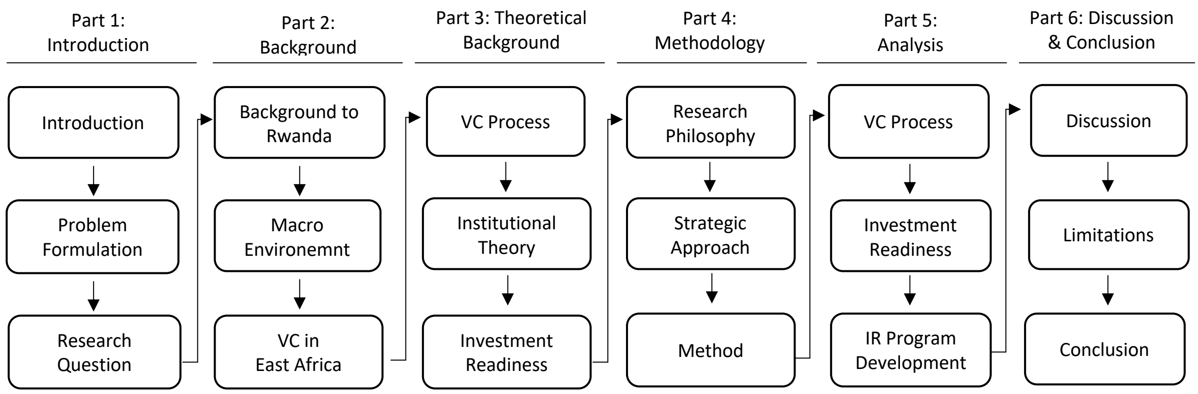

Table 1: Structure of the paper. Source: Author's own creation

1.4 TOPIC DELIMITATION

Firstly, the thesis focuses on investigating bottleneck's for startups who offer a tech-based, scalable product or service. The initial interaction with Envisage Incubators shed light on VCs consistent interest in investing in Rwandan startups possessing the aforementioned characteristics. The thesis aims to investigate the hurdles for local entrepreneurs in obtaining VC funding subsequent to the ideation stage, which means that an insufficient idea itself will be disregarded as a hurdle for the purpose of this thesis. Furthermore, given the nascent landscape of the Rwandan ecosystem, the thesis will focus in investigating the general bottlenecks for startups, and hence, not focus on hurdles related to a specific industry, such as FinTech or EdTech. Moreover, the thesis will be focusing on the bottleneck's experienced for early-stage funding. Hence, hurdles observed for subsequent investment rounds will not explicitly be regarded, although some issues, by nature, will be relevant for later stage funding as well.

Secondly, the thesis will be focusing on the hurdles for Rwandan entrepreneurs, and hence, disregard the bottleneck's for entrepreneurs in neighboring countries, despite exploring scalability issues in relation to neighboring countries. Thirdly, the thesis takes the perspective of entrepreneurs, which means that it does not serve to investigate the bottleneck's experienced by foreign VCs, although these, by nature, will be discussed simultaneously. Fourthly, along the same note, it solely focuses on the entrepreneur's observed relation to the macro-economic obstacles, nonetheless, does not serve to provide a comprehensive outline of all the macro-economic issues related to the Rwandan entrepreneurial ecosystem, although these, again, will be discussed simultaneously.

Furthermore, the thesis will be collecting primary data from local entrepreneurs, intermediaries and VCs with a local presence, as these are deemed most relevant in answering the research question. Hence, these are the perspectives which will be deployed in answering the research question. In addition, the thesis will be focusing on uncovering deeper insights to the experiences of entrepreneurs on the bottlenecks extending beyond the general issues reported in formal reports from institutions. Hence, it will not provide quantifiable results, but rather, a qualitative assessment of the hurdles. Coherently, the solutions presented in the investment readiness programs will be focusing on overcoming the obstacles from a qualitative perspective. Finally, the thesis serves as a gateway to a complex problem. As such, given the complexity and extensive nature of the problem, a deeper investigation into each bottleneck will not be provided, given the resource and time constraints of the thesis. Coherently, the investment readiness program will be focusing on providing solutions to the observed bottleneck's, nonetheless, will not provide an extensive evaluation to the solution provided to each hurdle. More so, the thesis will solely provide solutions to observed hurdles in relation to an investment readiness program, and hence, exclude a consideration of solutions stemming from other sources, such as macro-economic initiatives.

2. BACKGROUND

The following chapter will serve to establish a better context to the problem at hand. Accordingly, the chapter will proceed with providing a background to Rwanda, their current political, economic, social, technological development and foreign direct investment environment. Such background is deemed necessary in order to understand the context and environment in which the problem takes place. Subsequently, the chapter will proceed with the prevalent venture capital landscape in East Africa, which serves to outline the current establishment of VC funding in East Africa.

2.1 BACKGROUND TO RWANDA

Rwanda is a relatively small country situated in East Africa, with an estimated population of 12.6 million people, making it one of the most densely populated countries in Africa (IMF, 2021; The World Factbook, 2021). The country boarders to the Democratic Republic of Congo, Tanzania, Uganda and Burundi, and is known as "the land of a thousand hills", given its unique landscape shaped by hills and greenery. The country has two prominent ethical groups, the Hutus and Tutsis, whereby the former represents the majority of the population. The country has four official languages, including Kinyarwanda, French, English, Kiswahili (Rwanda: In Brief, 2021). The country has a young population, with a median age of 19.7 years and a life expectancy of 65.1 years. Based on data from 2018, the population has a literacy of approximately 73 percent (Rwanda: In Brief, 2021).

2.1.1 HISTORY OF RWANDA

Prior to the independence of Rwanda in 1962, the country was colonized by Germany from 1883 to 1919 (Constitutional history of Rwanda, 2021). During the colonial period, Belgium favored the Tutsis over the Hutus, which fueled a legacy of tension of the few oppressing the many (Rwandan Genocide, 2021). In 1962, Belgium declared an official independence to Rwanda (Rwandan Genocide, 2021). After the independence, ethnically driven violence continued to shadow the country with intensifying frictions between the Hutu and minority Tutsi. The fractions reached a peak in 1994, where a civil war and genocide slaughtered nearly 800,000 civilians (Constitutional history of Rwanda, 2021). The majority, Hutu, led the genocide with the intent of eliminating the minority Tutsi and anyone challenging the genocidal intentions, causing 2,000,000 Rwandans to flee across borders. The genocide forewent over approximately three months and reached an end as the Rwandan Patriotic Front (RPF), a Tutsi rebel group at the time, seized the power. The RPF has been the ruling political power since (Rwanda: In Brief, 2021). After the civil war and genocide, the years to follow were shadowed by ethical reconciliation and reconstruction of the country (Rwandan Genocide, 2021).

2.2 POLITICAL CLIMATE

In light of the Genocide, Rwanda has achieved an extraordinary degree of political stability, public safety, economic growth, and poverty alleviation (Rwanda: In Brief, 2021). The leader of RPF and president of Rwanda, Paul Kigame, has been largely depicted as the architect of the development. Kigame has maintained his presidency since 2000 and is considered the governing decision maker. The president has been continuously reelected in 2003, 2010, and 2017, with over 90 percent of the votes during each election (Congressional Research Service, 2021). The majority of the seats in the parliament are occupied by an RPF coalition, whereby the remaining seats are held by independents or parties who refrain from direct opposition against RPF and Kigame (ibid). Despite the remarkable achievements under the regime of Paul Kagame, several concerns have been raised from an international audience (Human Rights Watch, 2021). The election process has raised concerns regarding its procedural irregularities, lack of transparency in vote tabulation, restrictions on media, legal challenges, threats, and criminal prosecutions targeting candidates and parties opposing the prevalent regime (Congressional Research Service, 2021). The U.S department of state have been unable to declare the elections as free and fair, where numerous opposing parties have been reported as banned or seemingly coopted by the RPF (Department of State, 2021). More so, numerous reports by Rwandan media has testified unlawful killings or disappearances of opponents, on behalf of the government (Department of State, 2021).

2.3 ECONOMIC DEVELOPMENT

Rwanda has experienced strong economic growth over the past decade, with an average exceeding 7% per annum, prior to the COVID-19 outbreak (IMF, 2020). The significant public investment spending, with an annual increase of 14% between 2010-2020, has fueled the economic growth and led Rwanda to become one of the fastest growing economies in the world

(World Bank, 2020). However, the hefty public spending has raised questions on its long-term sustainability, given that the public debt has tripled in relation to its GDP since 2010. Accordingly, in 2020, Rwanda's risk rating of debt distress was altered from "low" to "moderate" (World Bank, 2020). Consequently, the World Bank (2020) stresses the necessity to shift from an economic growth fueled by large public investments, to growth fueled by the private sector and increased productivity. Unfortunately, Rwanda was largely affected by the pandemic, which forced the country into its first recession since 1994 (World Bank, 2020).

2.4 SOCIAL DEVELOPMENT

Along with the strong economic development seen in Rwanda, a significant improvement in living standards have followed suit. Poverty declined from 77 percent in 2001 to 55 percent in 2017, while maternal mortality decreased from 1270 per 100,000 births in the 1990's, to 290 in 2019 (World Bank, 2021). Child mortality dropped with two-thirds while primary school enrolments became nearly universal. Nevertheless, despite Rwanda having one of the highest primary school enrolment ratios in the Sub-Saharan region, only one fourth of the population above the age of 25 withholds a higher degree (Keffler, 2019). The government recognizes the vital role of education to nurture economic development, and is thus, planning on extending basic school access to 12 years. The country is thriving to become a middle-income country by 2035 and high-income country by 2050. Nevertheless, 20.6 percent between the ages of 15 and 24 are currently unemployed, corresponding to 18.4 percent of the male population and 22.6 percent of the female population (The World Factbook, 2021).

The country has been internationally praised for its level of gender equality. For instance, 61 percent of the members in the parliament are women, which represents a higher ratio than observed in many western countries (Keffler, 2019). As a consequence of the significant female representation, many laws benefitting women have been passed, such as laws on compulsory paid maternity leave and the right for women to own and inherit land (Keffler, 2019). In addition, Rwanda is one of the only countries in the east African region that does not criminalize same-sex relationships (Human Rights Watch, 2021).

2.5 TECHNOLOGICAL DEVELOPMENT

The government has undertaken a series of initiatives in an attempt to foster technological development and technological adaption in the country (Department of State, 2021). The initiatives promoting the technology and communications sectors are fueling both entrepreneurial activity as well as growth across the economy (Tafirenyika, 2011). Accordingly, Rwanda Development Board (RDB) has stated that innovation and technology, foremost green innovations and ICT, will remain an investment priority in the upcoming years (Department of State, 2021). Financial inclusion has been an important priority for the government. In light of the pandemic, contactless payment options have experienced a rapid adoption, where MTN Rwanda reported an increase of active mobile money users from 2.8 million to 3.2 million in 2020 (Mwai, 2021). In addition, MTN Mobile Money (MoMo Pay), a service allowing consumers to make payments, transfer money and other financial services on the phone, reported an increase from 200,000 users to 1.4 million users in 2020 (Mwai, 2021). The smartphone adaption has experienced a significant increase since 2010. Statista (2021) estimates the number of smartphone users in Rwanda will reach 5.65 million in 2021.

2.6 LEGAL AND FOREIGN DIRECT INVESTMENT ENVIRONMENT

The government has in recent years focused on increasing the FDI level in Rwanda (Department of State, 2021). The Rwanda Development Board (RDB) was established in 2006 with the aim of reducing investment barriers and speed up the process of new investment projects (Department of State, 2021). Today, the business registration through RDB is the fastest one in Africa (ibid). In addition to the RDB initiative, the government has undertaken a series of other policy initiatives to improve the "ease of doing business" with the country, such as exempting SMEs from paying for a given trading license during their initial two years upon foundation, improved regulation on working hours, severance pay, reemployment rules, improved its power grid infrastructure amongst others (Department of State, 2021).

2.7 VENTURE CAPITAL LANDSCAPE IN EAST AFRICA

The venture capital market in East Africa has received increasing attention from investors across the globe (KPMG, 2019). According to East Africa Private Equity and Venture Capital Association (EAVCA), the region has gained its interest mainly due to its large population of approximately 230 million people, with high mobile penetration and regional integration which has facilitated a smoother movement of both people and goods (EAVCA, 2021). Moreover, includes some of the fastest growing economies on the continent (ibid). East Africa accounted for 23 percent of the venture capital deals in Africa in 2019, representing the second largest share on the continent (AVCA, 2020). Amongst the countries in East Africa, Kenya received the largest share in both 2019 and 2020, with its 21 percent of the total tech VC funding in Africa in 2020 (Partech, 2020). Kenya received US$ 305 million in 2020, whereby Rwanda obtained US$ 11,6 million during the same year. The aforementioned numbers translate into a second place for Kenya and sixth place for Rwanda of the total equity funding in Africa 2020 (Partech, 2020). Nevertheless, the capital distribution on the continent represents a skewed allocation, whereby the majority of the capital is distributed amongst five countries, including Nigeria, Kenya, Egypt, South Africa and Ghana (Partech, 2020).

Foreign investors are increasingly looking for investment opportunities in Africa, which are mainly driven by the new opportunities and new markets (AVCA, 2020). Accordingly, of the total number of investors partaking in the VC deals made in Africa between 2014 and 2019, 42 percent were from North America and 23 percent from Europe. Meanwhile, African investors accounted for 20 percent, Asia-Pacific 8 percent and Middle East 6 percent. Moreover, impact investments are gaining increased attention, whereby 44 percent of the VC deals in Africa saw participation from at least one impact investor between 2014 and 2019 (AVCA, 2020).

Considering different sector investments, Fintech remains to be the leading sector, receiving 25 percent of the total VC funding in Africa in 2020 (Partech, 2020). Agritech receives the second largest share in 2020, with 13 percent of the total funding (ibid). Kenya is at the epicenter of agritech investments, obtaining 79 percent of the total agritech funding in 2020. In East Africa, the sector distribution remains somewhat more equal. Financial services received the largest number of investments in the region between 2017 and 2018, accounting for a total of 20 percent (KMPG, 2019). Meanwhile, during the same period, agribusiness received 17 percent of the total investment deals, followed by TMT and ENR with 13 percent respectively (KMPG, 2019). Nonetheless, Kenya obtained a significant majority of both the number and volume of deals between 2017 and 2018. Accordingly, 73 percent of the total number of deals were distributed to Kenya, corresponding to 87 percent of the total distributed volume to East Africa between 2017 and 2018 (KMPG, 2019). In comparison, Uganda received 15 percent of the total number of deals in the region, Ethiopia 6 percent, Rwanda 4 percent and Tanzania 2 percent (ibid). Meanwhile, KMPG (2019) reported a decrease in the number of exits made in the region between 2017 and 2018, in comparison to 2015 and 2016. Accordingly, 10 exists were reported in the region between 2017 and 2018, in comparison to 13 during the previous period (KPMG, 2019).

3. THEORETICAL BACKGROUND

The following chapter will be focusing theories, models and concepts which are deemed relevant for the purpose of the analysis. The chapter will evolve around three main sections: 1) The Venture Capital Process 2) Role of Institutional Environment 3) Role of Investment Readiness Programs. Based on the initial interaction with Envisage Incubators, the different sections, and their dependencies, emerged to be important for the purpose of the analysis. The VC process provides insights on what the VC process entails and subsequently where in the process which the bottlenecks occur. Furthermore, the bottlenecks in the VC process can be attributed to the investment readiness of the startup. Indeed, the VC process outlines bottlenecks in regard to what the investor seeks and how they navigate in the decision-making process, whilst the investment readiness program takes the perspective of the startup to determine their deficiencies in relations to their failure in completing the VC process. Finally, institutional theory sheds light on the role of institutional and cultural differences in relation to the identified discrepancies between investors from developed countries and startups in emerging markets. Hence, stresses an important pillar stone in understanding the bottlenecks during the VC process and the perceived investment readiness of the startups. Furthermore, adding an important pillar stone to the content of an investment readiness program designed to target a resolution on bottlenecks for startups in an emerging market seeking capital from foreign investors.

3.1 VENTURE CAPITAL INVESTMENT PROCESS

Venture capital was established decades ago and is defined by Gompers and Lerner (1998) as the process of providing capital to firms who may not possess sufficient internal means, and thus, seek external funding. Venture capitalists are categorized as active investors which means that they engage in monitoring and influencing strategic decisions by holding controlling rights and/or board seats (Gompers and Lerner, 1998). Although the VC phenomenon was initially established in the United States, countries across the globe have followed suit and transformed it into a worldwide phenomenon.

3.1.1 RELATIONSHIPS INVOLVED IN THE VENTURE CAPITAL PROCESS

In order to understand the VC process, it is vital to understand the different relationships involved in the venture. The entrepreneurs formulate the demand side, whereas the venture capitalists along with the investors represent the supply side. Nevertheless, given that the venture capitalists seek funding from investors while supplying entrepreneurial firms in need of growth capital, they rather possess the role of an intermediary (Amit et al. 1998). Importantly, the different relationships are heavily reliant upon trust, which implies that a decline or absence of trust would result in devastating consequences. Thus, maintaining a good relationship with the investors is deemed equally important as with portfolio firms (Amit et. al, 1998).

Flows of Venture Capital

Investors	Venture Capital Firms	Portfolio Companies
•Provide capital	•Identify and screen opportunities •Transact and close deals •Monitor and add value •Raise additional funds	•Use capital

Table 2: Flows of Venture Capital. Source: Bygrave and Timmons, 1992, p.11

As illustrated in the figure above, venture capital firm has several interactions between its intermediary parties. Focusing on the relationship between the investors and the venture capital firm, Amit et. al, (1998) argues that investors choose to establish a relationship with VCs due to their assumed superior ability in evaluating and developing entrepreneurial ideas. As such, the investor possesses significant influence over the process during the fund formation, nevertheless, once the contracts have been established, the strongest influence is shifted towards the venture capital firm (Bygrave and Timmons, 1992; Fried and Hisrich, 1995).

The other key relationship illustrated in the figure above is between the VC and entrepreneur. The relationship allows the entrepreneur to seek external funding, tap into beneficial networks, knowledge, customers, whilst simultaneously thriving to maintain as much ownership and control as possible. On the other hand, the venture capitalists seek entrepreneurs with outstanding business ideas whom are willing to give up ownership and control. The counteracting interest of both parties thriving to increase (or maintain) ownership and control is a source of conflict which might cause tensions and difficulties within the relationship (Berglöf, 1994)

3.1.2 THE VENTURE CAPITAL PROCESS

Venture capitalists have been acknowledged as superiors in identifying firms with high growth potential. As such, understanding their decision-making process has been a common goal of academic for an extensive period of time. The foundation for the process was initially outlined by Wells (1974). The research was later on extended by Tyebjee & Bruno (1984) who elaborated upon the six-stage model outlined by Wells (1974), which concluded in a more general model capturing the homogenous aspects of the process. The model proposed by Tyebjee & Bruno (1984) was based upon five distinct stages, including deal origination, screening, evaluation, deal structuring and post investment activities.

Stage 1: Deal origination

Tyebjee & Bruno (1984) define deal origination as the step which recognizes how venture capitalists become cognizant with different investment opportunities. The research recognized three main sources of which investment opportunities may stem from, namely, cold calls, referrals, or active search from the venture capitalists. The first deal origination mechanism, cold calls, simply refer to unsolicited calls, emails or other contact forms from the entrepreneurs themselves (Tyebjee & Bruno, 1984).

The second deal origination mechanism, referrals, commonly stem from other venture capitalists who are acting as lead investors and consequently seeking additional investees to partake (Tyebjee & Bruno, 1984). The mentioned practice is referred to as syndication and represents a way for venture capital firms to increasingly diversify their portfolios. Accordingly, syndication allows for the venture capitalist firms to partake in a larger number of deals without additional administrative burden, as it is assigned to the lead investor (Tyebjee & Bruno, 1984).

Tyebjee & Bruno (1984) refers to the final source of deal origination, active search, as the process by which venture capitalists themselves scan and approach startups. The venture capitalists may approach startups in their early stages or where they are in critical need of expansion funding. This stage may further originate from the venture capital firm first deciding on which technology they are interested in adding to their portfolios, and thereafter, identifying an optimal management team to pursue the venture. In such cases, the line between venture capitalists and entrepreneurs become somewhat ambiguous (Tyebjee & Bruno, 1984).

Stage 2: Screening

Venture capital firms receive a large number of deals which drastically exceeds their internal capabilities considering the typical VC workforce and fund size (Tyebjee & Bruno, 1984). Consequently, VCs tend to limit their interests and screening processes to ventures which are operating within an environment which is familiar to the them. Such similarities are commonly based on specific technologies, products or market scopes (Tyebjee & Bruno, 1984). The initial screening is based upon four criteria, (1) the investment size and investment policy of the given VC (2) The technology and market sector of the venture (3) The geographic location of the venture (4) stage of financing.

Considering the first criteria, investment size and investment policy, its lower limit is determined by the lean employee force which VC firms commonly constitute of. The VC cannot invest in a large scale of small deals given that each investment is essentially requiring the same consultation efforts and control from the venture capitalists, disregarding of the size of the deal (Tyebjee & Bruno, 1984). The upper limit is determined by the capitalization of the portfolio along with the desire of maintaining a well-diversified portfolio across the ventures. Nevertheless, the upper limit is somewhat flexible considering the syndication opportunities for VCs (Tyebjee & Bruno, 1984).

The second criteria, technology and market sector of the venture, focus on the specialization of the VC firms. Accordingly, given that an investment requires the VC to possess some knowledge on the technology or market which the investment concerns, it naturally leads to an implicit specialization, as the VC cannot be well-versified across all technologies and markets (Tyebjee & Bruno, 1984).

The third screening criteria, geographic location, draws upon the assumption that VCs want to have frequent physical meetings with the management team of the venture. As such, some VCs tend to favor investments in larger metropolitan areas which allows for easy access (Tyebjee & Bruno, 1984). Nevertheless, syndication opportunities allow this criterion to be somewhat flexible, considering partnership with local VC firms. Although many VC firms do not have the geographical location as an explicit screening criterion, it naturally follows as ventures commonly seek funding from local VCs where they have the strongest connections to banks, accountants and legal aspects (Tyebjee & Bruno, 1984).

The fourth stage, stage of financing, refers to the screening criteria based on which stage the venture is currently in (Tyebjee & Bruno, 1984). Seed funding concerns funding taking place prior to the formal existence of the venture as a formal entity. Startup funding is categorized as the funding used to establishing operations, where subsequent funding is dedicated to expanding operations. The different stages incur different risk profiles, which further may guide the screening criteria of the VC.

Stage 3: Evaluation

The evaluation step addresses how the ventures which have been deemed attractive in the screening process are subsequently evaluated. Given the inherently limited historical track record of the venture, the evaluation step takes the form of a subjective assessment based on several different criteria. Tyebjee & Bruno (1984) found five evaluation criteria, including market attractiveness, product differentiation, managerial capability, environmental threat resistance, and finally, cash out potential. After evaluating the venture based on the five criteria, a risk and return assessment is made based on the findings, which serves as the basis for an investment decision.

Stage 4: Deal structuring

If the VC firm decides to invest in the venture, an actual deal will only take place if the parties may structure an investment agreement which both the entrepreneur and VC firm accepts. The agreement includes both the price of the deal (i.e., the equity share obtained by the VC in exchange for the capital), and also, bounds capital expenditure and management salaries by outlining protective covenants in the agreement. In addition, covenants address the circumstances under which the VC firm may take control of the board, forcing a buy-back to liquidate the investment, force a management change, a merger, acquisition or IPO despite its minority ownership of the venture (Tyebjee & Bruno, 1984).

Stage 5: Post investment activities

After a deal has taken place, the VC firm converts from investor to collaborator. It is undesirable for the VC firm to take part in daily operations, nevertheless, if a financial or management crisis occurs, the VC firm may intervene an employ a new management team. The VC firms are commonly aiming for a cash-out within five to ten years after the investment has been made. As such, during this period, the VC possesses the responsibility of driving the venture towards a cash-out, i.e. a merger, acquisition or IPO (Tyebjee & Bruno, 1984).

3.2 ROLE OF INSTITUTIONAL THEORY

3.2.1 INVESTMENT HURDLES IN EMERGING MARKETS

Cross-border investments have enjoyed a substantial increase over the last decade in both the number of investments, amount invested as well as the geographical extension it has reached (Aizenman & Kendall, 2012). The total share of global VC investments distributed to emerging markets increased from 8.7 percent in 1991 to 56 percent in 2008 (Chemmanur et al., 2016). Scholars have found that traditional mechanisms explaining venture capital flows in developed economies are significantly different from the determinants in emerging markets (Hain et al., 2015; Groh et al., 2016). Groh et al (2016) suggested innovation, IP protection, legal rights and investor protection, corruption, M&A activity, corporate taxes and unemployment rights to all play a central role. Guler and Guillén (2010) stress the institutional environment as an important determinant for market attractiveness.

Indeed, despite the raising interest from foreign investors in emerging markets, several investment barriers persist. Hain et. al, (2015) identified that under-developed investor and property protection, high cultural distance, diverging business ethics and practices, as well as the perception of corruption in certain jurisdictions, are aspects contributing to reluctance amongst foreign investors to invest in emerging markets (Hain et. al, 2015). As such, the aforementioned hurdles require venture capitalists to adapt their procedures in deal selection, structure, monitoring and providing managerial support accordingly, to combat the high degree of uncertainty and institutional differences (Khavul & Deeds, 2016).

3.2.2 Institutional Theory in Emerging Markets

The institution-based view has provided an important pillar stone to the literature on firm strategy in emerging markets. Peng et.al (2009) argued for the institution based-view to present a third leading perspective in firm strategy, along with the resource-based and industry-based view. In essence, it is argued that strategic choices are not only based on firm capabilities or industry conditions, but also on the formal and informal constraints imposed by a particular institutional framework in a given setting (Jarzabkowski, 2008).

Several scholars have highlighted the challenges with institutional environments in emerging markets (Peng et. al., 2009; Xu et. al 2015; Khanna et al. 1997, 2010). Institutional environments are considered strong if supporting effective market mechanisms, while considered weak if the opposite holds true. Imperfections in the institutional environments which hinders effective market mechanisms are referred to as institutional voids (Peng et. al., 2009; Khanna et. al. 2010). Institutional voids are commonly present in emerging markets, which may include lack of protection of property rights, prevention of corruption, ensuring and enforcing the rule of law, provision of public infrastructure and investments (Khanna et. al., 2010; Kostova et al., 2019). In the context of poor functioning formal institutions, including government related entities, informal institutions fill the voids which are given by established social norms and cultures.

Given that emerging and developing economies are, by definition, developing both societally and economically, organizations operating within such markets are facing significant environmental pressures of change (Hoskisson et al., 2000). Consequently, in order to understand firm strategies within such markets, it is paramount to acknowledge these environmental settings (Peng, 2003). Examples of such consequences are increased transaction costs, market vulnerabilities, political instabilities, underdeveloped infrastructures and macroeconomic instability (Mair et. al., 2009). Furthermore, giving rise to opportunistic behavior, corruption and bribery (Hoskisson et al., 2000). As such, the institutional theory allows venture capitalists to navigate within challenging institutional settings and serves as an important pillar stone to the industry and firm-specific perspectives when operating in emerging markets (Peng et. al., 2009).

3.2.3 ROLE OF INSTITUTIONAL AND RELATIONAL TRUST

Frequent interactions and undisputable trust between the VC and entrepreneur are paramount to enable any VC investment (Hain et. al, 2015). Given that an increasing number of VC investments are cross-cultural and taking place across jurisdictions, the VC constellations have adapted and given rise to innovative ventures where two or more VCs across developed and emerging markets are increasingly pursuing the investment in syndicate. As such, Hain et al. (2015) has focused on researching the role of relational and institutional trust for cross-border venture capital investments in emerging markets. More specifically, their research focused on examining the effects of geographical, cultural and institutional proximity, along with institutional and relational trust (Hain et al, 2015). The research found that negative effects which may arise due to cultural and geographical distance can be mitigated by trust.

Furthermore, found that institutional trust is more important for investments in emerging markets, whereas relational trust is more important when investing in developed markets (Hain et. al., 2015).

3.3. INVESTMENT READINESS PROGRAMS

Mason and Kwok (2010) described investment readiness as a term which is commonly employed in the context of raising external equity funding, where potential investees fail to meet the necessary prerequisites to obtain funding. Investment readiness was further defined by Silver et.al. (2010) as a set of processes carried out in an attempt to make businesses viable prospects for investors.

3.3.1 THE THREE DETERMINANTS OF INVESTMENT READINESS

Investment readiness programs are not focusing on improving a given dimension of a venture, rather, focusing on improving various elements which are deemed necessary to increase the investment readiness of the venture as a whole. The necessary improvements may naturally vary depending on the firm and their specific needs. As such, it may include improvements in management skills, business model, route to market, governance arrangements and presentation (Mason and Harrison, 2004). Investment readiness has been argued to constitute of three main parts, equity aversion, investability and presentational failings (Mason and Kwok, 2010). If a business is considered failing in one of the three parts, the business is categorized as not being investment ready.

Equity aversion

Equity aversion refers to an entrepreneur's unwillingness to cede ownership and control to external parties in exchange for funding. The term is coherent with the known pecking order theory, which argues that investees tend to prefer debt over equity as a form of funding (Mason and Kwok, 2010; Silver et al., 2010). This as debt financing, as opposed to equity, allows the entrepreneur to maintain control over the company. It is further argued that the equity aversion arises from the lack of knowledge amongst entrepreneurs on the different funding opportunities to grow a business, along with their corresponding advantages and respective disadvantages (Mason et.al., 2004; Van Auken, 2001).

Investability

Investability refers to the ventures who choose to apply for equity funding and must thus meet specific investment criteria. These prerequisites are determined by the investor of whom the entrepreneur chooses to seek funding from. Nevertheless, high rejection rates from investors illustrate the limited number of entrepreneurs who successfully meet the investment criteria (Mason et. al, 2010). After the initial screening process, investees are assessed based on other aspects of their business, including marketing, finance, internal skillset, management team, personal traits and expertise (Feeney et al., 1999; Mason and Kwok, 2010; Vasilescu, 2009). Once again, failure to meet certain criteria at this stage of the process may be an indicator that the venture is not investment ready.

Presentational failings

Presentational failings refer to the presentation of the business. This including the business plan and the pitch performed by the entrepreneur themselves. If the business proposal, or any other source of information, holds inadequate information, the venture may be poorly received by investors. Furthermore, exceptional verbal presentations from business owners are further considered a prerequisite from the eyes of investors (Mason et.al., 2003; 2010). Investors expect the verbal presentation to contain an attractive business case rather than an extensive description of the technology or product itself. Impression management is another imperative pillar stone, given that a failure in attractively selling the business case to investors, the entrepreneur risks leaving an impression of being incompetent, which may sell short an otherwise attractive business case (Mason and Harrison, 2003).

3.3.2 The Five Stage Model for Investment Readiness

Mason and Harrison (2010) suggests two fundamental pillar stones to be included in any investment readiness program. These two elements include information provision and support. The primary one, information provision, serves to address the knowledge gap amongst entrepreneurs regarding the benefits of equity financing, how to attract equity investors, the requirements deployed by investors to assess different investment opportunities, and finally, the knowledge deficiencies in how to successfully pitch the business to investors (Mason et.al., 2010). The latter pillar stone, support, serves to address how the entrepreneurs can be supported in meeting these required standards. Consequently, Mason et. al. (2010) proposes any investment program to include five stages which address these two pillar stones. These five steps include an information session, an investment ready review, investment development program, investment ready presentation review and investment networking. Furthermore, Mason et.al., (2010) highlights the necessity of the investment readiness program to be adapted to the different stages of growth and development which different startup finds themselves in. Moreover, tailored to different investors which the startups aim to seek funding from, i.e., angels or venture capitalists. Nevertheless, the cross sectional five steps will be further outlined below.

Information session

The information session serves to combat the equity aversion caused by a knowledge gap amongst entrepreneurs regarding the benefits of equity as an alternative source of funding (Mason et.al., 2001). The information session would address what equity is and its consequent advantages, the limitations of debt funding, in which circumstances equity funding should be assessed, what different equity providers exists on the market and their respective focuses (ibid). Moreover, addressing the different investment criteria and decision making processes amongst investees, how to present information in a way which appeals to the investor, how to determine reasonable funding needs and what to expect in regards to the control of the equity parties, and finally, address the risk and return of equity and how to determine value. Mason et.al., (2010) suggests these information sessions to take the form of a seminar.

Investment ready review

The second stage, investment ready review, serves to target the startups who have shown interest in seeking equity funding (Mason et.al., 2010). Accordingly, this stage focuses on evaluating each startup on a one-to-one basis, aiming to identify their respective suitability for equity funding. The review would cover questions such as the aspirations of the entrepreneur and their attitude to ownership and control, the experience of the entrepreneur and management team, if the personal affairs of the entrepreneur are detached from the business, whether the entrepreneur knows the market. Furthermore, address more practical aspects such as the book-keeping of the startups, whether there is a functioning prototype of the product, if the product or service can be protected, if it has been tested on the market and how the entrepreneur would utilize the potential finance. Finally, address the expected rate of return on an investment and the potential of an exit strategy (Mason et.al., 2010).

Investment ready development program

The startups who receive a positive investment ready review will proceed to the next stage, which serves to target the issues identified in the previous step. The main objective is to support startups in generating positive cashflows, which draws upon the assumption that startups with positive cashflows are easier to pitch to investors in comparison to startups who are still in the idea stage (Mason et.al., 2010). The stage will cover issues on intellectual property, management teams, market analysis, positioning and validation, business model, competition, barriers to entry, future products/services, and finally, financial planning (Mason et.al., 2001).

Investment ready presentation review

The fourth stage, investment ready presentation review, serves to assist startups in achieving a successful investment presentation. Mason et.al., (2010) stresses that an entrepreneur's ability to effectively present an opportunity to potential investors plays a vital role for their investment readiness. This as successful presentations require the entrepreneur to understand how to effectively address potential concerns which may arise amongst investors. Mason et.al., (2010) further highlights the importance of utilizing information during the presentation, as it arguably illustrates internal competence, both for the entrepreneur and the organization as a whole.

Investment networking

The final stage, investment networking, is dedicated to connecting the entrepreneurs who have completed the program with potential investors (Mason et.al., 2010). Such function is commonly undertaken by business angel investors, nevertheless, might equally well be undertaken by business school alumni associations, or any other networking event dedicated to investors and entrepreneurs.

3.4 FRAMEWORK DEVELOPMENT

Based on the theoretical foundations outlined in previous sections, along with the initial interaction with Envisage Incubators, a framework has been derived which summarizes the collected knowledge and illustrates how the different theories will be collectively deployed. Accordingly, the framework serves to guide the research in an attempt to solve the problem at hand. The framework is illustrated in the figure below:

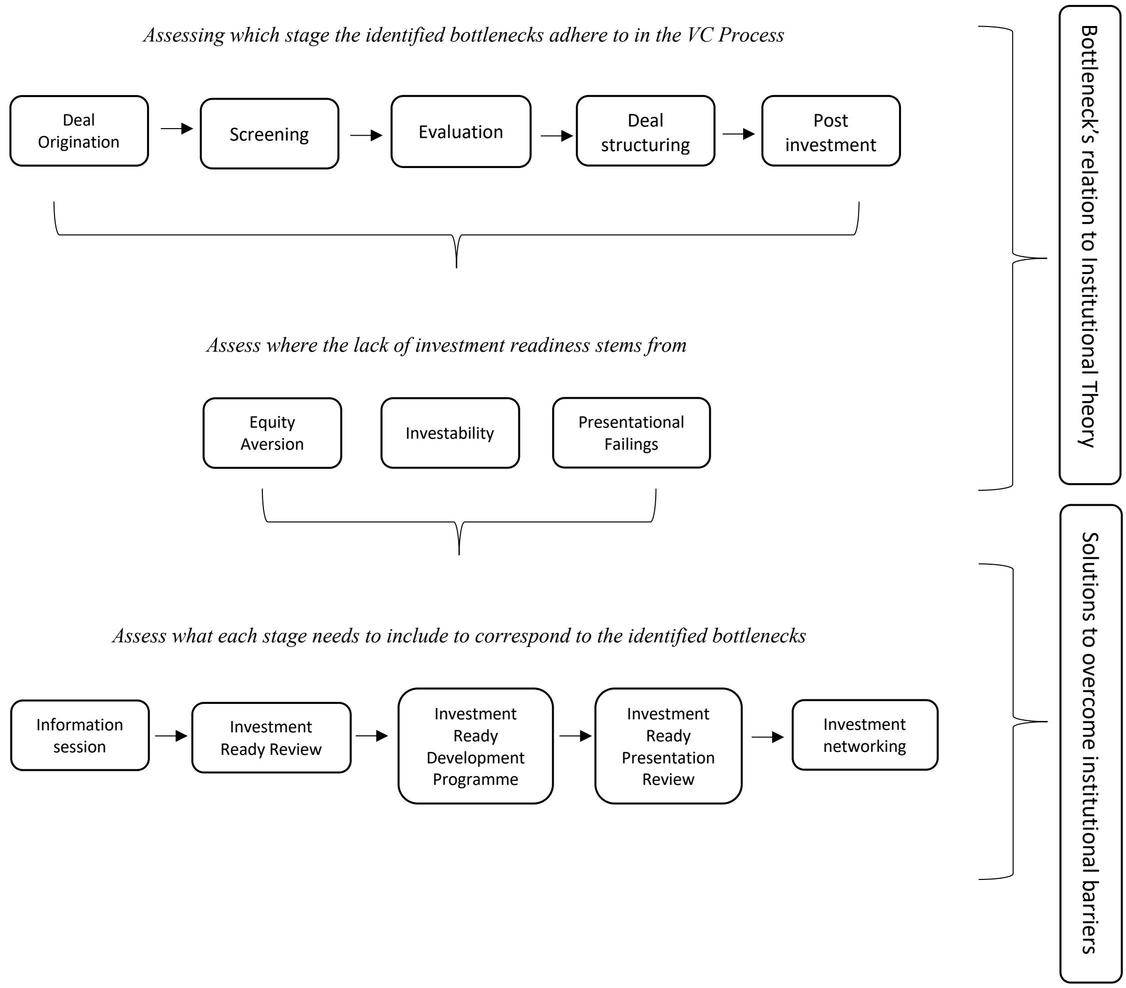

Table 3: Theoretical Framework. Source: Author´s own creation

The first section is derived from the VC process outlined by Tyebjee and Bruno (1984), which serves to combat where the bottlenecks occur in the process. It is deemed necessary to understand the bottlenecks relation to the VC process in order to understand how they should be targeted from an investment readiness program. Indeed, considering that the majority of investors present in Rwanda are foreign investors (AVCA, 2020), where the majority of the foreign investors are from developed countries (ibid), the role of institutional theory is deemed necessary to evaluate in order to understand the bottlenecks and their relation to the VC process. The second section relates to where the startups fall short on investment readiness, in accordance with the framework outlined by Mason et.al. (2010). Once again, given the origin of the majority of the investors present in Rwanda, it is deemed necessary to evaluate the shortcomings from an institutional perspective as well. The third section relates to the targeting of the bottlenecks through the five stages of an investment readiness program outlined by Mason et.al. (2010). Accordingly, the section serves to combat what each of the stages should include based on the shortcomings obtained in the previous two sections. Yet again, institutional theory is deemed necessary at this stage, in order to incorporate solutions targeted against bridging the institutional discrepancies between the foreign investors and local environment.

4. METHODOLOGY

The following section will be presenting the research methodology of the dissertation. Accordingly, the chapter serves to outline which methods that have been chosen in order to best answer the research question at hand, "*What are the bottlenecks for Rwandan start-ups to obtain foreign venture capital funding and how can an investment readiness program facilitate in bridging the gap?* The structure of the methodology will be following the research onion as outlined by Saunders et. al. (2015), where each layer will be assessed in detail.

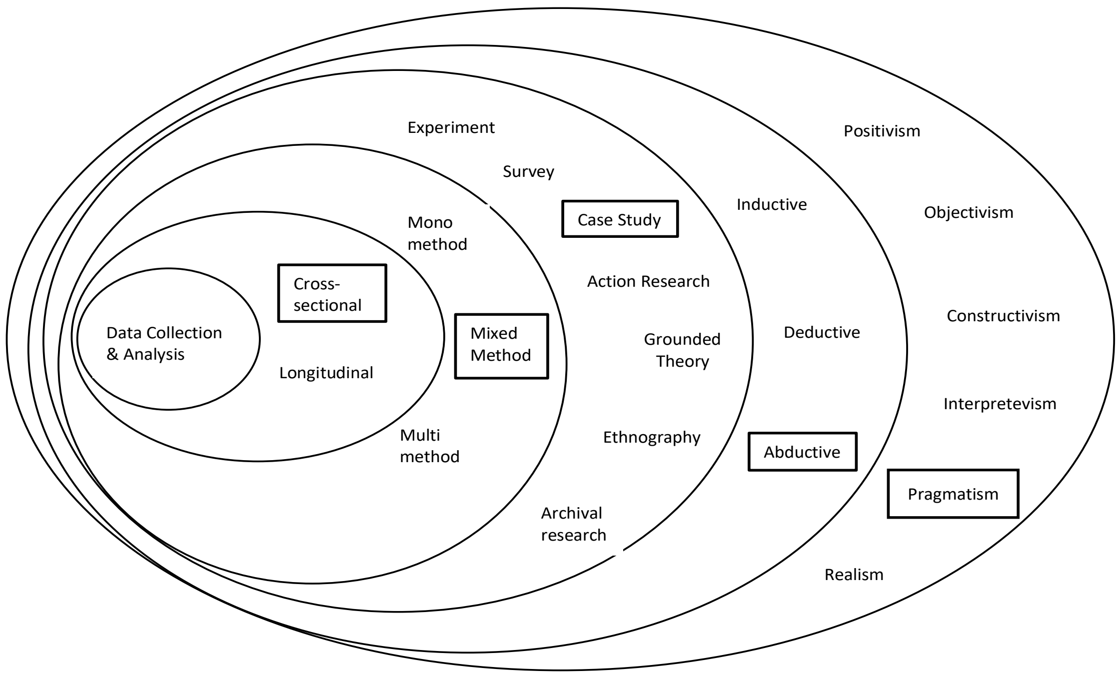

Table 4: Research onion. Source: Adaption based on Saunders et.al., 2015

4.1 RESEARCH PHILOSOPHY: PRAGMATISM

Creswell (2014) denoted the philosophical worldview as the general direction and fundamental beliefs employed by the researchers which consequently pilots the research process. Accordingly, the notion refers to "*a system of beliefs and assumptions about the development of knowledge"* (Saunders et.al., 2015. P.124). The different assumptions which are inevitability made in research are known as epistemological, ontological and axiological. Epistemology composes what acceptable knowledge is within a particular field of study as perceived by the researchers. More specifically, denotes what knowledge that is relevant in order to understand the particular subject under analysis (Saunders et al., 2009). Ontology again, considers the researcher's beliefs about how the world works (Saunders et al., 2009). Finally, axiology considers the personal values of the researches and their consequent role for the research. Saunders et al (2009) highlights the paramount role of considering personal values in relation to the research to assure credible results. Furthermore, emphasizes the profound effect which different epistemological, ontological and axiological stands points may have on the research process and subsequent outcomes. As such, stresses the vital role of reflecting upon the philosophical standpoint which has been undertaken in the research (Saunders et al, 2009).

There are numerous diverging philosophical worldviews which may be undertaken by researchers. In academic literature, different positions are commonly denoted as opposing worldviews and consequently separate positions. Nevertheless, Saunders et al (2009) argues that the adopted worldview may be perceived as a continuum rather than conflicting stances given the possibility of researches crossing the boundaries of the designated worldviews. The pragmatic worldview allows the researcher to move across the otherwise assumed diverging boundaries, and thus, allows multiple worldviews to be adopted simultaneously (Creswell, 2014). Accordingly, the pragmatic standpoint advocates that concepts are only significant when they support action (Kelemen and Rumens, 2008). The pragmatic standpoint originates with a problem, where the aim of the research is to contribute with practical outcomes. As such, the researcher is less concerned with abstract distinction where the outcome may have a variating form of how 'subjectivist' or 'objectivist' it turns out to be. Consequently, for the research to adhere to the pragmatic standpoint, the research question should emphasize practical outcomes (Saunders et al., 2015). Accordingly, following this reasoning, the research will deploy a pragmatic philosophical standpoint, given that the weight of the research is posed on developing an investment readiness program serving to practically help Rwandan entrepreneurs to become attractive investments to venture capitalists. The implications for the ontological, epistemological and axiological standpoints will be further outlined in the sections below.

Ontology, along with the other assumptions, are commonly divided into two main aspects, objectivism and subjectivism. Objectivism assumes social entities to exist externally of social actors, whereby subjectivism on the opposing end, assumes social entities to be constructed through the perception and actions of social actors (Saunders et al 2009). From a pragmatic perspective, the reality is assumed to be complex, external and multiple, suggesting the researcher to adopt the view which best serves to answer the research question (Saunders et. al 2009). For the ontological standpoint deployed in this research, the nature of reality may both be objectively perceived, as well as subjectively perceived, taking departure in its social construction through the researcher's interactions. Accordingly, it is less concerned with the extent of how 'subjectivist' or 'objectivist' the outcome is, and will accordingly, draw upon both opposing views. The dissertation examines the complex entrepreneurial ecosystem in

Rwanda through interactions with different stakeholders, drawing upon subjective perspectives, whilst using previously identified facts and findings as additional pillar stones to best answer the research question.

From the epistemological dimension, pragmatism considers both observable phenomenon and subjective meanings to generate acceptable knowledge, given that it aids the researcher in answering the research question (Saunders et. al., 2015). Accordingly, the researcher follows the perception that true theories and knowledge are represented by those which generate successful action (Saunders et. al., 2015). Knowledge generation will not be tied to a given philosophical standpoint, but rather, driven by the problem at hand and the aim of finding a practical solution. Considering axiology, pragmatism allows both for a subjective and objective viewpoint while analyzing the research question. Accordingly, values and involvement by the researcher is rather problem driven than driven by a given philosophical standpoint.

4.2 RESEARCH APPROACH: ABDUCTIVE

There has been a prevalent challenge amongst researcher to find a suitable research approach with the intent of linking theory to practice. Accordingly, Awuzie & McDermott (2017) argues that the two alternative research approaches, known as inductive and deductive, have been found insufficient. The inductive research approach intends to construct theory through the collection and analysis of data from which patterns emerge and consequently allows for general conclusions to be drawn (Veal, 2014). The deductive approach, on the other hand, serves to test a hypothesis which has been formulated upon a logical reasoning or evidence known prior to the process. Accordingly, the deductive approach aims to confirm or disapprove hypotheses (Veal, 2014). Nevertheless, both of the alternative research approaches have received criticism. The inductive approach has received criticism following the reasoning that empirical data is incapable of generating theory-building. The deductive approach, on the other hand, has received criticism for missing sufficient guidelines for the selection of theory (Saunders et al, 2019). The inductive and deductive approaches are commonly treated as two contrasting poles (Saunders et al., 2019). Nevertheless, Saunders et al (2019) argues that the approaches should not be regarded as two alternatives, rather, as two poles of a continuum, stressing that both approaches may be deployed within the same research.

Consequently, the abductive approach was proposed as a third alternative located between the deductive and inductive edges (Veal, 2014). The abductive approach serves as a hybrid format between the two alternative approaches, which serves to overcome the aforementioned limitations. It allows researchers to move between an inductive and deductive approach, and essentially, move between theory and research in an attempt to adapt existing theories (Awuzie & McDermott, 2017).

For the purpose of this research, an abductive approach is considered appropriate. Although the research does not serve to test a given hypothesis, as commonly associated with a deductive approach, the collected data will still draw upon existing literature and theoretical framework, as outlined in previous chapters. As such, illustrates notions of a deductive approach. Nevertheless, the dissertation will primarily employ an inductive approach, given that it aims to use the findings to build a theory serving to aid the authors understanding of the prevalently limited literature within the field. Furthermore, the formulation of the research has been guided by both existing literature within the field, highlighting the identified bottlenecks for VCs to invest in emerging markets, along with the role of institutional theory. This coupled with the initial interview and interaction with Envisage Incubators, has collectively contributed to the formulation of the research problem at hand. Finally, considering the pragmatic worldview adopted for the dissertation, the deployment of an abductive approach is consistent with the research question at hand (Saunders et. al., 2015).

4.3 RESEARCH STRATEGY: EXPLORATORY CASE STUDY

Numerous definitions of case studies exist today, nevertheless, may generally be defined as a research focusing on the history, behavior, social context and treatment of similar cases within a given spectrum of time (Sarma, 2012). Case studies may take the form of a single or multiple case study. Single cases concern the analysis of a single unit, which are chosen based on their representativeness of a critical, unique or extreme case. Alternatively, a multiple case study may be deployed, which serves to examine several cases in an attempt to uncover their respective similarities and differences (Baxter & Jack, 2008). Accordingly, when multiple cases are deployed, the presumption is that similarities between the cases will be generated (Saunders et. al., 2015). As for the purpose of this research, a multiple case study is deemed relevant, given that is serves to uncover the differences and similarities between the cases, in order to uncover coherent bottlenecks which may be targeted by an investment readiness program. The investment readiness program seeks to bridge the gap between local entrepreneurs and foreign investors, which accordingly, requires multiple cases and dimensions to be studied. The dissertation will therefore deploy a multiple-case study which owes to the case study approach outlined by Yin (1994), perceiving it as a rich, empirical description of particular instances of a phenomenon, drawing upon multiple sources of data.

In addition to the different definitions of a case study, there are further different types of case studies. Yin (1994) sets forth five different types, including explanatory, exploratory, descriptive, illustrative and meta-evaluation. As for the purpose of this research, an exploratory case study will be deployed. Saunders et. al. (2015) notes that the exploratory research approach is relevant when the precise nature of the research problem at hand is uncertain. Furthermore, Sarma (2012) stresses that the intention with exploratory research is to set forth novel ideas and hypothesis which subsequently become subject to future research. As such, addresses the question “why” (Sarma, 2012). Given that the research serves to investigate a complex problem of the bottlenecks experienced by entrepreneurs to obtain venture capital funding in Rwanda, an exploratory nature is deemed necessary to uncover different hurdles in the entrepreneurial ecosystem. Indeed, given the nascent venture capital landscape of Rwanda and limited literature within the field, exploring general bottlenecks, which then, become subject to further research, is deemed relevant.

4.4 DATA COLLECTION AND ANALYSIS

4.4.1 MIXED MODEL APPROACH

Saunders et. al. (2015) differentiates between quantitative and qualitative research through numeric and non-numeric data. Accordingly, a quantitative research is recognized through its numerical utilization or generation in data collection techniques or data analysis procedures. On the contrary, qualitative research distinguishes itself through its non-numerical orientation in data collection techniques or data analysis procedures (Saunders et.al. 2015). Despite the acknowledged differences between the two research designs, the approaches are commonly combined in management research (ibid). As such, rather than viewing qualitative and quantitative research as two continuums, a mixed methods research allows the researcher to combine the methods as desired, which is commonly seen in practice (Saunders et. al. 2015).

Bryman and Bell (2015) stresses that deploying a mixed-multiple approach implies that both quantitative and qualitative data collection and analysis techniques have been utilized during the various stages of the research. Furthermore, it is noted that using a mixed model approach is advantageous given that it leads to superior knowledge or ability to answer the research question, and furthermore, improves the validity and reliability of the findings (Tashakkori & Teddlie, 2009). The aforementioned line of reasoning resonates well with the pragmatic view.

As for this research, both quantitative and qualitative data have been used in order to arrive at the given research question. Initially, the research topic was acknowledged through the informal interaction with Envisage Incubators. Accordingly, the interaction shed light on the problem startups in Rwanda are experiencing in obtaining external funding. Consequently, secondary data sources, such as the reports from KPMG, World Bank, U.S Department of State, AVCA and Partech, were researched in an attempt to gain a deeper understanding of the extent of problem illustrated by Envisage Incubators. Some of the reports generated quantitative data in terms of share of global venture capital invested in East Africa, distribution of VC investments across East Africa, split of nationalities of investors, distribution of venture capital across sectors, amongst others. The numerical figures were coupled with qualitative inputs from Envisage Incubators on areas such as the prevalent institutional environment, the personality traits of Rwandan entrepreneurs, the potential of entrepreneurship in the country and the impact of startups on the national economy. The aforementioned qualitative and quantitative data sources served as important pillar stones in identifying the research question.

Coupling the initial interaction with Envisage Incubators with quantitative secondary data allowed for both context and completeness for the research question (Bryman, 2006). Context in the sense that Envisage Incubators provided contextual understanding to the problem at hand, whereby the secondary quantitative data sources allowed for a greater generality of the problem, through actual numbers, statistics and objective reports. Furthermore, allowed for completeness, in the sense that the numbers and statistics, coupled with the qualitative understanding, allowed for a more comprehensive depiction of the problem at hand.

4.4.2 PRIMARY DATA COLLECTION: SEMI STRUCTURED INTERVIEWS

Dencombe (2010) argues that interviews are beneficiary to deploy when the purpose is to explore rather complex and subtle phenomena. In particular, "*when the researcher needs to gain insights into things such as people's opinions, feelings, emotions and experiences* (p. 173). Accordingly, as for the purpose of this research, it is deemed necessary to uncover the experiences of entrepreneurs in order to understand the prevalent bottlenecks. Indeed, some secondary data concerning structural macro-economic bottlenecks for obtaining funding exists, nevertheless, in order to design an investment readiness program which aims to bridge, or at least reduce, the funding gap, it is deemed necessary to gain deeper insight to the experiences of the entrepreneurs. In particular, given the complexity at hand and the extensive role of cultural differences between foreign investors from developing countries and local entrepreneurs in an emerging market.

The primary data collection will consist of semi-structured interviews. Saunders et.al (2015) argues that such interviews are suitable when the aim is to understand both the 'what' and 'how', while simultaneously posing emphasis on the 'why'. Focusing on alternative interview data collection techniques, such as structured interviews, would limit the 'discovery', and rather owe to 'checking' (Denscombe, 2010). Semi-structured interviews contain a predefined list of criteria and questions which are intended to be covered during the interviews (Denscombe, 2010). Nevertheless, allows the researcher to deviate from the order which the topics are initially structured in, and furthermore, allows the interviewee to elaborate more freely on the different topics raised by the researcher. Accordingly, the questions are open-ended which stresses the interviewees opportunity to give weight to the topics which speak to their particular interests (Denscombe, 2010). The interviewee participants are summarized in the table below:

NAME	TITLE	ABOUT
Victor	Co-founder and president of Envisage Incubators	Victor Lindahl is the co-founder and president of Ambitious Africa and Envisage Incubators. The incubator was voted as one of the top 10 incubators in Rwanda in 2019.
Savanna	Head of Global Expansion at Norrsken Foundation	Savanna is the Head of Global Expansion at Norrsken Foundation, a Swedish impact fund founded by the Swedish millionaire Niklas Adalberth. Norrsken Foundation focuses on impact investments and aids entrepreneurs in solving the world's greatest problems. Norrsken has recently expanded to Rwanda and is currently building East Africa's largest hub for entrepreneurship and innovation.
Gabriel	Managing Director and Co-founder of BAG Innovation	Gabriel is the Managing Director and co-founder of BAG innovation. BAG innovation is an EdTech startup in Rwanda aiming to solve the skills mismatch between graduates and entry level employers in East Africa. Gabriel is from Sweden and has lived in Rwanda for the last five years, running BAG innovation, two other smaller tech startups, and holds a couple of different board seats in Kigali.
Benjamin	Founder and Managing Director	Benjamin is the Founder and Managing Director of the Rwandan Tech Accelerator Iris Hub. He furthermore runs his own tech company.
Alex	Founder and Managing Director	Alex is the founder of Sanit Wing, a Rwandan Agri-tech company focusing on extracting avocado oils
Thierry	Founder	Thierry is the founder of Crop Tech, a Rwandan agri-tech that focus on ending post-harvest losses

Table 5: Presentation of Interviewees. Source: Author's own creation

The initial interview structure and questions are derived from the theoretical framework proposed in theoretical section (Appendix 10.1). The originated structure allows the researcher to apply the answers from the interviewees to the general framework on decision making processes of venture capitalists as well as the general framework on investment readiness program. Nevertheless, allows for potential deviations or deeper insights as the interviews unfolds. Consequently, the flexibility avoids limiting the answers by the interviewees to the initial framework and questions derived by the interviewer.

Nonetheless, using a deductive approach in the sense of deriving a framework based on previous theoretical prepositions which serves as a basis for subsequent analysis of qualitative interviews may incur challenges (Saunders et. al., 2015). It is argued that the framework may prove to be too restrictive in relation to the obtained qualitative data, and thus, fail to acknowledge the complete meanings expressed by the interviewee. As such, it is important to allow for iterations and extensions of the framework if it proves to be inadequate in capturing the holistic perspective (Saunders. et. al., 2015).

Given the vital role of exposure to the Rwandan culture and personal contact during interviews to gain a deeper understanding of the experienced bottlenecks, and how an investment readiness program could be designed to combat these, the researcher decided to conduct field research during five weeks in Rwanda. As such, all interviews were conducted face-to-face in Kigali, Rwanda. Saunders et.al (2015) argues that face-to-face interviews possesses the advantage of making interviewees more prone to reveal sensitive and confidential information. Further, allows the researcher to consciously observe intangible elements during the interviews (Veal, 2011). Importantly, is also provides the opportunity for the researcher to sense whether the interviewee is comfortable and understand the questions correctly.

Semi-structured interviews are subject to criticism, whereby the reliability of the generated findings have been questioned (Bryman, 1988; Yin, 2009). Nevertheless, Marshall and Rossman (2006) stress that the advantage possessed by semi-structured interviews is the ability to investigate complex, real life problems at a specific location in a specific set of time. Accordingly, the primary purpose is not necessarily to be perfectly repeatable. However, the dissertation has outlined the research process in a thorough manner which consequently allows other researcher to reinterpret and analyze the data, or if desired, utilize a similar approach for future research. As such, the reliability is addressed and further justifies the applied approach.

Another point of critique commonly directed towards qualitative research is its low level of generalizability driven by small sample sizes and lack of representativeness amongst the selected cases. Nevertheless, Marshall and Rossman (2006) denotes that the extent of generalizability is rather dependent upon the research's relatedness to preexisting theory.

Accordingly, the dissertation has been built upon an existing theoretical foundation, whereby the theoretical framework has assured relatedness to existing theory. Consequently, the relatedness to preexisting theory allows for generalizations to a larger extent (Saunders et al., 2015). Nevertheless, it is noted that the findings will not allow for statistical or logical generalizations for all the obtained bottlenecks experienced by startups in emerging and developing markets.

In addition to the questions in regard to reliability and generalizability, a common critique directed towards semi-structured interviews is the role of bias. Potential biases may concern all parties involved in the interview, including both the interviewer as well as the interviewee(s). Accordingly, it is vital to be aware of the different biases and measures which may be undertaken in order to reduce biases. Actions undertaken to reduce biases during the interviews will be further outlined in the section on ethical concerns.

The interviews were conducted over a period of three weeks in April 2021 and lasted between 30-80 minutes. All interviewees were arranged through contacts established during the field research in Rwanda. Accordingly, given that the researcher spent five weeks in Rwanda conducting research, a professional network was successively established which allowed the researcher to gain access to individuals with superior knowledge, expertise and experience within the field. Furthermore, as the majority of the researcher's time was spent at Westerwelle Startup Haus, a coworking space in Kigali for startups, further led to additional interactions with local entrepreneurs. As suggested by Saunders et.al. (2015), all interviewees were informed about necessary formalities and length of the interviews. It was vital to assure a comfortable environment for the interviewee, which is why the interviewee could themselves choose the time and place of the interviews.

In order to enhance the quality of the interviews and the subsequent data, a "good practice" approach suggested by Denscombe (2010) was utilized. As such, both the preparation of the interviews, as well as the actual interviews, were conducted in accordance with the suggested "good practice" approach. The preparation guidance shed light on the importance of question formulation along with the practicalities related to interview arrangements. Moreover, in regard to the actual interview, the guide shed light on the importance of leaving questions open ended to allow for flexibility and further elaboration by the interviewee. In addition, when new topics were introduced, which were deemed relevant for the research, additional questions were asked to further explore the topic. Finally, when the interviewer was uncertain whether the questions were accurately understood by the interviewee, or, the answers by the interviewer, clarifying questions were asked.

4.4.3 SECONDARY DATA

Secondary data concerns data which has been collected for a different purpose than for the research question at hand (Saunders et. al., 2015). Secondary data may entail both quantitative and qualitative sources, as well as raw or processed data. Saunders et.al. (2015) argues that secondary data is commonly deployed in case studies as well as survey research strategy. Furthermore, distinguishes between three main sources of secondary data, including document based, survey based and multiple source secondary data. Document secondary data refers to data which bears physically or digitally as evidence, which consequently, allows for data to be transposed through time and space and thus reanalyzed for a different purpose than initial intention (Lee, 2012). Document secondary data may either compose of text or non-text data. Survey-based secondary data refers to data which has been collected for a different purpose than the research at hand using a survey-strategy, which commonly entails a questionnaire (Saunders et.al., 2015). Multiple source secondary data may consist of both document and survey-based secondary data, or, a combination of the two. What distinguishes multiple source secondary data is that it entails different data sets which have been collected and subsequently iterated into another data set before reaching the researcher.

There are numerous advantages in employing secondary data. Vartanian (2011) argues that the most apparent advantage is the significant resource savings which may be achieved by utilizing secondary data, in particular, time and money. Indeed, given that the data set is already collected, the research may pose greater weight on analyzing and interpreting it. Moreover, Smith (2008) argues that the secondary data may generate higher quality data than what the researchers could have attained themselves. Another advantage is that it allows the researcher to compare their own findings to previous data sets, which allows for triangulation.

Accordingly, it allows the researcher to place the findings against larger data sets, which provides the opportunity to assess the generalizability of the findings (Saunders et. al., 2015).

The most evident disadvantage with secondary data is that it has been collected for a different purpose, which thus, may present inappropriate data to the research question at hand (Denscombe, 2010). Moreover, as the methodology is not always outlined in detail, or even absent, the secondary data analysis may lead to uncontrollable biases (Saunders et. al., 2012). In addition, given that the initial data has been collected for a different purpose, it may raise ethical concerns as well (Saunders et. al., 2015). Another disadvantage with secondary data is that it may be both challenging and costly to access if it has been collected for commercial purposes (Saunders et.al. 2019). Secondary data may not either be controlled by the researcher, which thus leaves room for quality deficiencies (ibid).

The research utilized numerous secondary data sources, including document based, survey based and multiple source secondary data. The secondary data allowed the researcher to gain a more holistic view of the problem at hand which was deemed necessary to best answer the research question. The insights further served as benchmarks to the primary data, where some insights could be confirmed on a larger, quantifiable scale, through the secondary data. Indeed, given the time and monetary limitation of the dissertation, the researcher could not have collected such insights themselves. In order to combat the aforementioned limitations to secondary data, the sources were carefully chosen to assure credibility and reliability. As such, only well-known resources were deployed. By utilizing secondary data, triangulation could

4.5 SAMPLING: NON-PROBABILITY SAMPLING

Denscombe (2010) argues that, despite the absence of any general barriers to conduct random sampling for interviews, it is in practice improbable of occurring. Accordingly, stresses that interviews are commonly conducted with lower numbers, in comparison to, for instance, questionnaires, which implies that informants are more likely to be selected based on non-probability sampling. Interviewees may rather be chosen based on a particular contribution, a particular position they withhold, or due to their possession of superior insights (Denscombe, 2010). The sampling strategy should be aligned with the overall purpose of the research (Patton 2002). Denscombe (2010) argues that research thriving for generalizability of the findings should be focusing on representative samples, whereas research aiming for an exploration of the specifics by deep diving into a particular situation, should be focusing on interviews with experts within the field. As for the purpose of this research, purposive non-probability sampling was deployed. The sampling method was deemed most efficient given that it was necessary to interview knowledgeable informants who possess superior insights to the Rwandan entrepreneurial ecosystem.

Within purposive sampling, heterogenous sampling was deployed as the chosen category. In essence, the approach leverages upon an enhanced variation of the collected data by relying on the researcher's ability to choose cases which promotes a diverse data set (Saunders et. al. 2015). Accordingly, the chosen method allowed patterns and themes to emerge, which were considered of particular interest for the purpose of the research. To assure maximum variation, the sample criteria was determined prior to the sample selection (Patton, 2012). By including different stakeholders within the Rwandan startup ecosystem, including intermediaries, entrepreneurs, and investors, with both local and foreign interviewees, a more diverse criteria and data set could be assured.

The dissertation followed the sample size classification of Saunders et.al. (2015), stating that non-probability sampling for in-depth or semi-structured interviews should range between 5 to 25 samples. Accordingly, six semi-structured interviews were conducted which adheres to the outlined requirements, although notably, to the lower limit.

4.6 CROSS SECTIONAL

A research study may either be of longitudinal or cross-sectional nature, which is determined by the aspect of time (Saunders et.al., 2015). Accordingly, a cross-sectional study is characterized by a phenomenon being studied at a certain point in time, whereby a longitudinal study concerns research conducted over an extended period of time with the same sample.

Consequently, a longitudinal study accumulates multiple snapshots over time, allowing the researcher to study the development of given phenomenon over time (Saunders et. al. 2015). Nevertheless, accounting for time and resource constraints present for this study, a longitudinal study was not feasible. Thus, the dissertation adopts a cross-sectional study. Accordingly, it represents a snapshot of the current bottlenecks experienced by startups in Rwanda, and a consequent investment readiness program developed for the given time of the study.

4.7 DATA ANALYSIS

The subsequent section will serve to outline the data analysis procedure. Moreover, illustrate its coherence with the adopted data collection method, philosophy and research strategy. In analyzing qualitative data, Saunders et. al. (2015) sets forth three distinct parameters which the analysis moves along. The first parameter concerns the structure of the analysis, ranging between structured vs less structured. The second parameter addresses the reliance on interpretation vs reliance on rules. The final parameter addresses the employment of an inductive vs deductive analysis. The analysis will follow a deductive approach given that it builds upon the derived theoretical framework (Saunders et. al., 2015). The deployment of deductive approaches with derived theoretical frameworks is a debated field, given that some scholars argue that it may limit the analysis and generate premature conclusions in relation to the derived theories (Bryman, 1988). Nonetheless, there are further certain advantages associated with deriving a theoretical framework, which builds upon the notion of allowing the research to build upon an existing body of literature and aid in the analysis of the problem at hand (Saunders et. al., 2015). Accordingly, the data analysis serves as way of structuring the analysis given its complexity. Indeed, the framework on the VC process and investment readiness programs present general directions which VCs and investment readiness programs follow, without explicit limitations to specific contexts. Hence, it allows for an explorative nature of the findings in regard to experiences bottlenecks, despite the deployment of a derived theoretical framework. Indeed, the explorative nature of the thesis serves to investigate the experienced bottlenecks by entrepreneurs in Rwanda, rather than exploring the VC process or investment readiness processes. Hence, the framework allows for structuring the findings in a way which subsequently allows for practical solutions in regard to an investment readiness program, which adheres to the adopted pragmatic standpoint. To derive a theoretical framework, Yin (2009) sets forth the necessity of identifying the main themes, variables and issues related to the research. Accordingly, the initial interaction with Envisage Incubators allowed for such common themes, variables and issues to emerge, which gave rise to the necessary theories to include in the theoretical framework. Indeed, apart from the theories on VC process and investment readiness programs, the interaction highlighted the necessity of including theories on institutional environments to allow for a more thorough understanding of the problem at hand.

The semi-structured interviews followed an interview guide with a set of questions designed prior to the interview. The interview guides were adopted to the interviewee and their given line of knowledge. The interviews were subsequently recorded and transcribed using the software Otter.ai. During the interviews, the researcher took notes to acknowledge important themes or, implicit themes, which emerged. Subsequent to the interviews, a personal journal was consistently employed to allow the researcher to reflect upon the interviews and the obtained experience. Indeed, the research process followed an interactive nature, where the researcher tested obtained understanding from previous interviews with others possessing a different perspective. Accordingly, given that the researcher spent five weeks in Rwanda, daily interactions enhanced the understanding of the cultural context which thus allowed for iterations of questions in relation to the initial interview guide. More so, given that the research was conducted at Westerwelle Startup Haus in Kigali, daily interactions with entrepreneurs further enhanced the implicit understanding of the problem at hand, which raised additional questions posed during the interviews.

Subsequent to the conducted interviews, the different themes and patterns which had emerged in relation to each stage of the derived theoretical framework were manually coded. Accordingly, each obtained bottleneck or issue was coded in relation to where they occur in the VC process or investment readiness process. Moreover, their proposed solution was coded in relation to the investment readiness program framework, to acknowledge where in the investment readiness process they should be targeted. Nonetheless, given that each theme is related to their specific context, it was deemed necessary to provide context during the data analysis to report these (Saunders et. al. 2015). Hence, the presentation of the findings uses own words along with selected quotes illustrating the finding.

4.8 VALIDITY AND RELIABILITY

4.8.1 RELIABILITY

To assure trustworthy findings, it is vital addressing the validity and reliability of the research. The notion of reliability refers to the replicability of the research by others, along with the stability and consistency of the findings. The main fields within reliability concerns biases and errors during the research process. In order to control for reliability, an extensive reflection upon the methodology was conducted (Yin, 2009). Furthermore, the reliability was enhanced as the multiple case study was built upon a derived theoretical framework drawing upon a preexisting body of literature, enhancing the rigorousness of the research process (Saunders et. al. 2015). Accordingly, conducting a multiple case-study allowed for comparisons between the different perspectives of the cases, which thus provided more diverse evidence (Baxter and Jack, 2008). The research methodology was furthermore outlined in detail which provides other researchers with the opportunity of reanalyzing the data (Bryman and Bell, 2015). The potential biases which may arise during the interviews were outlined prior to the research, which allowed for an awareness and counteraction to be taken to limit their presence (Saunders et. al., 2015). In addition, the field research and face-to-face interviews allowed the researcher to establish trust with the interviewee and thus allow for authenticity and truthfulness in their responses. The findings were, throughout the analysis, compared with secondary data sources and notions of pre-existing theories (Creswell, 2014).

Nonetheless, given the explorative nature of the research at hand, the replicability of the research may not be conducted in an exactly similar fashion. More so, considering the informal interactions held during the time spent in Kigali and Westerwelle Startup Haus. However, it is argued, following Marshall and Rossman (2006), that the intention of the research is not to be replicable in an exact fashion, whereby the strengths of the research lies in investigating a complex, dynamic and real-life phenomenon at a specific point in time.

4.8.2 VALIDITY

Validity refers to the notion of the findings representing and measuring the phenomenon which is claims to be. Given that the semi-structured interviews were conducted at different stages during the research, as well as following an interactive process, it required certain adaptions to the interview guides. More so, the different interview guides were slightly tailored according to the particular expertise of the interviewee. Accordingly, the adaptions may challenge the validity of the findings given that they, to some extent, examine different perspectives within the same field. Nonetheless, given that the interviews followed a pre-determined set of questions and topics to be covered by all interviewees, such action should mitigate the aforementioned hurdle. Moreover, it should be noted that the interviewees possess some biases in relation to their proficiency and background, which naturally may pose limitations to the findings. More so, it is further noted that the family ties associated to one of the interviewees may pose biases. Nonetheless, the thesis draws upon multiple case studies, where their similarities are compared and benchmarked, when relevant, to larger data sets to combat the potential hurdle. As such, the family tie rather served as an important gateway to the research question at hand. Furthermore, given the cross-sectional nature of the research, coupled with the researcher only spending a total of five weeks in the country, it may further pose questions to the validity. Indeed, the cultural aspects and their relation to the bottleneck's are explored during the thesis, nevertheless, the short time spent immersing with the culture may challenge this notion. Nevertheless, the purpose of the thesis is to provide a gateway to the obtained bottleneck's, and hence, only shed light on the potential implications of the cultural aspects, which is deemed reasonable given the time frame.

Nonetheless, it is noted that given the explorative nature and abductive approach deployed in the dissertation, the generalizability of the findings is subject to limitations. The multiple case study is significantly context specific, the sample size is significantly limited, and each case is unique in its nature (Saunders et al., 2015). Consequently, it illustrates the necessity of further case-studies coupled with quantitative research of the research phenomena to support findings of higher external validity.

4.9 ETHICAL CONCERNS

Saunders et. al. (2015) denotes ethical concerns as the standards of behavior guiding the research in relation to the rights of those who become subject, or affected, by the research. The notion of ethical concerns become particularly important when conducting primary data collection in an environment tinged by cultural and contextual factors, which indeed, is the case of Rwanda. Hence, Harrison (2006) denotes the vital role of being sensitive to cultural differences when conducting field research within such contexts.

To assure that the research adheres to the expected ethical standards, it followed the *Danish Code of Conduct of Research Integrity* and considered the *Academy of Management's Code of Ethic,* both during the design and execution of the research. Ethical principles of integrity, objectivity, avoidance of harm, respect and data privacy, were consistently considered throughout the process to assure a research which did not cause harm. Saunders et. al. (2015) sets forth recruitment of study participants and the interview process as key aspects in relation to ethical concerns once conducting research. As such, during the interviews, it was clearly stated that they were voluntary, that the participants had no obligation to answer questions they felt uncomfortable with answering, and that a withdrawal from the interview could be done at any point in time (Robson, 2011). Furthermore, the researcher provided information on the objective of the study, the time of the interview, the motivation for conducting the interview, as well as the background of the interviewer. No data collection was performed prior to participants understanding of the circumstances, nor, prior to the consent of the researcher taking notes and recording the interviews. Additional initiatives undertaken to assure the comfortability of the interviewee, and further, aims in counteracting biases, are illustrated in the table below:

Type of Bias	Common Drivers of Bias	Actions to Reduce Bias
Interviewer Bias	Level of knowledge about the context of the organization, individual and culture	An extensive research on the history and culture of Rwanda, along with research on the company
Interviewer Bias	Ability to record data accurately and fully	Test runs of recording prior to the interviews
Interviewer Bias	Level of Trust	Conducting face to face interviews with an initial interaction to adhere to the Rwandan culture of how trust is established
Interviewer Bias	Behavior of the interviewer during the interview	Interviewer was respectful, listened carefully, and did not pose any intimidating questions
Interviewer Bias	Appropriateness of interview location	The interviewees chose the locations
Interviewer Bias	Approach to questioning and avoidance of leading questions	Used open-ended questions without forcing the interviewee in a given direction
Interviewer Bias	Interviewer casting themselves in a socially desirable role and just present partial picture of the situation	Raise awareness of the interviewer's knowledge on the discussed topics, and is aware of critiques and negative aspects

Table 6: Combating Biases. Source: Author's own creation based on Saunders. et. al. (2015)

5. ANALYSIS

The following chapter will serve to outline the primary and secondary data obtained to answer the research question. The analysis will be following the theoretical framework outlined in previous chapters. Accordingly, as hinted upon in previous chapters, it is deemed necessary to follow the derived theoretical framework to have a structural and theoretical framework to support the analysis of a complex problem in a structured fashion. Nonetheless, given the codependence between the different theories and the dependent relationships between all stakeholders, many of the bottlenecks are applicable to several parts of the framework. Furthermore, the field research has revealed a significant complexity of the problem at hand which gives rise to a complexity extending beyond the theoretical framework. As such, the complex nature and the limitation of the theoretical framework will be further address in the chapter 6. Nevertheless, the analytical chapter will proceed along the guidelines of the derived framework.

It will proceed with analyzing the data in relation to the VC process, attempting to uncover the bottlenecks as perceived from venture capitalists. The theoretical framework on the VC process serves to aid the understanding of where in the process which the bottlenecks emerge. The analysis will not only serve to uncover where in the process they occur, but also, why they occur. Institutional theory will couple the analysis in an attempt to better understand the problem and the institutional context in which they take place. Accordingly, theory on institutional environment will serve to enrich the analysis in addressing the *why*, whereas the VC process theory will focus on the *what* and *where*. The second part of the analysis will serve to address the bottlenecks from the perspective of the entrepreneur's qualifications. Accordingly, serves to understand why the startups are deemed 'not investment ready' following the theory on investment readiness as outlined by Mason and Harrison (2010). Once again, institutional theory will couple the analysis to enrich the understanding of why the startups are deemed 'not investment ready'. Yet again, the theory on investment readiness will pose weight on the *what*, whereas institutional theory stresses the *why*. Finally, the last part of the analysis will serve to understand how the findings may be incorporated in the design of an investment readiness program serving to combat the observed bottlenecks. More so, the institutional theory will serve as an important pillar stone in understanding how the institutional gap between foreign investors and startups may be bridged. Indeed, the field work has shed light on the institutional distances creating barriers for investment extending beyond the traditional investment criteria. As such, it is deemed necessary to analyze the investment readiness program from an institutional perspective, and more importantly, incorporate elements which are specifically aimed at bridging institutional distances. The structure of the analysis is presented in the figure below.

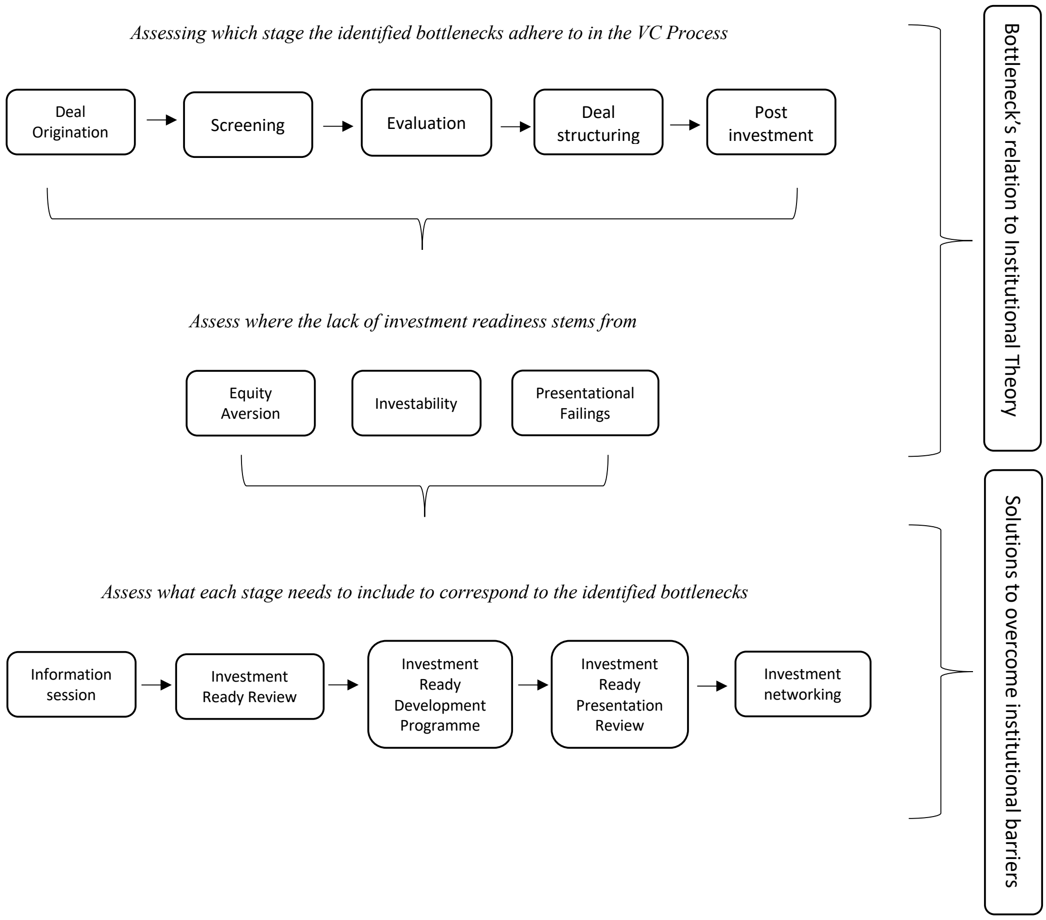

Table 7: Theoretical Framework. Source: Author's own creation

5.1 BOTTLENECKS IN THE VC PROCESS

The following section will be focusing on the first part of the outlined framework, which serves to identify where in the VC process which the bottlenecks occur. As such, the section focuses on the shortcomings during the decision-making process of VCs. After analyzing the findings in relation to the VC process, further analysis on the observed bottleneck's will be conducted in relation to institutional theory. The dotted line in the figure below illustrates the part of the derived theoretical framework which the subsequent section will be addressing:

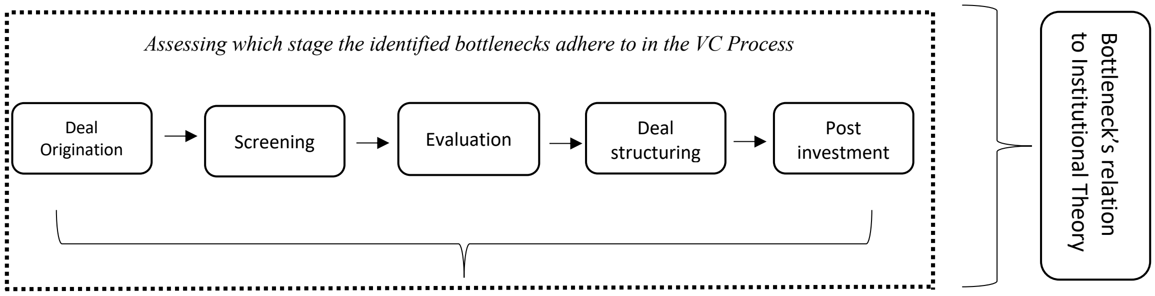

Table 8: Theoretical Framework on VC Process. Source: Author's own creation

The VC process identifies the different stages which a startup needs to pass in order to obtain an investment. As outlined in the literature review, each stage has different requirements from the startup, which stresses the necessity to uncover which bottlenecks that occur at which stage. Nevertheless, given that the interviewer assumed that the interviewee was not familiar with the outlined VC framework by Tyebjee & Bruno (1984), the different stages were implicitly applied to the framework by the author during the initial coding process.

5.1.1 DEAL ORIGINATION

According to Tyebjee & Bruno (1984), deal origination emerges through cold calls, referrals, or, active search performed by the investors themselves. It was found that the activity of deal origination in Rwanda itself is very low. As stated by Victor, co-founder and president of Envisage Incubators, *"their challenge is that they can't find anything to fund"* (Victor 22:52). Accordingly, the low activity and challenging deal origination relates to the lack of investment opportunities which possess sufficient quality to even be considered from a VC perspective. As Savanna, Head of Global Expansion at Norrsken, stated "*It's really challenging to find deal flow, largely just they because of the quality, they aren't up to the quality level that they need them to be at"* (Savanna: 8:14). Accordingly, the VCs need to focus on active search as their source for deal origination to locate the high-quality investment opportunities. However, active search proposes high cost for VCs to engage in, which adheres to the notion by Mair et. al., (2009) which was outlined in the theoretical section, proposing that investments in emerging markets commonly entail higher transaction costs.

Given the higher costs associated with extensive active search as a source of deal origination, the return on investment needs to be significant to set off the increased costs. As such, the VCs are looking to do fewer, but larger, investments, to set off the costs associated with the active search. Nonetheless, locating deals in Rwanda which provide opportunities for such returns pose an additional challenge itself. As Gabriel, Founder and CEO of BAG innovation stated, *"In Rwanda specifically, the challenge is that the market is too small to either reach the type of numbers that they are looking for, or the type of revenues. There is the low purchasing power in general so most models that work are low margins and high volumes, but most people want to do high margins and low volumes*". As such, the small market size of Rwanda challenges startups to reach the revenue streams which are required from VCs to do larger investments.

An alternative approach given the market size of Rwanda would be to do more, but smaller, investments. Nonetheless, this poses several limitations. As noted by Tyebjee & Bruno (1984), VCs cannot invest in a large scale of small deals given that each investment is essentially requiring the same consultation efforts and control from the venture capitalists, disregarding of the size of the deal. Hence, the search costs cannot be offset by increasing the number of deals. This notion was further illustrated by Victor, "*to make an investment from Finland here is quite expensive, say like FinnFund, let's say that they have eight countries in Africa they do investments in. For them to do all the due diligence of the company, all estimations etc for 50k, it's nothing for them" (Victor 30:17).*

Furthermore, for VCs to navigate in a landscape with challenging deal flows, it was found that a local presence and knowledge is key. As Savanna noted "*You really have to be on the ground and have a physical presence here, which a lot of VC companies don't have, which means it's quite challenging for them to actually find really good deals*" (Savanna: 8:45). Indeed, the lack of local presence was further illustrated on a larger scale from the report from AVCA (2020), showcasing that, of the total number of investors partaking in the VC deals made in Africa between 2014 and 2019, 42 percent were from North America and 23 percent from Europe. Indeed, having a local presence with local market knowledge could arguably reduce the active search costs associated with the deal origination. Although the local market presence itself does not (directly) increase the quality of the deals, it provides local market understanding and knowledge which allows for more efficient market navigation and localization of high-quality deals (Gugu & Mworia, 2016).

Furthermore, the absence of local market presence further highlights the challenges associated with referrals as a source of deal origination. Accordingly, referrals commonly refer to syndication, which is the process of other venture capitalists acting as lead investors and consequently seeking additional investees to partake (Tyebjee & Bruno, 1984). Accordingly, syndication allows for the venture capitalist firms to further diversify their portfolios by partaking in a larger number of deals without additional administrative burden, as it is assigned to the lead investor (Tyebjee & Bruno, 1984). An extended local market presence amongst VCs could enhance syndication and thus arguably reduce the deal origination costs. Accordingly, for the local VCs, the search costs would be reduced given the enhanced market knowledge and ability to navigate in the local market (Appendix 10.2.3). Simultaneously, the VCs without local market presence could still, through syndication, find high-quality deals without having to engage in active search to localize the opportunities.

5.1.2 SCREENING

Screening refers to the process whereby the VC firm decides which opportunities from the deal origination to proceed with. Tyebjee & Bruno (1984) highlights that VCs tend to limit their interests and screening processes to ventures which are operating within an environment which is familiar to the them. Such similarities are commonly based on specific technologies, products or market scopes (Tyebjee & Bruno, 1984). The initial screening is based upon four criteria, (1) the investment size and investment policy of the given VC (2) The technology and market sector of the venture (3) The geographic location of the venture (4) stage of financing. The observed data identified the primary bottlenecks to occur in relation to first and fourth criteria, and hence, the findings in relation to the (1) investment size and investment policy of the given VC and (4) stage of financing, will be outlined below.

Meeting the investment size and investment policy

In coherence with the deal origination stage, the size of the Rwandan market is posing several limitations to the screening process as well. Indeed, the Rwandan market does not adhere to the investment policy and investment size which VCs are looking for. As Savanna stated, "*Rwanda is a very small market, so if you just show me Rwanda, I'm not going to be interested"* (Savanna 15:19). To overcome the challenges associated with the markets size, VCs are looking for startups which have the potential to scale across the borders of Rwanda and thus present a larger market potential. As stated by Savanna, "*So we really want to look at Tech enabled startups that maybe have proven a market Rwanda, where we see the potential for them to scale across the rest of Africa"* (Savanna 15:25). Nevertheless, scaling across boarder possess its own challenges. As Savanna stated: *"we know that they aren't many businesses that have scaled across Africa, which sort of indicates the challenges"* (Savanna 7:08). As noted in the background section of Rwanda, the country has an institutional environment which is attractive to foreign investors. Indeed, the country has low corruption, legal transparency, scores high on the ease-of doing business index, political stability and stable currency (Rwanda: In Brief, 2021). However, given its small market size and the scaling requirements to become attractive investments for VCs, the institutional environment of the neighboring countries need to be addressed as well for successful scaling. Nonetheless, the institutional environments of the neighboring countries are significantly less stable and pose several challenges. As Gabriel puts its "*Rwanda is very easy in terms of governments, but every other surrounding country has one or two issues with corruption and structures around registering businesses and clarity and transparency in business processes. So, and also politics in terms of relations, I mean we can't even cross the border to Uganda for the last year or two now, not because of COVID but because of politics. So that hinders, obviously, scaling, our business is built for East Africa, but right now, all of the borders are closed* (11:00 Gabriel).

Furthermore, apart from the political challenges with scaling across East Africa, there are further challenges associated with proving the market potential of the neighboring country. The lack of statistics and data hinders efficient market potential evaluations for both startups and venture capitalists. As Savanna stated *"if I have a company here and I think it could work in Kenya, really the only way of finding out if it will, is if I move. I don't really have access to market data or anything like that that could potentially help me navigate"* (Savanna, 21:59). Accordingly, the insufficient data poses a challenge for all parties to understand the market potential of a startup, and hence, its scaling potential. Given that scaling across the Rwandan boarders is essential for the startup to meet the general investment policies and sizes of the VC, the lack of data and statistics poses significant hurdles.

Finally, there are also cultural differences embedded in scaling across the Rwandan boarders. Indeed, the bordering countries to Rwanda in East Africa have different cultures which naturally challenges the product market fit and requires adaption. Nevertheless, there is significant scaling opportunities given that many of the problems which startups solve in Rwanda are problems which need to be solved across boarders as well. As stated by Savanna "*So that's one thing that's really powerful, that there may be a different culture, but they need the same problems solved"* (Savanna 35:19).

Stage of financing

The fourth screening criteria, stage of financing, refers to the screening criteria based on which stage the venture is currently in (Tyebjee & Bruno, 1984). As outlined in previous sections, VCs looking to invest in Rwanda are in particular looking for investment opportunities which present larger amounts and fewer deals. Accordingly, the larger investments correspond to investment rounds occurring after pre-seed funding. Consequently, the pre-seed funding options are left with significant bottlenecks as their revenue streams and capital requirements do not adhere to the general VC standards. As Gabriel stated, "*there's definitely challenges in accessing pre seed and seed capital to be able to start your business, there's not much opportunities within that*" (Gabriel 03:25). More so, as pre-seed funding rounds in Rwanda are significantly smaller than pre-seed rounds in developed countries. Hence, extending the distance between early-stage startups and investors even further. As Victor stated, "*often if you look at pre-seed funding in the Nordics, that is significant much higher, than what a pre-seed investment is in Rwanda"* (Victor 27:24).

Indeed, the challenges with accessing seed funding proposes a significant hurdle for the entrepreneurial landscape of Rwanda. As outlined in the background section, Rwanda is still a poor country with 77% living under the poverty line (World Bank, 2021). Hence, pre-seed funding poses a different role to startups in Rwanda. The startups are in need of pre-seed funding not only to develop the venture, but to sustain themselves in pursuing the venture as well (Appendix 10.2.3). Indeed, in, for instance, the Nordics, applying for preseed funding to pay for salaries is not common. Nonetheless, in Rwanda, it becomes a different necessity given the scarcity of personal capital and resources.

5.1.3 EVALUATION

As stressed in the theoretical section, after a given venture has surpassed the initial screening stage, they will subsequently be assessed and evaluated in a more thorough manner. Given the inherently limited historical track record of the venture, Tyebjee & Bruno (1984) argues the evaluation step to take the form of a subjective assessment based on several different criteria. These including market attractiveness, product differentiation, managerial capability, environmental threat resistance, and finally, cash out potential.

Despite that lack of historical track records are inherited in the VC process noted by Tyebjee & Bruno (1984) in the previous section, the lack of track records for many Rwandan startups are not only associated with an insufficient time frame, but also, insufficient quality of the track records. Deficient track records hinder efficient valuations from VCs on the startup, and further, hinders startups to conduct thorough valuations of their business, which serve as a fundamental basis to obtain VC funding. As Gabriel stated *"most startups fail to raise funding because they can't prove their finances from the first and second year"* (Gabriel 21:23).

As mentioned in the literature review, IMF (2020) highlights the information asymmetry and difficulties in performing accurate due diligence given the poor (or absent) formal reporting mechanisms in Rwanda. Nevertheless, the problem extends beyond information asymmetry and formal reporting mechanisms. There is a conflict of interest, where the entrepreneurs are incentivized not to register their venture due to the tax liabilities which they become subject to once registering. As such, given the scarce resources possessed by startups, many chose not to register their business in the first years to avoid tax liabilities, and thus, sacrifices formal track records. As Gabriel stated, "*The government's taxes are very high, and startups avoid going formal the first one or two years. They don't want to register; they don't want to go into paying* *taxes because they simply can't afford until they've made a certain amount of money* (Gabriel 22:12).

Market attractiveness

As noted in previous sections, there are several challenges associated with evaluating the market attractiveness in both Rwanda as well as for the neighboring countries. "*There's a lot of lack of transparency on what the market trends are, which then makes it really hard for an investor, but it also makes it really hard for a startup"* (Savanna 24:14)". Indeed, this point advocates to the arguments posed in previous sections in regard to the limited access to statistics and data. Nevertheless, the imperative role of viewing East Africa as one market has been noted on a political level across the borders of East Africa, where different initiatives have been undertaken in an attempt to combat the prevalent hurdles. As Savanna noted "*there's sort of a lot happening now with trade agreements between East Africa. There's even an East African passport. So all of that will open up, flexibility and freedom within East Africa"* (Savanna 21:23). Political initiatives play a paramount role in enabling a larger market access and smoother scaling opportunities across boarders for startups. Nevertheless, as previously noted, the cultural differences pose another challenge to cross-border scaling which need to be addressed as well in order to enable scaling. However, it is further noted that smoother transitions and travel opportunities across boarders may allow entrepreneurs to engage in greater cultural immersion and knowledge sharing, and hence, assist in reducing cultural obstacles. The paramount role of increased culture sharing across East Africa is something Norrsken has recognized, and thus, looking to combat through their large tech hub in Kigali, which aims to bring entrepreneurs across East Africa together. By bringing in entrepreneurs from across East Africa to a central hub in Kigali, Norrsken is expecting to allow for greater knowledge sharing and cultural exposure, and hence, faciliate cross-border expansion (Appendix 10.2.1)

Managerial Capability

Managerial capability has consistently been reported as an important pillarstone to VC investments. Accordingly, Savanna confirms the significant role of the management team, *"Businesses can adapt and pivot. But the people will stay the same, so you're investing in* *people, and not on an idea, because if you've got good people, they can make anything happen*" (Savanna 16:59). Nevertheless, there is arguably a contradicting perception amongst entrepreneurs and venture capitalists on the role of the management. During the interviews with local entrepreneurs, it was implicitly noted that the expectations on incubators, VCs and growth facilitating agencies diverge from the expectations highlighted by VCs and other intermediaries. Implicitly, the local entrepreneurs shared the perception of the *idea* being the fundamental pillar stone to a successful venture, whilst VCs believe that the *management team* is what creates a successful venture. Accordingly, entrepreneurs are under the perception that what hinders good ideas from becoming successful ventures is the lack of support on each stage of the venture creation (Appendix 10.2.5). Indeed, lack of knowledge is a prevalent bottleneck for startups, nevertheless, it creates a skewed perception that successful ventures are created from an idea which then is nurtured through numerous incubators. Ideas are the starting process to good ventures, but many people have the same ideas, rather, it is the execution behind the idea, where the management team is in the driver's seat, which drives the success. On a strict note, a belief that the definition of entrepreneurship is innovative ideas rather than execution, poses a significant discrepancy between entrepreneurs and investors, and hence, poses a significant bottleneck. Nevertheless, this is not to underestimate the prevalent knowledge gap amongst entrepreneurs on how to translate good ideas into valid business models, and hence, the value of incubators allowing for capacity building to nurture ideas (Appendix 10.2.3). As Savanna stated, "*I've seen a lot of great ideas, in practice, but they just aren't in a business model that would work. So, it's, it's that middle ground of like how do I convert an idea into something that is actually a business* (Savanna 19:24)".

Another investment hurdle in regard to the managerial capabilities concerns the "skin in the game" required by the entrepreneurs. Investors look for investment opportunities where the founder has sufficient "skin in the game", as it works as a risk management tool for the investors and protection to their invested capital. As noted by Savanna, they want someone to put in enough so they will do anything in their power to protect that money, and at the same time, protecting the money of the investor (Appendix 10.2.1). Nonetheless, as noted in previous sections, initial funding sources are scarce in Rwanda in comparison to developed countries which poses a greater barrier for entrepreneurs to showcase "skin in the game": Accordingly, even minor investments in the venture to create an MVP is a challenge itself (Appendix 10.2.3). Hence, such investment criteria arguably pose an investment hurdle, given that VCs want skin in the game to trust the entrepreneur with their money, whilst entrepreneurs need the capital to even pursue the venture from the beginning.

The final evaluation criteria, cash out potential, is another hurdle challenging the investment opportunities for entrepreneurs. As noted in the literature review, challenges with exit opportunities are tied to poor private liquidity options and immature financial markets which obstructs IPOs (Gugu & Mworia, 2016). Indeed, the financial markets in Rwanda are still nascent and challenges efficient IPOs, which furthermore, is illustrated by the report by KPMG in 2019, where only 10 exists were reported in the region between 2017 and 2018 (KPMG, 2019).

Deal structuring

In regard to the deal-structuring, the obtained data revealed that the entrepreneurs are willing to cede equity and ownership in exchange for capital (Appendix 10.2.5; 10.2.6). Moreover, the favorable institutional environment in Rwanda, in terms of stability and legal aspects, the deal structuring process is not perceived as a prominent bottleneck for startups in obtaining VC funding. Nonetheless, the entrepreneur's willingness to cede ownership will be further discussed in the section on investment readiness and equity aversion.

Post investment activities

After a deal has taken place, the VC firm converts from investor to collaborator (Tyebjee & Bruno, 1984). Tyebjee & Bruno (1984) highlights that it is undesirable for the VC firm to take part in daily operations, and rather, only intervene in the case of a management crisis or larger strategical aspects. Nonetheless, given the acknowledged knowledge gap amongst entrepreneurs in Rwanda, the interviews have illustrated a superior need for coaching from VCs (Appendix 10.2.1; 10.2.3). Indeed, during an interview with a local entrepreneur, it was noted that one of the prime reasons to apply for VC funding for him was due to the expected coaching and collaborative role of the investor (Appendix 10.2.6). Nonetheless, the foreign VCs do not necessarily have the capacity to do so. As Savanna stated, "*locally they tend to be more understanding. And so they tend to sort of coach people more into what they need to see.*

Where's the international side tend to do that less. I think largely just because of the volumes of applications they get, they don't have the capacity to coach" (Savanna 11:15). Given the already outlined increased costs associated with the active search of high-quality deals in Rwanda, the need for coaching amongst local entrepreneurs poses an additional cost to the VCs for investing in Rwanda, which thus, creates another hurdle.

5.2 ROLE OF INSTITUTIONAL THEORY FOR THE BOTTLENECKS OCCURRING IN THE VC PROCESS

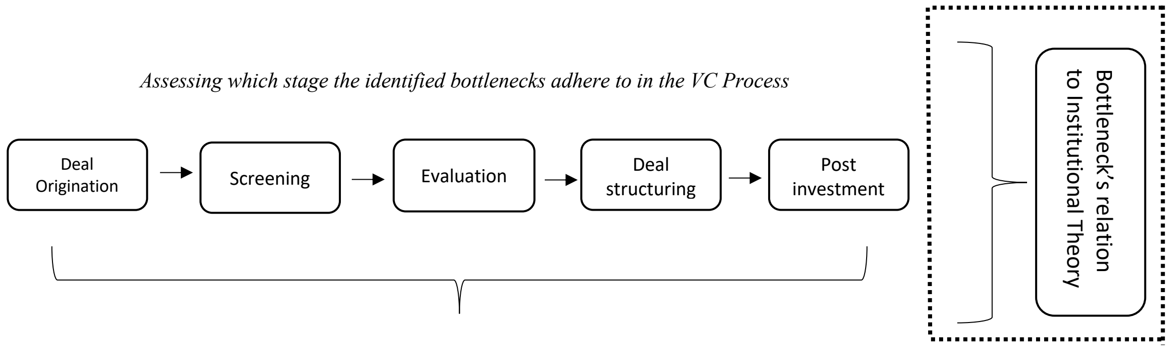

Table 9: VC process and Institutional Theory. Source: Author's own creation

The following section serves to address the prevalent bottlenecks from an institutional perspective, as noted with the dotted lines in the table above. The field research allowed for a greater understanding of the Rwandan culture and its implicit implication for the bottlenecks experienced in the Rwandan ecosystem to obtain venture capital funding. Furthermore, as outlined in the background chapter, the majority of investors are foreign and have their home markets in developed countries, which thus poses further emphasize on cultural distances between VCs and local startups (AVCA, 2020). As Gabriel stated, "*I mean there's this day and night in terms of culture, between Sweden, Rwanda and East Africa"* (Gabriel 06:25). Indeed, as outlined in the theoretical background, Hain et. al, (2015) identified that high cultural distance is an aspect contributing to reluctance amongst foreign investors to invest in emerging markets (Hain et. al, 2015). Furthermore, stresses that venture capitalists need to adapt their procedures in deal selection, structure, monitoring and providing managerial support accordingly, to combat the high degree of uncertainty and institutional differences (Dai *et al.*, 2012; Khavul & Deeds, 2016). Indeed, a high degree of uncertainty is inherently embedded in the VC process, nevertheless, institutional differences and high cultural distance poses an additional level of uncertainty to the investment processes. Hence, proposes an important aspect to the investments in Rwanda.

As noted in the theoretical background, Guler and Guillén (2010) argues for the institutional environment to be an important determinant for market attractiveness. Indeed, in the case of Rwanda, its institutional environment poses a significant market attractiveness to foreign investors. Accordingly, one of the main reasons as to why Norrsken decided to expand to Rwanda was due to its institutional environment. As Savanna motivate the choice of Rwanda, *"Ease of doing business, as you know sort of really second easiest country in Africa to set up a business you can do it within 48 hours. We did it in less, it's a very clear and sort of transparent process. The other thing is stability in comparison to the neighbors. It is the most stable and has the most stable currency, and that was really important for our investors because they wanted to be able to invest without so much risk. So this is a market that isn't very volatile*" (Savanna 04:39).

Despite the aforementioned characteristics which poses a favorable institutional environment from an investor's point of view, there is, as outlined in the findings in relation to the VC process, challenges with viewing Rwanda as one market. Indeed, for startups to become attractive investments, there needs to be an expansion plan scaling across borders to neighboring countries. Indeed, as just outlined by Savanna, one of the main reasons as to why Rwanda was chosen before the neighboring countries was due to its superior institutional stability. Nevertheless, given the market attractiveness of Rwanda is built upon scaling opportunities across borders, it presents a necessity to be able to navigate in their corresponding institutional environments as well. Indeed, as Gabriel stated, *Rwanda is very easy in terms of governments, but every other surrounding country has one or two issues with, with corruption and structures around registering businesses and clarity and transparency in business processes* (Gabriel 11:00). As set forth in the theoretical chapter, Institutional voids include lack of protection of property rights, prevention of corruption, ensuring and enforcing the rule of law, provision of public infrastructure and investments (Khanna et. al., 2010; Kostova et al., 2019). In the context of poor functioning formal institutions, including government related entities, informal institutions fill the voids which are given by established social norms and cultures. As such, the high level of corruption and political instability in neighboring countries leads to increased transaction costs which need to be considered (Mair et. al., 2009). Accordingly, it requires VCs and Rwandan entrepreneurs to navigate in a different landscape with institutional voids, which thus, poses challenges to the scaling opportunities across East Africa given their institutional environments and differences.

One way of navigating in institutional environments shadowed by institutional voids, and thus, guided by social norms and cultures, is, as outlined in the literature review, through syndication. Hain et.al. (2015) stresses that the increased interest in cross-border investments have given rise to creative VC constellations, where VCs across developed and emerging markets are increasingly pursuing ventures in syndicate. Nevertheless, as outlined in the section on the VC process, syndication is challenging given the few VC firms with a local, physical presence in Rwanda. Hain et. al. (2015) further investigated the effects of geographical, cultural and institutional proximity, along with institutional and relational trust. The research found that negative effects which may arise due to cultural and geographical distance can be mitigated by trust. Accordingly, given the challenges associated with syndication, trust between the foreign investors and local startups play a vital role for investment opportunities.

Indeed, as outlined in the literature review, the vital role of trust in the VC process is further set forth by Amit et. al, (1998), where it is argued that the relationships involved in the VC process are heavily reliant upon it. During the field research, it was uncovered that trust itself is an important aspect of the Rwandan culture which tends to differ from the home countries of many foreign investors. As Savanna noted, "*So it's a massive, like massive, massive difference in terms of trust. It takes a long time to build trust, especially as a foreigner sort of coming to Rwanda. It takes multiple sort of meetings before you gain people's trust. That's not necessarily for an investor coming in, he doesn't necessarily have that time to sort of build that relationship*" (Savanna 27:11). Indeed, diverging views on how trust is established due to cultural differences poses a significant hurdle to the entire VC process. As Savanna stated, "*It tends to be a very relational country and you tend to have to build relationships before you can talk business. And that doesn't seem to be so easy for investors, because they sort of want to cut right to the business side*" (Savanna 27:43).

A failure in establishing trust, from both sides of the investment, gives rise to several hurdles, as supported by the research by Hain et al (2015). The absence of trust in Rwanda makes startups reluctant towards sharing vital business information with investors, which thus, gives investors a skewed perception of the venture's potential. Indeed, such misalignments have been observed in the Rwandan market, where investors foresee great business opportunities due these cultural differences. As Savanna noted, *"I think it's from an investor side as well, unless you have someone's trust, and you've taken that time to build a relationship, you don't necessarily get to see their whole personality and what they can bring to the table and so I think a lot of startups are being missed, because, people haven't invested the amount of time that is needed"* (Savanna 32:46). Accordingly, cultural differences on how trust is built poses a significant hurdle to startups in obtaining VC funding.

5.3 THE THREE DETERMINANTS OF INVESTMENT READINESS

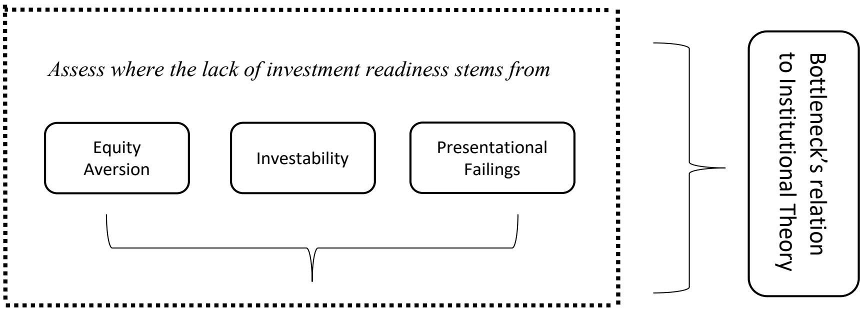

Table 10: Framework for investment readiness. Source: Author's own creation

The following section serves to address the investment readiness of the startup and determine their deficiencies in relations to their failure in completing the VC process. Accordingly, Mason and Kwok (2010) sets forth three determinants which entrepreneurs are required to fulfill in order to be considered investment ready, including equity aversion, investability and presentational failings.

Equity Aversion

As set forth in the theoretical section, equity aversion refers to an entrepreneur's unwillingness to cede ownership and control to external parties in exchange for funding (Mason and Kwok, 2010). Indeed, equity aversion would pose a significant hurdle to investment opportunities for VCs in Rwanda, given the higher transaction costs inherently associated with investing in an emerging market with limited track records, data and other sources facilitating an efficient evaluation process (Guler and Guillén, 2010), which have been discussed in the section on evaluation in the VC process. Indeed, higher risks require higher rewards, and thus, significant equity is a prerequisite for the risk-reward relationship to hold. Nevertheless, during the interviews with local entrepreneurs, quite the opposite to equity aversion was uncovered. Accordingly, there was a significant willingness to give up equity in exchange for funding, but even more so, in exchange for knowledge from experienced investors (Appendix 10.2.5; 10.2.6).

Arguably, the significant willingness to give up equity may raise more concerns than satisfaction amongst investors. Indeed, it may rather be perceived as lack of control and understanding of the venture, and thus, speak to the point earlier outlined on entrepreneurs perceiving entrepreneurship as *ideas* rather than *execution* (Appendix 10.2.6). Even though VCs are partners in venture and act as advisors to the startups, it is not their role to drive the whole venture forward. It is still the entrepreneur who needs to be in the driver's seat, and hence, a willingness to give up too much equity may be perceived as a weakness rather than strength in regard to investment readiness. The lack of knowledge and understanding of the VC process was implicitly revealed during the interviews with local entrepreneurs as well, with a confusion in regard to what the investment process really entails (Appendix 10.2.5; 10.2.6)

Investability

Investability refers to the ventures who choose to apply for equity funding and must thus meet specific investment criteria. These prerequisites are determined by the investor of whom the entrepreneur chooses to seek funding from (Mason et. al. 2010). Indeed, different investors are looking for different criteria in startups which requires capital seeking ventures to adapt their search efforts and pitch decks accordingly (Appendix 10.2.3). Nevertheless, in the case of Rwanda, the obtained data has revealed that there are larger issues associated with investability which occur prior to the question on investor adaption is even raised. Accordingly, there are certain investment criteria which are the same across all investors, disregarding of their line of expertise, which most investment seeking ventures in Rwanda are lacking (Appendix 10.2.1). Furthermore, the inability to meet the criteria extend beyond an *inability* to meet the requirements, the obtained data reveals that it is rather associated with *a knowledge gap* on what the general requirements posed by VCs are. As Savanna states, ***"****so I get asked, constantly actually, by entrepreneurs' sort of "what is the criteria that VC companies look for", and like, "what are you guys looking for". So I think that's the first thing is just really not having a deep understanding of like what criteria normal venture capitalist, sort of need you to hit, what markers they need to hit, for you to be attractive to them"* (Savanna 9:58). The lack of knowledge amongst startups was further showcased in the interviews, where the interviewees were unable to answer what they specifically needed from an investment readiness program to aid their search for VC funding, given the lack of knowledge on what it is that they are even missing (Appendix 10.2.5; 10.2.6). Hence, in the context of Rwanda, it becomes more relevant to focus on the investability in relation to the general requirements across VCs, rather than focusing on the investability in relation to specific investors. Nonetheless, this is not to underestimate the role of tailored investment approaches from Rwandan startups, rather, that there is larger hurdle present before the challenges with tailored investability occurs.

In regard to the investability for Rwandan startups, there are several requirements which they, on a general level, fail to meet. The first hurdle is the ability to showcase the accessible market and market potential for the venture. Indeed, this is paramount for any investment to be considered, as stated by Savanna, "*Every investor will ask for market, like what is your market and what's the potential"* (Savanna 15:33). Furthermore, stated that "*having that sort of market access, how much impact you're going to have is really important"* (Savanna 15:57). Nonetheless, as discussed in previous chapters, limited data access both within Rwanda as well as on East Africa pose significant challenges for startups to meet this requirement. As Gabriel stated, "*the challenges for us was lack of statistics and good data to take decisions in the beginning, so we have to do that ourselves which took a lot of time"* (Gabriel 03:16). The second fundamental criteria is having proper track records. These track records need to showcase revenue abilities which adhere to the bottom-line requirement from VCs. Furthermore, the track records serve as a basis for the valuation of the company, which poses a third investment criteria. Startups need to have proper valuations to obtain funding. As Gabriel stated, *I mean the most startups don't understand the processes of funding stages. So the value of having a true and proper valuation and taking your first investment round,* *according to a right to valuation, a lot of startups fail in the second funding round because they have to decrease the value of the organization. So, valuation is obviously a key one* (13:49 Gabriel).

Another investment criterion concerns the implementation and capacity to execute on the stated growth plans and market outlooks. As Vusi Thembekwayo stated in a seminar, that there tends to be "*a big disconnect between the path to growth that a business foresees for itself, and the capacity of management, whether it relates to competencies, skills, networks, and a whole host of other factors and variables to ensure that it can deliver those"* (28:39, Getting your business Investor Ready – Insights from funders of businesses and deals in Africa, 2021). Indeed, another general criterion which follows along this notion is the management team. As stated in the VC process, investors look for management teams which are in it for the long run, and who will do everything in their power to make the venture grow. Accordingly, as noted earlier, VCs look for management teams with skin in the game as an indicator for the dedication. Meanwhile, Gabriel notes that "*Most startups think that they will have a good enough product and then they will find an investor right away, it takes several years and that's why most startups fail after two years because they don't have the patience. They don't have the pockets. So, the awareness of the startup knowing that you're in for a long ride"* (Gabriel 20:56). Indeed, a lack of patience illustrating the management dedication to the venture poses significant challenges to their investability. Nonetheless, as noted in previous sections, the required patience is particularly challenging in Rwanda, in comparison to developed economies, given their social environments and capital scarcity to sustain themselves without recurring revenue streams.

Presentational failings

Presentational failings refer to the presentation of the business. This including the business plan and the pitch performed by the entrepreneur themselves. If the business proposal, or any other source of information, holds inadequate information, the venture may be poorly received by investors. Furthermore, exceptional verbal presentations from business owners are further considered a prerequisite from the eyes of investors (Mason et.al., 2003; 2010). Indeed, the data collection has showcased significant bottlenecks in regard to presentational failings.

"I think it's also not something that's necessarily well known here or like how to put a pitch deck together and what are the components that make up a pitch deck (Savanna 10:23). Furthermore, as Victor stated, *"I think I've seen one or two actually really good pitch decks. And in this day and age with like SaaS services like Canva, for example, and these other stuffs, you know, you can easily make a brilliant pitch deck"* (Victor 5:48). Meanwhile, the knowledge gap and general standards on how to create good pitch decks is further highlighted. As Savanna stated, "*That's very known in sort of Europe and London, like it's very widely sort of accepted, there's a standard, whereas here, there isn't that standard, it doesn't exist"* (Savanna 10.34). Given the majority of investors coming from developed countries, such as the UK and US, pitch decks meeting such standards are naturally expected by investors.

Inadequate information included in the pitch decks is one thing which has been a recurring theme in regard to presentational failings. The insufficient information stems from the previously outlined investability issues, where insufficient track records are followed by valuations based on insufficient data sources. Moreover, entrepreneurs fail in providing a detailed breakdown on what the applied funding is going to be used for, as Victor stated, "*then the VC asks, okay, so you can show us what it actually entails. What is the breakdown of this cost, and then you don't know it"* (Victor 4:33). Savanna further highlighted the deficiency in regard to cost break downs, "*how we plan on utilizing that money is really never included in a pitch deck, and most investors would need to see how their money is going to be used and that you've thought through how that money will be used"* (Savanna 16:10) . Indeed, it is vital for the investors to know what their money is going to be used for to assure a return on investment. Indeed, as illustrated in the theoretical section, the VCs are responsible to the limited partners and have an obligation to treat the capital with respect and generate return on investments. Hence, a lack of cost break downs may simply illustrate a lack of knowledge and thus not present compelling evidence sufficiently motivating the investment.

It was further highlighted that a key factor when seeking investments is to know what you are looking for (Appendix 10.2.3). Furthermore, it was outlined that many entrepreneurs believe that they should always maximize capital opportunities. Nonetheless, it is noted that this is a misconception amongst entrepreneurs, where they should only seek capital which adhere to the capital requirements for their detailed growth plans. As such, given that you successfully utilize the first round of investment, there is always an opportunity to come back for more (Appendix 10.2.3). Accordingly, this misconception amongst entrepreneurs was illustrated during the interviews, where a local entrepreneur stated that during one of the investment competitions, which he took part in, he did not know what the maximum funding opportunities were, so he did not know how much to ask for (Appendix 10.2.5). Hence, it illustrates a reversed relationship, where instead of the entrepreneur performing detailed calculations on capital requirements deemed necessary for the growth of the business, the amount applied for by entrepreneur stem from the supply side instead (in other words, applying for the maximum amount). Naturally, not knowing what you need and being able to showcase it in relation to financial track records, detailed cost break downs and growth plans, creates a significant hurdle for ventures to obtain VC funding.

Furthermore, Savanna stressed the deficiencies associated with implementation plans, "*the other thing is also that what the majority of them lack is implementation plan"* (Savanna 17:11). Indeed, this point adheres to the cost break downs and assurance to the investors that the investment will generate a return on investment. An insufficient implementation plans creates large uncertainties under a process which is already inherently uncertain, given the very nature of venture capital.

Besides appealing pitch decks and the lack of information supporting the venture's capital seeking in regard to financial track records, cost break downs and implementation plans, there are numerous hurdles in regard to the actual pitching. As outlined in previous sections, VCs look to invest in the management team and poses significant weight on their perceived knowledge and potential in successfully executing on their growth plans (Appendix 10.2.1). Hence, the oral pitching and perceived character of the entrepreneur plays a paramount role to the venture's investment readiness. Nonetheless, several deficiencies in regard to the pitching aspect have been noted during the field research. In particular, the lack of confidence during pitching is something which has consistently been observed as a hurdle, which requires significant amount of practice. As Savanna stated, "*In the competitions that I've had to judge. I would say that's a, that's an area that requires a lot of practice and you really have to make* *it as concise as possible, and really get your point across quickly and confidently, and I think that that takes a significant amount of time"* (Savanna 17:38). The role of pitching hurdles will be further addressed in the next section on institutional theory in relation to investment readiness.

5.4 ROLE OF INSTITUTIONAL THEORY FOR THE BOTTLENECKS IN INVESTMENT READINESS

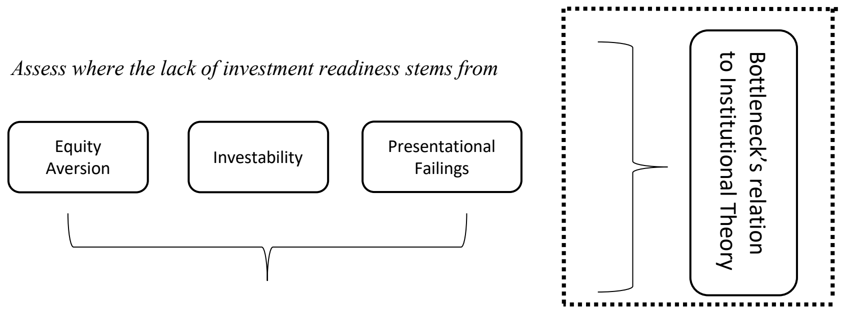

Table 11: Institutional Theory and Investment Readiness. Source: Author's own creation

In the following section, the role of institutional theory for bottleneck's on investment readiness will be analyzed. In regard to the aforementioned deficiencies on investment readiness, there are several issues which can be linked to institutional theory and cultural distances. During the field research, several cultural hurdles where identified which are posing obstacles to efficient investment readiness. To begin with, the Rwandan culture is very non-confrontational, where it is considered rude to "put someone on the spot". Instead, there are informal standards guiding the role of confrontation which does not involve official or direct opposition. As Savanna noted, "*here sort of you, you tend to have to take people aside and give them very "suttle, read between the lines" feedback, it's not, it would never come across, direct, or you sort of have to navigate in a different way"* (Savanna 30:52). Indeed, when pitching to investors, confrontational questioning is a natural part of the process which is required for the investors to understand the potential of the venture, as well as required to understand whether the entrepreneurs themselves understand their challenges. The entrepreneurs are required to argue for their case and thus commands thorough reasoning and answers to potential challenges. As Savanna denotes "*naturally, as a question, he [the investor] will say okay where, where do you think the challenges are, where is this potentially gonna fail. That isn't something that the* *majority of the hundreds that I'd have to deal with are, or find it very easy to communicate this"* (Savanna 28:46). Furthermore, states that "*when investors give feedback, that's another area which is where you usually get very direct and blunt. That's also not culturally acceptable"* (Savanna 30:49). Once again, this poses a cultural dissonance between the entrepreneur and foreign investor, which consequently fuels presentational failings due to cultural distances. Indeed, the presentational failings introduced in the previous chapter may thus, in some cases, rather stem from cultural barriers than lack of investment readiness.

Moreover, the Rwandan culture is very humble, where bragging about achievements is considered culturally disturbing. Nonetheless, in the context of pitching and obtaining funding from investors, severe humbleness, which is not perceived as humbleness by investors due to cultural misunderstandings, may pose significant hurdles to the investment process. *"By nature, Rwandans are humble, they're incredibly humble human beings, which doesn't serve them well in investor pitch meetings, because they won't necessarily be able to confidently communicate all of the things that they've achieved with, like, keeping to sort of the Rwandan culture"* (Savanna 29:50).

As with the cultural challenges with establishing trust between foreign investors and local entrepreneurs discussed in previous sections in relation to the VC process, similar hurdles occur in relation to the presentational failings due to the humbleness associated with the Rwandan culture. As noted in previous sections, the different cultural perceptions on trust establishment causes investors to foresee otherwise promising investment opportunities. In a similar fashion, the presence of humbleness during pitches to investors causes investors to make uninformed decision which leads to them to, once again, foresee otherwise promising investment opportunities. Accordingly, if the startups are unable to clearly communicate important achievements, it hinders efficient decision making amongst investors due to skewed perceptions on the potential of the venture. As Savanna noted, " *In speaking to a lot of them [investors], the humility thing has really sort of annoyed some of them, because they have let startups go, or let founders go, because they weren't able to communicate their value in a confident sort of way* (Savanna 32:17).

Moreover, the Rwandan culture is very hierarchical which may post significant implications for the observed bottlenecks for the entrepreneurs. To illustrate the hierarchal significance, Savanna gave an example, "*I went interviewing people that I was going to hire, I gave them sort of a question, I said, if I tell you to do the wrong thing, like, I'm telling you to build something in the wrong way or alike, how would you respond to that? And I think out of the 30 interviews I did, 29 of them said, you're the boss.* (Savanna 28:21). Indeed, the non-confrontational, hierarchical culture may have implications on Rwandans as entrepreneurs on a broader level extending beyond the investment readiness stages. As Savanna stated, "*I think that's a big challenge because they are very rule oriented, and you tend to have to, as an entrepreneur, you have to push boundaries"* (Savanna 29:38). Indeed, questioning environments and pushing boundaries are prerequisite for innovation and successful entrepreneurs. In Kenya, the culture has been presented as significantly different to the one in Rwanda. Accordingly, as Savanna stated *"very different culture and I think, especially on the humility. Kenyans are by nature, confident, very very confident, and I think that tends to be why they get this feel for you in the deal flow. It is because they are confident in pitching themselves, they are more risk taking, they're less risk averse* (Savanna 33:38). Indeed, the ability of Kenyans to obtain VC funding has, as laid forth in the background section, been significantly more successful in relation to its fellow countries in East Africa. As laid forth in the theoretical section, investment determinants in emerging market have been significantly associated with stable institutional environment. Indeed, in relation to other East African countries, Rwanda has showcased a favorable institutional environment and thus posed significant market attractiveness, which has, attracted larger investment funds, such as Norrsken. Nonetheless, despite its superior institutional environments, Kenya has still significantly outperformed Rwanda in terms of venture capital attraction. As illustrated in the background section, amongst the countries in East Africa, Kenya received the largest share of VC capital in both 2019 and 2020, with its 21 percent of the total tech VC funding in Africa in 2020 (Partech, 2020). Kenya received US$ 305 million in 2020, whereby Rwanda obtained US$ 11,6 million during the same year (Partech, 2020). Hence, this poses questions in regard to the determinants of successful venture capital inflows in emerging markets.

Indeed, stable institutional environment's and structured system are important determinants for market attractiveness from an investor's point of view, as stressed by Guler and Guillén (2010), given that it provides financial security. Nonetheless, from an entrepreneurial point of view, it may pose implicit hurdles. As Savanna stated, "*the system [in Kenya] doesn't operate as it does in Kigali, it isn't as well structured in Kenya, as it is, here. So, people are used to sort of figuring things out and finding solutions themselves. And I think that inevitably then makes them really fantastic entrepreneurs"* (Savanna 33:44). Accordingly, a consistent theme throughout the interviews with both investors and entrepreneurs have been the prevalent knowledge gaps experienced in the ecosystem. Indeed, knowledge gaps on how to create successful business models, nurture ideas, approach investors, create MVPs, conduct financial valuations, amongst others, which consequently create significant investment barriers. Nonetheless, the knowledge gap may rather be linked to the cultural aspects, which hinders Rwandan entrepreneurs from figuring things out themselves. Indeed, the cultural barriers to questioning, challenging and confronting, may hinder the entrepreneurs from developing solutions themselves, and thus, seek for the "right" ways of doing it instead, through support from incubators, investors or other stakeholders. On the contrary, Kenyans do not have the same cultural settings, which thus, allows them to question and explore solutions themselves, as just stated by Savanna.

5.5 DEVELOPMENT OF INVESTMENT READINESS PROGRAM

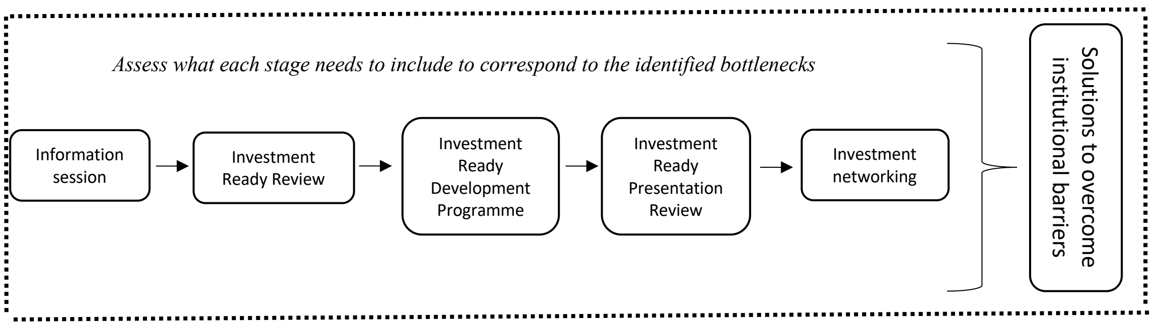

Table 12: Development of Investment Readiness Program. Source: Author's own creation

The following section will serve to develop an investment readiness program targeting the observed bottlenecks laid forth in previous sections. The investment readiness program will be developed along the outlined framework by Mason and Harrison (2010). Mason et.al., 2010 proposes any investment program to include five stages. These five steps include information session, investment ready review, investment development program, investment ready presentation review and investment networking. Mason et.al., (2010) suggests that investment readiness programs should be adopted to the different stages of growth and development which the startups find themselves in. Accordingly, the collected data suggests that there are different needs in regard to investment readiness programs. Indeed, there is a need for early-stage startups to go through an investment readiness program before they are ready for larger investment focusing on scaling. Accordingly, such capacity building is what Envisage Incubators focuses on, in other words, capacity building which prepares startups for larger investments. As Victor laid out, "*We essentially provide a pre qualifier and essentially prebuild the capacity they need to actually be ready for a place like Norrsken"* (Victor 31:42). Accordingly, the following investment readiness program will be focusing on early-stage funding which addresses their observed bottlenecks in relation to the VC process, investment readiness and institutional barriers.

Information session

The information session serves to combat the equity aversion caused by a knowledge gap amongst entrepreneurs regarding the benefits of equity as an alternative source of funding (Mason et.al., 2010). Nonetheless, as outlined in previous sections, the collected data suggests that equity aversion is not a hurdle experienced amongst Rwandan entrepreneurs, where they are willing to cede equity in exchange for funding, or more so, in exchange for knowledge and expertise (Appendix 10.2.5; 10.2.6). Nonetheless, this stage should rather be focusing on the what VC funding entails and the expectations and requirements which follow from VC investments, where such knowledge, as outlined in the VC process, have been found insufficient.

Hence, this stage serves to combat the prevalent knowledge gap in regard to what VCs are looking for and their corresponding requirements. As Savanna notes, that the entrepreneurs do not "*have a deep understanding of like, what criteria normal venture capitalist, sort of need you to hit, what markers they need to hit, for you to be attractive to them"* (Savanna 9:58). Indeed, this stage serves to answer those questions. Hence, after this stage, it should be clear to entrepreneurs if VC funding is applicable to their ventures, the requirements which will be demanded from them, and what parts of their business they need to develop to meet the required standards. Indeed, seeking investment capital is not a short process, as Gabriel stated, "*Most startups thinks that they will have a good enough product and then they will find an investor right away, it takes several years"* (Gabriel 20:58). Hence, this stage should provide sufficient knowledge to entrepreneur in regard to how they should start preparing for future VC capital seeking. This stage would take the form of regular seminars open to both entrepreneurs, investors and the general public to establish awareness on entrepreneurship and nourish local VC standards.

Investment ready review

The investment ready review serves to target the startups which have showcased an interest in seeking VC funding (Mason et. al. 2010). Accordingly, this stage serves to evaluate the startups on a one to one basis to address their potential in regard to VC funding. At this stage, it would be important to address the cross-border scalability of the venture given the small size of the Rwandan market. Furthermore, this stage serves to investigate the hurdles in regards the observed low-quality deal flow from a rather practical and tailor perspective. Indeed, as outlined in the section on the VC process, the current deal flow is shadowed by poor quality which requires individual assessments to make tailored improvements for each business extending beyond the evident quality deficiencies. Indeed, this stage would further address the hurdles in regard to poor financial track records. Indeed, to proceed in the investment readiness process, proper financial track records are a prerequisite to become investment ready, which takes time to showcase. Hence, in the case of absent track records, the ventures would be provided with the required knowledge to allow for the collection of proper track records before returning to the investment readiness program.

Investment ready development program

The startups who receive a positive investment ready review will proceed to the next stage, which serves to target the issues identified in the previous step. The main objective is to support startups in generating positive cashflows, which draws upon the assumption that startups with positive cashflows are easier to pitch to investors in comparison to startups who are still in the idea stage (Mason et.al., 2010). Indeed, the importance of enabling startups to generate positive cashflows extends beyond the requirements from the investors. As outlined in previous sections, Rwandan startups are in particular need of generating positive cashflow to be able to sustain themselves on entrepreneurship and continue pursuing the venture, given the significant initial funding constrains experienced in the country. Moreover, it serves an important element of how startups may illustrate "skin in the game", given their scarce resources on initial personal funding opportunities, as discussed in the section on investment readiness.

Accordingly, this stage would serve to combat the quality deficiencies from an executional perspective. Indeed, depending on the individual deficiencies the startup experiences, whether it relates to management teams, market analysis, positioning and validation, business model, competition, barriers to entry, future products/services or financial planning, would be addressed in this stage. This stage would draw upon a concept developed by Envisage Incubators, referring to "impact consulting". "*Impact consulting is a concept where we have collaborations with universities in Nordics, where a student gets ECTS credits for providing consultancy work for a given time that reflects on that number of points"* (18:57 Victor 2). Accordingly, impact investment allows Nordic students to conduct consulting services in Rwanda which relate to their particular field of studies. For instance, if a student studies finance at the Stockholm School of Economics, the student may choose a course in impact consulting, and thereafter undergo an initial course produced in collaboration with McKinsey on their "7 step consulting model", and thereafter, conduct, for instance, a valuation on a startup in Rwanda who is in need of such support to become an eligible investment for VCs. Indeed, many students in the Nordics are working part-time at companies where they perform valuations on a daily basis (Appendix 10.2.3). Hence, this knowledge can be utilized for a valuable cause, where the student receives both ECTS credit as well as valuable field experience in emerging market, whilst the startup receives paramount material to their investment readiness (Appendix 10.2.3).

The impact consulting course is not dedicated to a specific field of study, on the contrary, is available to students majoring in numerous business fields, such as in marketing, strategy, finance or technology. As such, if a startup needs support in creating tech-related MVPs, a new website or a marketing campaign, impact consultants from the Nordics may assists in such projects. This poses a significant importance in relation to the scarce financial resources associated with Rwandan startups, where, the collaboration with Nordics students offers services free of charge to the ventures, whilst providing valuable cultural exchanges and know-hows (Appendix 10.2.2).

Indeed, such collaboration would further facilitate in combating the cultural challenges associated with investment readiness. The collaboration would allow for interactions between Nordic students and Rwandan entrepreneurs, which would expose Rwandans to new cultures. This is important, given that most of the Rwandans have never been outside of their own country, and hence, not exposed to different cultures which is important for their investment readiness (Appendix 10.2.1). Naturally, the quality provided by Nordic students may be questionable. Nonetheless, it is vital to remember the alternative is for the startup to conduct these valuations or create the websites themselves, and as noted in the interviews with the entrepreneurs, it is exactly this type of business knowledge gap which they experience (Appendix 10.2.6). Hence, someone who has studied finance or marketing is a significant asset to them already.

Investment ready presentation review

The fourth stage, investment ready presentation review, serves to assist startups in achieving a successful investment presentation. Mason et.al., (2010) stresses that an entrepreneur's ability to effectively present an opportunity to potential investors plays a vital role for their investment readiness. As noted in the section on presentational failings, significant hurdles within pitching persist. As such, this stage would focus on how to create a pitch deck which adheres to the standards of foreign VCs. Indeed, tools, such as canvas, would be introduced to teach startups how compelling and attractive pitch decks can be produced with few resources. Moreover, the stage would be focusing on the content of pitch decks as well, to assure that they meet the informational requirements posed by VCs (Appendix 10.2.1).

Apart from the layout and content of the pitch decks, this stage would further entail practice on confident pitching from the entrepreneurs. Importantly, it would entail a section which focuses on raising awareness of cultural differences between foreign investors and local startups.

Indeed, given the challenges associated with the non-confrontational culture in Rwanda, teaching startups how to confidently reply to questions and doubts posed by investors is deemed necessary to overcome the cultural dissonance (Appendix 10.2.1).

Investment networking

The final stage, investment networking, is dedicated to connecting the entrepreneurs who have completed the program with potential investors (Mason et.al., 2001). The investment networking aspects presents a vital role for the investment readiness program, given that the interviews uncovered significant challenges with investor pipelines (Appendix 10.2.4; 10.2.5). Indeed, entrepreneurs find it challenging to locate investors, which comes as no surprise, given the low physical VC presence in Rwanda, coupled with the poor deal flow. Furthermore, given the challenging deal origination landscape for investors, the investment readiness program would serve as a hub for connecting foreign investors with local startups, which would lower the costs associated with active search. Moreover, it would serve as a "quality assurance" of the startups, which would assure the investors of not wasting time on pitches and startups who possess insufficient track records, poor valuations, insufficient information or pitch decks, lack of implementation plans or cost breakdowns, as discussed in the section on investment readiness hurdles. Furthermore, it would assure that the startups have an attractive total addressable market with scaling potential, given that the Rwandan market is, in isolation, not attractive enough (Appendix 10.2.1). Simultaneously, since the investment readiness program would address cultural distances and teach startups how to respond to confrontational questioning during pitches, it would further allow investors to make informed decisions on venture. As such, combat the hurdle where investors foresee otherwise promising investment opportunities due to humbleness where entrepreneurs fail to communicate their achievements in a confident manner.

5.5.1 ROLE OF AN INVESTMENT READINESS PROGRAM

The investment readiness program serves as a bridge between investors and entrepreneurs, aiming to combat the prevalent bottlenecks between the parties which are challenging an efficient VC investment landscape. Indeed, the investment readiness program would be primarily serving to combat the micro-level bottlenecks which have been identified during the field research and laid forth in the different stages of the investment readiness program. Nonetheless, disregards the macro-level and structural bottlenecks which need to be addressed from a political level, given that such solutions extend beyond the scope of the thesis. However, examples of identified bottleneck's adhering to such macro-level solution include efficient trade agreements across East Africa, the collection of statistics and data extending across East Africa, transparency on market trends and tax incentives rewarding early business registration which allows for official track records.

6. DISCUSSION AND FUTURE RESEARCH

The following chapter will serve to discuss the complexity of the problem at hand, which extends beyond the theoretical framework deployed in the analysis. Indeed, as the researcher spent five weeks in Rwanda conducting field research, an extensive understanding of the problem at hand was generated which contributed to valuable implicit insights to the different bottlenecks. Indeed, it allowed of an extensive understanding of cultural and institutional implications which were not directly observable in the secondary data that was researched prior to the field research. Accordingly, immersing with the culture, entrepreneurs and locals on a daily basis further allowed for deeper understandings of the insights and discussions obtained during the interviews. Furthermore, the field research allowed for a deeper understanding of the political and historical climate, and its subsequent impact on the entrepreneurial landscape of Rwanda. For instance, despite prior awareness of the genocide shadowing the history of Rwanda and its implications on economic aspects of the country, immersing with locals who have experienced the genocide and visiting the genocide memorial, provided insight on the severe cultural implications it has generated. Indeed, as highlighted in the VC process, trust is an important part of the Rwandan culture and it takes time to gain someone's trust, which has created a cultural distance creating hurdles in the VC process. During the genocide, family and friends turned their backs on each other, where godsons were killed by their godfathers, mothers by their neighbors and children by their friends from school. Naturally, this has immense implication on the notion of trust. Indeed, such deeper cultural understanding has generated new understandings of the bottlenecks experienced in the entrepreneurial ecosystem, and indeed, shed light on an extensive complexity which extends beyond the theoretical framework of the thesis. Understanding the Rwandan notion of trust and its relation to the historical aspects, and consequent challenges it has raised today in regard to entrepreneurship, is indeed a topic for future research itself. As such, gaining a deeper understanding of the historical aspects leading to the observed cultural differences, would arguably allow for better approaches to targeting these bottlenecks.

Along the same lines, the non-confrontational culture may further be posed in relation to the political environment in Rwanda. As noted in the background chapter, Rwanda has been largely admired for its economic development and growth achievement since its genocide in 1994 (Congressional Research Service, 2021). Indeed, Paul Kigame has been showcased as the architect behind the significant achievements, and further, praised for the institutional stability which has been achieved within such short time frame. Nonetheless, freedom of speech and human rights have simultaneously been questioned, with suspect disappearances of political opponents (Human Rights Watch, 2021). As such, as much as the favorable institutional environment in Rwanda may be stressed from an investor's perspective, it simultaneously raises questions along the lines of the non-confrontational culture and its larger impact on the entrepreneurial activity in Rwanda. As discussed in the analysis, confrontation, questioning and challenging is a prerequisite for entrepreneurship. Despite the acknowledged stable institutional environment, a deeper understanding of the political climate and human rights, which are commonly left in the shadows in the discussion on VC investments in Rwanda, poses an important research topic itself. Accordingly, a deeper understanding of the relationship between the non-confrontational culture, relation to political climate and subsequent impact on the entrepreneurial environment, is deemed relevant.

Along the same note, as discussed in the analysis, Kenyans have been praised as astonishing entrepreneurs, largely, due to their confrontational, questioning and "take manners in their own hands" attitude. Nonetheless, despite stable institutional environment consistently being reported as important investment determinant in emerging markets, the comparison between Kenyan and Rwandan entrepreneurs raises several questions along this notion. Indeed, as noted in the analysis, the "less structured systems" characterizing Kenya have been raised as an important contributing factor to their attitudes towards solving problems on their own. As such, future research investigating these relationships would be an important contributor in aiding the understanding of the Rwandan entrepreneurial ecosystem. Furthermore, contribute to important insights on investment determinants in emerging markets, and the role of institutional environment.

Indeed, as indicated above, the field research has shed light on the complexity shadowing the entrepreneurial ecosystem given the numerous relationships and stakeholders involved. Accordingly, just the challenging, but required, collaborative relationships between foreign investors, Rwandan government, East African governments, local entrepreneurs, raises an extensive complexity itself. Indeed, as discussed in the analysis, the small size of the Rwandan market requires scalability across the Rwandan boarders, nonetheless, raises several macro-economic and cultural questions. However, the relationships extend beyond the theoretical framework of the analysis, nonetheless, poses important contributions in aiding the understanding of the experienced bottlenecks. As such, investigating these relationships further and how an efficient collaboration could be achieved from both a political and cultural perspective represent an interesting topic for future research.

Along the same notion, several macro-economic bottlenecks have been identified to nourish an efficient entrepreneurial ecosystem. Indeed, these include the discussed notions on issues such as tax incentives for entrepreneurs to register their ventures, lack of statistics and data, trade agreements, and social constraints given the poverty in the country, amongst others. Indeed, the outlined investment readiness program focuses on combating the micro perspectives on investment readiness from the perspective of entrepreneurs and their attractiveness to investors. However, research focusing on solutions aided towards the macroeconomic bottlenecks would pose important implications to the experienced hurdles. Nonetheless, the macroeconomic solutions extend beyond the theoretical framework on investment readiness, which thus proposes an interesting topic for future research.

The research has further shed light on the significant role of cultural distance between foreign investors and local entrepreneurs in the Rwandan ecosystem. Indeed, the developed investment readiness program in the thesis has developed an additional segment to the ones raised by Mason et. al. (2010), on the importance of training entrepreneurs in these cultural differences which otherwise may lead to presentational failings. Indeed, the research has raised that investment readiness programs in emerging markets arguably poses additional hurdles as to the ones obtained in developed markets, which thus, raises questions requiring further research. Indeed, institutional theory investigates several hurdles which may emerge from developed markets investing in emerging ones, nonetheless, its specific relation to investment readiness programs leaves room for further exploration. Indeed, it is vital addressing these to guide entrepreneurs in navigating along these cultural differences when seeking investments from foreign investors.

Finally, as the research has served to provide a gateway into the complexity of the bottlenecks experienced in the Rwandan entrepreneurial ecosystem, future research deep diving into the raised topics is deemed necessary. Indeed, given the observed complexity, the developed theoretical framework is insufficient in addressing these. Moreover, as the research has followed an explorative notion, future research serving to address the raised topics with larger data sets would further provide valuable insights in understanding the problem at hand. On a final note, the field research has shed light on the significant potential of the Rwandan ecosystem and the social impacts it could have on both Rwanda and neighboring countries. More so, given that there is significant willingness amongst both investors, governments and local entrepreneurs for the entrepreneurial ecosystem to prosper. Indeed, without resolutions to the observed hurdles, the distance between investors and entrepreneurs will continue to be challenging and pose hurdles to local entrepreneurs in obtaining VC funding.

7. LIMITATIONS

As noted in the previous section, the conducted research entails limitations in various aspects. Firstly, it does only investigate six cases, which naturally limits the findings and its comprehensiveness, and limits generalizability of the findings. Indeed, it was uncovered that the local awareness and understanding amongst the entrepreneurs of the bottlenecks for them to obtain VC funding was severely limited. Hence, the interviews with the local entrepreneurs provided rather implicit understandings of the bottlenecks, rather than explicit ones, as they themselves had a very limited understanding of venture capital and investment readiness. Hence, this naturally posed greater weight on the interviews conducted with intermediaries or

VCs possessing knowledge on the VC process and its requirements. However, given the low presence of VCs, this posed constraints on data collection options. Furthermore, given the illustrated role of culture in relation to the research problem at hand, the interpretation and understanding of it in relation to the research problem was found vital. Nonetheless, despite the researcher spending five weeks in the country, it still limits the researchers understanding of the culture. Given that the findings were coded and interpreted from the researcher, such limitations of cultural exposure pose constraints. Furthermore, the significant complexity of the extensive network and stakeholders involved in the bottlenecks for an efficient VC system limited the research. Indeed, given the time and resource contains of the thesis, it was unable to investigate the uncovered complexity of all relationships in a thorough manner. Indeed, as discussed in the previous chapter, many of the relationships pose research topics themselves. As such, the thesis has served as a gateway to the complex bottlenecks at hand, which poses limitations to any general conclusion to be drawn on the bottlenecks. Finally, the research does not include quantifiable measures which allows for comparisons and evaluations over time, which thus, limits the understanding of (1) whether the suggested investment readiness program actually helps entrepreneurs in becoming investment ready in the eyes of foreign investors (2) whether it actually increases the number of VC funding obtained by Rwandan startups. More so, given the complexity of the relationships involved in the obtained bottleneck's, it challenges the direct relationship between the investment readiness program and a potential increase in obtained VC funding. Indeed, such increase may stem from other sources in the complex system, or, from a combination of the investment readiness program and other sources. Consequently, the limitations to the research advocates the necessity to further investigate the problem at hand along the lines of the suggested future research topics in the previous section.

8. CONCLUSION

The research was set out to provide a gateway to the bottlenecks for Rwandan entrepreneurs to obtain foreign VC funding. Moreover, to address how the obtained hurdles could be bridged through an investment readiness program. Accordingly, to answer the following research question:

What are the bottlenecks for Rwandan start-ups to obtain foreign venture capital funding and how can an investment readiness program facilitate in bridging the gap?

Firstly, in regard to the bottlenecks occurring in the VC process, it was found that the experienced low-quality deal flow characterizing the Rwandan ecosystem requires VCs to mainly engage in active search to locate high-quality deals. The increased transaction costs associated with active search leads VCs to look for investment opportunities of larger amounts. Nonetheless, it was found that the size of the Rwandan market challenges startups to meet the required revenue streams for such investments. Consequently, it is necessary for startups to possess scaling opportunities across East Africa to combat its limited local market. Nonetheless, access to data on market potential across the Rwandan border is limited, which challenges the ventures ability in illustrating cross-border market potential. Furthermore, in relation to institutional theory, scaling across East Africa poses several limitations itself. Indeed, the institutional environment of neighboring markets poses different cultures and several institutional voids, which challenges local startups to navigate in such landscape. Furthermore, it was found that a significant bottleneck in the VC process is the notion of trust. There is a cultural dissonance between foreign investors and local investors on how trust is established, which creates a misalignment between foreign investors and local entrepreneurs.

Secondly, in regard to the investment readiness of Rwandan entrepreneurs, several hurdles were found. Firstly, there is a significant knowledge-gap amongst local entrepreneurs on the general requirements demanded by VCs. Accordingly, it was found that several aspects on investment readiness corresponding to the generally required standards of foreign VCs were lacking, including insufficient track records, poor valuations, insufficient knowledge on market access, market potential, cost breakdowns, lack of growth plans, lack of implementation plans and attractive pitch decks. Apart from the knowledge gap hindering entrepreneurs from becoming investment ready, access to statistics and data in Rwanda is limited, which challenges their ability in accessing information which the requirements need to be founded upon. Furthermore, there is a lack of standard templates or guidelines which entrepreneurs can follow to assure that their pitch decks meet the general standards of foreign VCs. In addition, it was found that pitching confidently to investors is a significant challenge. Apart from a lack of experience, there is a cultural dissonance between foreign investors and local entrepreneurs which challenges the success of pitches. A non-confrontational and humble culture shadows Rwanda, where entrepreneurs adhering to these cultural aspects may be perceived as unknowledgeable or inexperienced during pitches. Hence, leading investors to foresee otherwise interesting investment opportunities.

Thirdly, an investment readiness program was developed to combat the aforementioned hurdles. The investment readiness program will be combating the knowledge gap and focus on providing capacity building to local entrepreneurs. Furthermore, it will focus on bridging the cultural discrepancies by preparing them for the confrontational and challenging environment present during pitches to foreign investors. It will further draw upon impact consulting from Nordic students to combat the hurdles of capital constrains and knowledge gap. Furthermore, expose Rwandan to new cultures helping them to navigate in foreign environments.

Finally, the thesis has shed light on the significant complexity involved in the bottlenecks for local startups in obtaining foreign VC funding. Hence, future research along the suggested lines is required to combat the complexity and provide a more thorough understanding of the bottlenecks experienced by entrepreneurs and their investment readiness.

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10. APPENDICES

10.1 INTERVIEW GUIDES

10.1.1 INTERVIEW GUIDE NORRSKEN FOUNDATION

Interviewee: Savanna

Company: Norrsken Foundation

Background:

- Tell me about what has brought you to Kigali and about Norrsken
- Why did Norrsken choose Rwanda as its first global expansion?

Macro environment (Rwanda)

- What would you say are the biggest opportunities in Rwanda in regard to venture capital activity?
- What would you say are the biggest challenges and in regard to venture capital activity?
- Are there any institutional barriers (cultural differences, informal laws, regulations etc) which present barriers to venture capital activity for foreign VCs?
- *If yes*, how do you go about these institutional differences?
- Are there any elements which could be included in an IR program that would help you go about these institutional barriers?

Microenvironment (start-ups)

- What key elements are you looking for when investing in Rwandan start-ups and entreprenuers?
- Do these elements differ from the elements you are looking for in, for example, Swedish start-ups?
- If yes, how do they differ and why?
- Are there any similarities in what you are looking for in Swedish and Rwandan startups?
- Are there any differences between Nordic start-ups/entreprenuers and Rwandan start-ups/entreprenuers?
- What would you say startups generally miss when trying to obtain funding? (Fall back on the IR program process)
- Do you believe that the most common mistakes you see could be resolved with an investment readiness program?

- What should such program then focus on in particular?

10.1.2 Interview Guide Envisage Incubators

Interviewee: Victor

Company: Envisage Incubators

- Tell me about the background of Envisage incubators and why you decided to start it?
- How was it to set up an incubator in Rwanda? What main challenges did you face?
- What main challenges are you facing today?
- What are the future plans of Envisage incubators?

Microenvironment (start-ups)

- How do you perceive the entrepreneurial landscape in Rwanda?
- What main obstacles do you see from the perspective of the entrepreneur in raising capital?
- How do you believe that these obstacles differ from startups seeking to obtain funding in Nordic countries?

- What are the most common mistakes startups make in their attempts to obtain funding? (Fall back on the IR program process)
- Do you believe that the most common mistakes could be resolved with an investment readiness program?
- *If yes*, what particular elements do you think an investment readiness program should include in the specific context of Rwandan start-ups?
- *If no*, why not?

Microenvironment (VC firms/angels)

- How do you perceive the VC landscape in Rwanda?
- What main obstacles do you see from a VC/angel perspective in funding start-ups?
- What main differences and similarities do you see between Nordic and Rwanda start-ups seeking funding from venture capitalists/angels?
- How do you go about resolving these differences?
- Do you believe that these differences could be resolved with an investment readiness program for Rwandan start-ups?

- *If yes*, what particular elements do you think an investment readiness program should include in the specific context of Rwandan start-ups?
- *If no*, why not?

Macro environment (Rwanda)

- How do you perceive the institutional environment in Rwanda in regard to operating Envisage Incubators?
- How do you perceive the institutional environment in Rwanda in regard to startups?
- What are the main institutional differences in regard to startup funding between the Nordic institutional environment and the Rwandan?
- What main obstacles you see from an institutional perspective in raising capital for startups in Rwanda?
- Do you believe that an investment readiness program for start-ups could help venture capitalists/angels and start-ups in overcoming these obstacles?
- *If yes,* what particular elements do you think an investment readiness program should include in the specific context of Rwandan start-ups?
- *If no*, why not?

10.1.3 Interview Guide Bag Innovation

Interviewee: Gabriel

Company: Bag Innovation

Background BAG Innovation

- What is your business idea?
- When did you start your business?
- At what **development** stage is your start up currently in?
- What was it like starting a business in Rwanda?
- Did you experience any cultural differences to Sweden when starting your venture?
- Did you experience any cultural similarities to Sweden when starting your venture?

Microenvironment (start-ups)

- Have you tried raising capital? Why, why not?
- When did you/when are you planning on doing so?

- What VC firms/angels are you approaching and why?
- How do you go about the process of seeking investors?
- What obstacles have you experienced in doing so?
- Do you believe that an investment readiness program could help you to overcome these obstacles?
- *If yes*, what specific elements in an investment readiness program could help you in overcoming these barriers?
- *If no*, why not?

Macro environment (Rwanda)

- How do you perceive the institutional environment in Rwanda in regard to start-up funding?
- Are there any institutional barriers which hinders you from seeking funding?
- *If yes*, how do you go about these institutional barriers?
- Do you think an investment readiness program could help you (by supporting start-ups) to overcome these barriers?
- *If yes,* what specific elements do you think should be included in an IR program that would help you go about these institutional barriers?
- *If no,* why not?

10.1.4 Interview Guide Iris Hub, Tech Accelerator

Interviewee: Benjamin

Company: Iris Hub

- Tell me about your background and relation to startups?
- Tell me more about Iris Hub and why you decided to start it?

Microenvironment (start-ups)

- How do you perceive the entrepreneurial landscape in Rwanda?
- What main obstacles do you see from the perspective of the entrepreneur in raising capital?
- How do you believe that these obstacles differ from startups seeking to obtain funding in Nordic countries?

- What are the most common mistakes startups make in their attempts to obtain funding? (Fall back on the IR program process)

- Do you believe that the most common mistakes could be resolved with an investment readiness program?
- *If yes*, what particular elements do you think an investment readiness program should include in the specific context of Rwandan start-ups?
- *If no*, why not?

Microenvironment (VC firms/angels)

- How do you perceive the VC landscape in Rwanda?
- What main obstacles do you see from a VC/angel perspective in funding start-ups?
- What main differences and similarities do you see between Nordic and Rwanda start-ups seeking funding from venture capitalists/angels?
- How do you go about resolving these differences?
- Do you believe that these differences could be resolved with an investment readiness program for Rwandan start-ups?
- *If yes*, what particular elements do you think an investment readiness program should include in the specific context of Rwandan start-ups?
- *If no*, why not?

Macro environment (Rwanda)

- How do you perceive the institutional environment in Rwanda in regard to operating Envisage Incubators?
- How do you perceive the institutional environment in Rwanda in regard to startups?
- What are the main institutional differences in regard to startup funding between the Nordic institutional environment and the Rwandan?
- What main obstacles you see from an institutional perspective in raising capital for startups in Rwanda?
- Do you believe that an investment readiness program for start-ups could help venture capitalists/angels and start-ups in overcoming these obstacles?
- *If yes,* what particular elements do you think an investment readiness program should include in the specific context of Rwandan start-ups?
- *If no*, why not?

10.1.5 Interview Guide Sanit Wing

Interviewee: Alex

Company: Sanit Wing

Background of Sanit Wing

- What is your business idea?
- When did you start your business?
- At what development stage is your start up currently in?

Microenvironment (start-ups)

- Have you tried raising capital? Why, why not?
- When did you/when are you planning on doing so?
- What VC firms/angels are you approaching and why?
- How do you go about the process of seeking investors?
- What obstacles have you experienced in doing so?
- Do you believe that an investment readiness program could help you to overcome these obstacles?
- *If yes*, what specific elements in an investment readiness program could help you in overcoming these barriers?
- *If no*, why not?

Macro environment (Rwanda)

- How do you perceive the institutional environment in Rwanda in regard to start-up funding? Does this include VC and angles in Rwanda or other African countries? I am not sure…
- Are there any institutional barriers which hinders you from seeking funding?
- *If yes*, how do you go about these institutional barriers?
- Do you think an investment readiness program could help you (by supporting start-ups) to overcome these barriers?
- *If yes,* what specific elements do you think should be included in an IR program that would help you go about these institutional barriers?
- *If no,* why not?

10.1.6 Interview Guide Crop Tech

Interviewee: Thierry

Company: Crop Tech

Background of Crop Tech

- What is your business idea?
- When did you start your business?
- At what development stage is your start up currently in?

Microenvironment (start-ups)

- Have you tried raising capital? Why, why not?
- When did you/when are you planning on doing so?
- What VC firms/angels are you approaching and why?
- How do you go about the process of seeking investors?
- What obstacles have you experienced in doing so?
- Do you believe that an investment readiness program could help you to overcome these obstacles?
- *If yes*, what specific elements in an investment readiness program could help you in overcoming these barriers?
- *If no*, why not?

Macro environment (Rwanda)

- How do you perceive the institutional environment in Rwanda in regard to start-up funding? Does this include VC and angles in Rwanda or other African countries? I am not sure…
- Are there any institutional barriers which hinders you from seeking funding?
- *If yes*, how do you go about these institutional barriers?
- Do you think an investment readiness program could help you (by supporting start-ups) to overcome these barriers?
- *If yes,* what specific elements do you think should be included in an IR program that would help you go about these institutional barriers?
- *If no,* why not?

10.2 Interviews

10.2.1 Interview Savanna, Norrsken Foundation

4/9-21 3:33PM • 40:50

SUMMARY KEYWORDS
rwanda, investors, startups, entrepreneurs, investment, challenges, east africa, people, readiness, culture, pitch, tend, set, women, market, africa, scale, pitch deck, kigali, program

SPEAKERS
Savanna, Alexandra Lindahl

Alexandra Lindahl 00:00
We start the recording. Hello Savannah. So, welcome to this interview with me. My name is Alexandra, as you know, and I'm doing my masters at CBS even finance, and strategic management. I'm here to interview you in regards to my master thesis, which is on the bottlenecks for startups to obtain venture capital funding, and then also how you were able to overcome this through an investment readiness program. The interview will be approximately 30 minutes and feel free to elaborate. As you wish, on the different questions by us. And that just ask if you have any other questions along the way. And, is it okay for you if I record it. Very good. Okay, so if we just start with the if you can tell me a little bit about yourself and what brought you to Kigali. Cool.

Savanna 01:09
So, my name is Savanna, and I work for an organization called Norrsken Foundation, and it was set up in Sweden, it's about four years old, and Norrsken's whole purpose, its reason for being, is that it aims to support entrepreneurs and those entrepreneurs that are trying to improve the world. They do this in three main ways. So the first way is through a co working space in Stockholm which houses about 450 impact entrepreneurs. And they have decided to set up the second co working space which is where I come in, but I'll give you the other ways that they support entrepreneurs first, they also have a VC fund. We have two, one that is based in the Nordics on startups impact startups. And we also have an African seed fund that invests in startups and across Africa. And then the last way that we support entrepreneurs is through initiatives, those tend to be quite like high risk, sort of initiatives. To give you an example we're running an impact accelerator, this summer in Stockholm for 20 startups, and we're going to connect them with mentors and through to accelerate the growth. So we also run an action against Corona campaign and sort of set up testing facilities and invested in them. So those are the types of projects that they invest in, and where I come in is that I joined Norrsken to help them with their first expansion, outside of Stockholm, and they decided to move to Rwanda to Kigali, where we are hopefully building the biggest house for entrepreneurs in East Africa. It aims to house about 700 to 800 entrepreneurs, and we are currently in the process of construction.

Alexandra Lindahl 03:15
Interesting. So can you tell me a little bit more about why Norrsken decided to expand to Rwanda.

Savanna 03:25
Yeah of course. So I think first of all they knew that Africa was where they wanted to be and that's largely because it has the youngest population. It's sort of really untapped potential and they knew that was where the potential sort of lays so they did a bit of a sort of Reki on which countries and they looked at South Africa, Ghana, Kenya, Rwanda, and then homed in on East Africa. The reason behind that was that it's the fastest growing region in Africa and it continues to be despite COVID, and they really it has a young population it also is a very tech enabled population and so they decided to home in and focus on East Africa, and then went even deeper and chose Rwanda specifically for a couple of reasons one because of its positioning. So it's quite a strategic location in terms of enabling access to Eastern, Central African markets. So that was the first thing, location. The next thing was ease of doing business, as you know sort of really second easiest country in Africa to set up a business you can do it within 48 hours. We did it in less, it's a very clear and sort of transparent process. We knew that it needed to be easy for businesses to set up. The other thing is stability in comparison to the neighbors. It is the most

stable and has the most stable currency, and that was really important for our investors because they wanted to be able to invest without so much risk. So this is a market that isn't very volatile. It's sort of shown consistent throughout the past 20 years. It’s also one of the safest countries so third safest country in the world, to walk out, walk in at night. So we also sort of really like gravitated to towards that because of the safety and we knew that we really wanted to bring leaders from across Africa but also across the world, and sort of enable them to sit up and set up HQs and safety was a big factor for the majority of people they wanted to be able to feel safe and secure. The other thing is corruption, it is the fourth least corrupt country in Africa. We found that was made the process of working with everyone just a lot clearer, more manageable and then lastly just because the government's focus on innovation and entrepreneurship, they've really sort of moved the country's focus from being agriculture driven to now being knowledge driven, and sort of really there's a big push for tech and innovation and we believe we can contribute to that vision. So that was really the reasons why Norrsken decided Rwanda was the the next place to expand to.

Alexandra Lindahl 06:42
lot of good reasons. So, and just to get a bit of a broader picture so you've narrowed down on Rwanda but are your plans to look at Rwanda as a specific market or more look at startups who have a larger market ambition.

Savanna 07:04
So absolutely, our focus is really on startups that can scale. We really want to look at Tech enabled startups and startups that maybe have proven market fit and we're Rwanda, we see the potential for them to scale across the rest of Africa. And we know that they aren't many businesses that have scaled across Africa, which sort of indicates the challenges, there are a lot of challenges that exist in scaling, but we think, that was an area that we could come in and sort of facilitate and try and support more startups to be able to scale.

Alexandra Lindahl 07:41
Interesting. So, if we go a bit deeper on to it or into the macro environment in general and also about these challenges which you were talking about. What would you say are the biggest challenges for venture capital activity but then, on the other side of the coin, for startups to actually scale?

Savanna 07:58
Yeah, absolutely. So, from the VC side, at least we like from our specifically, our team, but also sort of other investors that we've spoken to. It's really challenging to find deal flow, largely they get inundated with the quality they aren't up to the quality level that they need them to be at. So, they tend to attend to be quite challenging to find really good startups. You really have to be on the ground and have a physical presence here which a lot of VC companies don't have, which means it's quite challenging for them to actually find really good deals. The other thing that they've mainly found is when speaking to East African investments for example they're quite active here and they do have people on the ground but they're sort of what they communicated with one of the biggest challenges is that a lot of the startups don't necessarily. They're asking for money, but they don't necessarily have a plan to back it up, and to sort of showcase what they're going to use the money for and where it's going to be put in and how that will potentially show in return. And that's really where the challenge tends to be, East Africa investments for example Joe has to really like coach, a lot of startups, to be able to get to that level to be able to sort of have a business plan that that does show how they will use the money.

Alexandra Lindahl 09:52

So it requires a bit more coaching on that side. Would you say that the problem was that problem stems from the entrepreneurs, not knowing that they need that high quality or is it that they don't know how to even get there.

Savanna 09:52
I think it's not knowing criteria, I get asked this a lot, constantly actually by entrepreneurs sort of what is the criteria that VC companies look for and what are you guys looking for. I think the first thing is just really not having a deep understanding of like what criteria and normal venture capitalist, sort of need you to hit what markers they need to hit for you to be attracted to them, but I think it's also not something that's necessarily well known here or like how to put a pitch deck together and what are the components that make up a pitch deck. That's very known and in sort of Europe and London it's very widely sort of accepted there's a standard whereas here, there isn't that standard, it doesn't exist. And it's sort of a lot of startups just sort of trying. But there's no sort of template that they're using. That could be really helpful because there are certain things that all investors sort of need you to be able to show before they are engaged with you at all,

Alexandra Lindahl 11:06
right, and that does not matter whether the investor is a local investor, or is it sort of universal

Savanna 11:15
I would say it's universal in terms of the nurses that I've spoken to both locally and internationally. Locally the one they tend to be more understanding. And so they tend to sort of coach people more into what they need to see. Where's the international side tend to do that. So it's much more. I think largely just because of the volumes of applications they get, they don't have the capacity to coach. So it's really only the startups that can really have done their homework or have sort of outside advice to tell them what sort of things, what they need to show other ones that tend to get

Alexandra Lindahl 11:56
right. So, we look at the role of an investment readiness program, to be at an incubator for instance, would you say that these sorts of elements would be helpful to incorporate in an investment readiness program such as how to create the pitch takes different requirements, the business model, and so forth

Savanna 12:15
Absolutely. I think that it's something that we spoke to a company called seeds does and I'm sure you all know that. But they set up an investment readiness program, and they run it out of their hubs across Africa but across the world, they decided to do that purely because they saw that this was the biggest challenge that the startups were having, they have a whole set of investors ready and waiting to sort of distribute money. But the sort of quality of the purchase coming in just didn't match that so they set up systems, programs like that, to be able to level up and get the startups, into a position where they could pitch, and they were well prepared to pitch to these investors. The thing also is that you really only get one chance with investors. So I think having a program like this would really give you more of an opportunity to really prepare and use that one shot, really well, rather than wasting.

Alexandra Lindahl 12:18
Absolutely and just to understand where norrsken comes into this, would you also focus on making startups investment ready or are you more focused on later stages or where do you come to, we are more later stage.

Savanna 12:19
So we tend to look at startups that have already achieved market fit and sort of have that in place, but I think we would still be interested in investment readiness program for a different level. So I think, what happens is when you're trying to access, when you're setting up a business and you're accessing funding to begin with. It requires it, and pitch and it requires some sort of background but we're at the

stage where we're at, where we want you to scale, you're going to not need 10,000 You're going to need 10 million, and it's a much higher investment of capital and hands that pitch needs to be very persuasive. I definitely think that we will need an investor readiness program but just for startups that are going to scale so I think that could be a continuation of the journey and sort of, when startups are at that stage, the types of investors that they'll be reaching out to will be very different. Because to access that type of funding, we sort of have a very different, you're speaking to different people. So absolutely, it will be necessary for us. But even though we're in growth stage,

Alexandra Lindahl 14:57
so that we maybe then first you need one investment readiness program to even get in contact with Norrsken and then you can have your second exam, but it just to get more, a bit more practical, on the investment readiness program, what, are there any specific elements which you believe would be crucial to incorporate.

Savanna 15:19
Yeah, I think you use, you've said it already but I think like pitch deck and actually pitching confidently. So I think pitch deck one thing, just like important elements that I don't think is often considered is that every investor will ask for his market, like what is your market and what's the potential. Rwanda is a very small market, so if you just show me Rwanda, I'm not going to be interested, you really have to show me that this potentially will work in Rwanda and this is the market level but if it works here, this is you can potentially access these different markets. So having that sort of market access, how much impact you're going to have is really important. Having a financial model. Again, investors, that's the first thing that they'll look at, they want to see that you've got a clear way in getting money and being able to do that. The other thing is team, which I don't think is often focused on but in the investment company that I worked for before, that was the main criteria so how our sort of founder he was very focused on the team has to have very strong backgrounds, had to work together for a long time. The longer they've been together, the more stable, solid that relationship was so we did a lot of research into sort of the team in South Bend and who they were because he always used to say that it's not necessary ideas can change. Businesses can adapt and pivot. But the people will stay the same, so you're investing in people, and not on an idea, because if you've got good people, they can make anything happen. And the other thing is also that what the majority of them lack is implementation plan. Sort of like not only pitching sort of, this is the money that we need, but also like how we plan on utilizing that money is really never included in a pitch deck, and most investors would need to see how their money is going to be used and that you've thought through how that money will be sort of used. The other thing that I definitely recommend is having to actually, like having to pitch. Because even in the competitions that I've had to judge. I would say that's an area that requires a lot of practice, and you really have to make it as concise as possible, and really get your point across as quickly and confidently and I think that takes a significant amount of time and I, I think that would take a lot of practice so I feel like, including that in. I think that tends to be an area that naturally woman with a female founders that I've interacted with that tends to be where they struggle most is more their actual content is phenomenal. But when you get to pitching, sort of the confidence to sort of pitch and ask for the money that they need is a bit challenging. So I think including that in the program as well.

Alexandra Lindahl 18:48
So, just to get a bit of a better understanding of the role of investment readiness programs. When would you say that it's difficult to find different fields to actually invest in? Where would you say that they are lacking is it mostly these qualities that you mentioned or is it the idea itself, or are there a lot of good potential but then when it comes down to these sort of formal requirements which you need to get an investment, or like?

Savanna 19:20

I think it's a bit of both. I've seen a lot of great ideas, in practice, but they just aren't in a business model that would work. So, it's that middle ground of like how do I convert an idea into something that is actually a business, and it can run. I think that would be the area that most challenges come they are quite a few ideas out there and, ones that you think okay that could really work but then once you get down into the details of like, okay, how would that actually work. That's where the lack comes in. But I also think in terms of ideas as well. I think it's why we really want to bring in East Africans, not necessarily just have Rwandans. Just because we think it'll spark ideas or ideas of how things are done differently maybe in Kenya, and that might spark an idea here that "oh we do this in Kenya we could maybe try something here". And that could potentially inspire people here to see the world in a different way. A lot of Rwandans I have met have never been out of Rwanda. Rwanda is sort of all that they know and I think that's why I hope to bring in different cultures and different people to bring in these different perspectives to hopefully make the sort of increase the number of ideas as well, because I think it's also their ideas out there but there could be a lot more, but then also the actual business model,

Alexandra Lindahl 21:01
right, and then from a more political perspective, I guess, how does it work to actually scale within East Africa is it easy to get market access to the different countries or.

Savanna 21:17
Yeah so I think this is something that will all be changing. So, it's, there's sort of a lot happening now with trade agreements between East Africa. There's even an East African passport. So all of that will open up, flexibility and freedom within East Africa, and it is relatively easy. For me, for example, with an African passport, to move around East Africa, is quite a seamless process. So we are definitely moving in that direction, but I absolutely still have the challenge of, if I want to say if I have a company here and I think it could work in Kenya, really the only way of finding out if it will is if I move, I don't really have access to market data or anything like that that could potentially help me navigate or make sure I'm choosing the right level. So, it is definitely changing and it is getting better but it's still a big challenge, right,

Alexandra Lindahl 22:23
so now that we're talking about the data you mentioned. How would you say that the data that they provide, like larger sets of data which allows you to kind of understand the market and the market potential. How would you say that there's sufficient data here in Rwanda, or how do you think that plays into this whole.

Savanna 22:53
So I think data is everything. So, there is sufficient data and it is largely helped by the government here. And it's not necessarily that accessible but not because, for any reason it's largely because, for example, BRD, which is the development bank for Rwanda, they are looking at projects that are data oriented and how they can use the data that government has collected in interesting ways to help investors make decisions but also helps them startups decisions. So there is that in the process like we're in the process of that, but I think one, like there's a couple of challenges here, one in Africa in general but across Africa there's no consistent data collection bodies. And in Rwanda it is very good because the government collects data outside of Rwanda, it's quite challenging to access data and only other big sort of UN agencies are collecting data and that's obviously not shared with people. So there's a lot of like lack of transparency on what the market trends are, which then makes it really hard for an investor but it also makes it really hard for a startup. So I think if anything, if you're capturing data and capturing the types of startups coming in, what the challenges are, how they tackled them and keeping track of that and being able to share that information with everyone. I think that would be super valuable. And one thing that Norrsken is doing is we have radical transparency so we have fraud on our website which you can go to and it literally everything I do is being tracked. So it really, the setup of the hub, all the decisions we've made all our board meetings, our Trello boards our Gantt charts, everything is

publicly available. And the main point behind that is to try and serve anyone who wants to do the same thing doesn't have to go through the same challenges we have to. So if we could do the same thing and then in the startup world I think it would be amazing. Right

Alexandra Lindahl 25:25
So, if we look at the institutional environment, maybe the institutional barriers as well. So would you say that there are any institutional barriers such as cultural differences or informal laws or regulations or ways of doing business in general which kind of presents barriers to venture capital activity here, and in particular for foreign investors coming in here. So besides the kind of obvious reasons are there anything informal which, makes it difficult to navigate here for foreign investors.

Savanna 26:03
So, from a foreign investor side, Kigali is doing a lot. There is an organization called Kigali International Finance Center, and they recently been set up, and their whole sort of premise is, how can they support your business and sort of enable them, and give them the access to what they need. So first of all Rwanda has seen that maybe it is a bit challenging to come in, one thing that we did was we did an investment certificate. Basically, It meant that we had invested in the country. It then enabled us access to the right people in IDB which helps us with sort of anything that I need, I sort of get a lot of support from the government. In terms of sort of just knowing what resources I need. So I think the investment certificate site, really helps investors will have to go through that process, I think, something that is very different is culture. so it's a massive difference in terms of trust is a big one. It takes a long time to build trust, especially as a foreigner sort of coming to Rwanda. It takes multiple sort of meetings before you gain people's trust. That's not necessarily for an investor coming in, he doesn't necessarily have that time to sort of build that relationship. I think that's the other thing is relationship. It tends to be a very relational country and you tend to have to build relationships before you can talk business. And that doesn't seem to be also that's not so easy for investors, because they sort of want to cut right to the business side. The other thing is that in general, the culture doesn't necessarily confront, it is a very hierarchical culture. For example, I went interviewing people that I was going to hire, I gave them sort of a question, I said, if I tell you to do the wrong thing, like, I'm telling you to build something in the wrong way or alike, how would you respond to that? And I think out of the 30 interviews I did, 29 of them said, you're the boss. And I think that also reflects in sort of startups being able to acknowledge where their challenges might be, sort of when an investor will, naturally, as a question, he will say okay, where do you think the challenges are where, is this going to potentially fail. That isn't something that the majority of the hundreds that I'd have to deal with are, or find it very easy to communicate this. So that is a big sort of cultural difference as well.

Alexandra Lindahl 29:19
Would you say that it has an effect on the entrepreneurial activity and the common characteristics which an entrepreneur needs, so I'm just thinking about that usually you have to be disruptive and question things. Would you say that.

Savanna 29:37
Absolutely. I think that's a big challenge because they are very rule oriented and as an entrepreneur you tend to have to push the boundaries, By nature, Rwandans are humble, they're incredibly humble human beings, which doesn't serve them well in investor pitch meetings, because they won't necessarily be able to confidently communicate all of the things that they've achieved without with, like, in keeping to sort of Rwandan culture right so humility is something, as well as sort of, when investors give feedback that's another area and this is where you usually get very direct and blunt That's also not culturally acceptable here sort of, you tend to have to take people aside and give them very suttle, read

between the lines feedback, it's not, it would never come across, direct, or you sort of have to navigate in a different way. And that can lead to some challenges as well.

Alexandra Lindahl 30:48
Would you say that that is an important thing to address in an investment readiness program.

Savanna 30:54
I would say that's a very important thing, and I would think looking at this, I've had the experience of working with investors in London but I've also had it now in Stockholm in Sweden, and they are very very, very different. So I even think from an investor readiness program looking at like okay, who are the people that we think are going to invest what culture do they come from, because they're going to expect different things depending on the culture and they will treat you different depending on that, and sort of preparing Rwandans for that. Because I think preparation is key if they prepared for direct feedback they'll take it. But if they not then that's where it can sort of hold back. I absolutely think like culture, a culture component in understanding Rwandan themselves. I think understanding just more about what generally, they tend to do and understanding themselves but also what the cultures of the investors are and how they usually handle or deal with the choice.

Alexandra Lindahl 32:03
Would you, or do you think that, looking at the other side of this coin, that some investors would be risking to miss out on some really good investments just because of these cultural differences as well.

Savanna 32:16
Absolutely, I think In speaking to a lot of them, the humility thing has really sort of annoyed, some of them because they have let startups go, let founders go because they weren't able to communicate their value in a confident sort of way. and they were too humble about their achievements, and so the investor missed that they were actually sort of really good to bet on. So absolutely, I think it's from an investor side as well, unless you have someone's trust, and you've taken that time to build a relationship, you don't necessarily get to see their whole personality and what they can bring to the table and so I think a lot of startups are being missed because, people haven't invested the amount of time that is needed.

Alexandra Lindahl 33:10
So, I'm not sure how familiar you are with this. Just knowing that Kenya for instance has done really well in comparison to other countries on the continent, given venture capital investments. Is the cultures similar there or do they have a different one,

Savanna 33:38
Very different culture and I think, especially on the humility. Kenyans are by nature, confident, very very confident, and I think that tends to be why they get this feel for you in the deal flow. It is because they, are confident in pitching themselves, they are more risk taking, they're less risk averse, so they are able to, the system doesn't operate as it does in Kigali, it isn't as well strucutred in Kenya, as it is, here. So people are used to sort of figuring things out and finding solutions themselves. And I think that inevitably then makes them really fantastic entrepreneurs. And it's one of the main reasons why I want to bring as many Kenyans as possible into our program because they do have a very entrepreneurial spirit, just because they are confident and they are risk takers and they do see problems and they feel compelled to solve them themselves.

Alexandra Lindahl 34:40

So do you think, given the small size of Rwanda as a market, looking at East Africa that has become quite established amongst investors, in general, do you think these culture differences are going to make it difficult to view it as one market or do beneficial

Savanna 35:01
I think it's, I mean it's similar to Europe, I mean, you would say if I was a French company and I wanted to scale to Italy I would be like, yeah, that's going to be tough. It's going to be tough because you have a very different group of people. And I think it's very similar here that there are a lot of, cultural challenges. However, something that remains the same is a lot of the same problems. So that's one thing that's really powerful is that they may be a different culture, but they need the same problems solved. And it may need just an adjustment and how it's sold to be able to be applicable in the market that it's in. But it just needs to, adjust culturally to it but I think the same problems exist, sort of across East Africa and are really across the continent as well.

Alexandra Lindahl 35:54
Right super interesting. So I think that was, or I know that was sort of the questions that I at least wanted to ask you. So just on a final note, I would just like to know if there's anything you'd like to add, In regards to the obstacles experienced by entrepreneurs or to the investment readiness program

Savanna 36:18
I think one thing that I love to add is that I think women have a very specific different like they have specific challenges in getting access to funding, and sort of trying to address those in the investor readiness program, sort of I think it's very much. I think, as a culture humanity, simply really important in Rwanda, but I think women especially this sort of very helpful. And I think making sure that there's a section or a part of the program that might be specifically for them to sort of coach them in confidence and sort of build their capacity to speak up for themselves, to communicate their vision, effectively, and sort of ask for money. In a strong, strong way. And I think there's ways to. I think that needs to, they have, there's a lot of biases that investors have. But now, I mean we're talking about these biases and it's actually coming up quite a bit more. but I think this is the perfect opportunity for a lot of women to really get the investment that they need. But I think they need a specific amount of training more on the confidence side than anything else, we found that the majority of women that I interviewed so I ask them why they didn't start something sooner, sort of, the vast majority dont have the confidence, versus men that that has not been that has never come up as a reason. So they are just, they tend to, we tend to need to work on that area before,

Alexandra Lindahl 38:00
right. So, as just a follow up question on that. So is it more because of the culture in general that females should maybe not like the view of female entrepreneurs, or is it more that there are cultural obstacles, or would it be equally possible for a female entrepreneur to be successful if they had the confidence.

Savanna 38:24
I think there's been a lot of changes in sort of woman's role in this country and not like a lot of government officials sort of more vague, they have the highest representation in the world I think 60% They are seen in the government, they are seen in corporate however you don't see many entrepreneurs. So I think this is just the next there is just, I think maybe that there's not many examples of female entrepreneurs so that people woman can follow them and be like, Oh, this is actually a career choice that I could have. So I think that the first thing that they don't necessarily have the example. I think the culture is definitely sort of trying to make space for women to sort of take that position. But I think in the past it has absolutely there's still proverbs that are like a woman must be quiet. Speak softly and things like that. So it's still there but it's definitely shifted and you can see so many more female leaders, it's just interesting that it hasn't translated into entrepreneurship. So I think that's where extra effort to sort of to be put to be able to create the role models that then more women follow them, and I

think just generally, more general sort of women are. We don't necessarily get taught to take risks when we're young, we tend to have a lot of responsibility placed on us to really makes us choose sort of this safe safer options and our sacred paths, and just making sure that that is that we're aware of that difference within these readiness programs, and accounting for them and trying to give equipping women with the right skill set to, to really

10.2.2 Interview Gabriel, BAG Innovation

Fri, 4/10 5:01PM

SUMMARY KEYWORDS
rwanda, startups, market, investment, people, east africa, revenues, investors, processes, terms, funding, business, sweden, scale, venture capital funding, impact, government, general, rwandan, edtech

SPEAKERS: Alexandra & Gabriel

00:00

Alexandra Lindahl 00:47
Okay, so I would just start by introducing myself. Although I've already done it, but so my name is Alexandra, and I'm doing my masters at CBS where I am studying finance and strategic management, and now I'm here in Rwanda, to investigate the obstacles for startups to obtain venture capital funding. And to see, or identify these bottlenecks and then try to develop an investment readiness program for Envisage incubators. And so that's a bit about myself, and then we've already been through your background but maybe if you can just tell me quickly about BAG, and your background in Rwanda as well.

01:32 Gabriel
Sure thing. Yeah, my name is Gabriel I'm the Managing Director and co-founder of BAG innovation. BAG innovation is a local edtech startup here in Rwanda, that aims to solve the skills mismatch between the graduates and entry level positions, by providing a platform for experience-based learning using gamification, and providing the opportunity for students to acquire virtual experience through a digital platform. My background, I've been here in Rwanda for the last five years running, bag.rw and bank innovation as an edtech startup and running two other small startups, and a couple of different board seats here in Kigali.

Alexandra Lindahl 02:19
Amazing. And so, just, if we go back to the beginning of BAG. I know that you have been raising capital, how was the experience in the beginning, trying to launch a company here?

02:38 Gabriel
Experience wise, Rwanda is very open and very accommodating for starting and registering businesses as it is easy to get a foot into the markets. Investment wise, pretty much all the Rwandan startups have to create a kind of hybrid model of how they find their funding. It has to be a mix between their own revenues, funding from families and friends while trying to figure out the investment markets. But there's definitely challenges in accessing pre seed and seed capital to be able to start your business, there's

not much opportunities within that, but the challenges for us was lack of statistics and good data to take decisions in the beginning so we have to do that ourselves which took a lot of time. And obviously there's the cultural barrier of what you perceive as innovation and what maybe Rwandan and the East African context sees as innovation and how people appropriate these types of ideas.

Alexandra Lindahl 03:40
Interesting. So, when you were in the process of trying to raise capital, which investors did you target, was it local ones or did you target foreign ones?

03:53 Gabriel
We didn't talk to the investors in the beginning, we were sustained by our own revenues. In the first year, we found a pretty good business model to sustain the local team. So, it wasn't until six months after we started targeting tenders and writing as a source of funding, so doing public tenders, doing consultancy tenders for nonprofits, was, a pretty lucrative deal. Just doing like a three month project for a local NGO. Investment wise maybe came after a year and where we started looking at impact investors and Angel investors who are willing to invest in that impact centric focus that we had, because it's obviously, it's extremely challenging to sell a company to an investor if you don't have either $20,000, per month in revenues, or you have a million users on your platform, which neither of them are achievable in Rwanda so.

Alexandra Lindahl 04:58
Right. So in that way you focused on the impact aspect of it.

05:02 Gabriel
Yes, so we focused a lot on the goodwill that we're doing for the students. We're not charging the students, how well we're measuring the impact of the students became a focus for us from the beginning. Even though we were for profit and focusing on revenues on the investment side, we saw that the interest, including from Sweden was always going be on how much good did you do, what was the impact.

Alexandra Lindahl 05:29
And generally, did you experience that there was a high interest from investors in general on the impact aspect? Is that something which investors, increasingly demand?

05:40. Gabriel
Yes nowadays, it's definitely an increase like every application is focused on how you align with the social Sustainable Development Goals. All of them are asking what your impact centric metrics are. So there's an increased interest in that. But it doesn't take away the fact that they still require the bottom line to do good. It's not enough to just solve a good story you have to have an actual functioning business model and there has to be an opportunity in the market for it.

Alexandra Lindahl 06:13
And then, if we actually go back to what you said earlier about the culture differences in regards to what they perceive as innovations, and so forth. Were there any other cultural barriers or differences which you came across when you launched the company?

06:34 Gabriel
Yeah, I mean its day and night in terms of culture, between Sweden, Rwanda and East Africa. In Rwanda, every startup doesn't matter if you're for profit or don’t have an impact focus. In Sweden, it is becoming more and more important, but it's not that much focus on that. Now with the Norrsken trend we see more Swedish startups, saying okay we're environmentally friendly or there's a focus on this and that. In Rwanda it becomes much more naturally to focus on your surroundings in your startup so

a lot of the startups are impact focused. Even if you're a financial tech company, you will still have some kind of social goal with your company, making an impact in the communities and in your city. So, culture wise community centered rather than individual centered, which we are in Sweden. There was also a challenge on the perception of innovation. If there's an innovation that is needed but people don't see the need, because they don't have the culture of innovating certain processes, then that was quite a challenge especially with us trying to innovate, traditional systems like the education system. Other cultural barriers, just in general how to do business. I mean time management is one of those small things that is not as important here as it is in Sweden and a lot of small things that took a while to get adjusted to.

Alexandra Lindahl 08:12
And then, in regards to trying to disrupt the way you learn or that sort of environment which has been persistent for a very long time here. How did you go about in kind of navigating through that and actually implementing the solution and getting to actually change people's minds?

08:35 Gabriel
Learning by failing 100%. So, continuously upgrading our product and launching it on the market, testing and doing a lot of user surveys, doing a lot of our own statistics and data gathering. Continuously asking, I mean everyone in our team is Rwandan so, it's just me who's not so there wasn't that too big of a problem that I wasn't Rwandan. We've been launching beta phases, pretty much every three months for back and learning from that so for us the most important part was, just putting it on the market and learning from the feedback.

Alexandra Lindahl 09:14
If we go back to the actual venture capital funding you mentioned before, that the requirements they have are difficult to achieve, given the size of the Rwandan market, or not just that, but also having the number of subscribers on your platforms or the high revenues which are required to receive an investment. Are there any other obstacles which you would say that you experienced or that you find common when you're trying to obtain venture capital funding here?

09:47. Gabriel
in Rwanda specifically, the challenge is that the market is too small to either reach the type of numbers that they are looking for, or the type of revenues. There is low purchasing power in general so most models that work are low margins and high volumes, but most people want to do high margins and low volumes. So, a challenge for venture capital is that it's the low competition in each market so the fintechs, you need to be extremely diligent in terms of how you scale and you need to understand not just your own market but your neighboring market, so similar to in Europe. If you want to scale from Sweden to Portugal, there's a lot of cultural barriers that will hinder that and it's the same in Africa. Every neighboring country, have a different culture so startups that venture capitalists invest in need to be universal and continental wide for potential scale, which most startups fail on achieving. They achieve the local market success but not the scaling part of it. So, it's very different and very difficult in that sense. It's also difficult because of politics, Rwanda is very easy in terms of governments but every other surrounding country has one or two issues with corruption and structures around registering businesses and clarity and transparency in business processes. Also, politics in terms of relations, I mean we can't even cross the border to Uganda for the last year or two now, not because of COVID but because of politics. So that obviously hinders scaling, our business is built for East Africa but right now, all of the borders are closed.

Alexandra Lindahl 11:37
So in terms of addressing the small market here in Rwanda, it is exactly what you're saying that many argue for viewing East Africa as one market instead just to kind of combat the smaller population and actual market here in Rwanda. So now you've mentioned quite a lot of barriers from seeing this one

market but otherwise do you think that it is a good way to kind of attract more investors if you would start focusing on East Africa's one market instead of just Rwanda?

12:13 Gabriel
100%, the reason why there's more and more venture capitalists coming into Rwanda is that they see that the Rwandan startup ecosystem has not yet developed. For example, I know Nairobi and Kampala are more developed, but the Rwandan is more stable in terms of putting your money in there and being secure with your investments. So what Rwanda is doing very well is keeping those processes very clean and very low corrupted, which leads to a lot of organizations just like Norrsken coming up and getting established. Norrsken is not interested in Rwanda’s startup ecosystem, they're interested in East Africa. So, all of them are betting on the fact that Africa will become an united African Union, just like Europe, where there will be free transfers and free travel between the countries. It will happen, it's just a matter of time when it will happen. But we're expecting it to happen in the coming five years so that's why more and more VCs are coming into Rwanda, even though there's yet not really mature enough startups to grasp the money that the VCs have

Alexandra Lindahl 12:28
Interesting. So, if we go back to when you started from an investment readiness perspective and investment readiness program, are there any particular things or which you think should be included in an investment readiness program that would have helped you in obtaining capital?

13:43 Gabriel
Yeah, I mean most startups don't understand the processes of funding stages. So, the value of having a true and proper valuation and taking your first investment round, according to a right to valuation, a lot of startups fail in the second funding round because they have to decrease the value of the organization. So, valuation is obviously a key one. Financial processes in terms of managing your three years financial plan is definitely something that took us one or two years. It could have been quicker if we had good training around that regarding investment readiness, getting exposed to the processes of the best-case scenarios. People who have raised money is usually very silence of what actually happened, but it would be great to see what actually was the reasoning for why the VCs chose that specific startups, a combination between two or three things. So, more openness in terms of best practices, financial management, and being able to describe your scale, which means the total addressable markets, and total achievable markets, and being able to understand that in depth, but for that you also need data and statistics which is still not accessible in East Africa.

Alexandra Lindahl 15:06
I was just going to get at the data point, so, who do you think should be responsible for providing the data? Is it the government's responsibility to kind of start providing this sort of data?

15:31 Gabriel
Yeah, it is, and they know about this problem they invest a lot into the national research institutes and reportedly releasing more and more statistics, especially in agriculture, which is the major sector in Rwanda. So, they're getting better at it's the ministries are initiating like sandbox environments for startups and benefits for startups right now there's literally no benefits to be a startup, but they are working on it, tax cost etc so that's something they're on the right track but it's a slow process.

Alexandra Lindahl 16:08
Right. And so that's actually good that we're talking about the macro perspective from the political point of view. So, from what I've understood from what you have said, the institutional environment is fairly beneficial here in Rwanda, in terms of, or for startups and startup ecosystem. So, do you agree with that it is a beneficial environment for startup activity?

16:36 Gabriel
Well it's like having a mom who's your biggest fan, who is always selling you as she's doing great at it, she's always marketing you and talking about you to all her friends. But, you know that she doesn't actually understand what you do. She doesn't actually understand what types of problems you're facing, but she will still be your biggest fan. And that's the same with Rwanda they want it, they are working towards it. They have a little bit of fake it until you make it kind of mentality. If you create a good enough image for a long enough time you'll attract enough cool people to come into Rwanda and Norrsken is a perfect example of that. We don't live up to the standards that Norrsken believes that we have, but because of the standards they have been projecting now we have Norrsken which will attract 10 other organizations, which will attract 1000 etc. So, it's a good way of doing it, and there's not like they're mismanaging it because they're still working against becoming what they're talking about, which is good. It is very easy to do business. It's hard to survive, with your business because taxes are very high. It's hard to scale because of political relations, but political stability still beats political insecurity, like most other countries around.

Alexandra Lindahl 18:01
Right, and then I would also like to ask you, because I will, from my previous research that I've done, I've understood that it's a big problem trying to attract the talents here in general and kind of grow as a basis just from having the right people on board. Is that something you have experienced in general is that something you perceive as a problem or what's your experience on that.

18:28. Gabriel
Yeah, that's the key problem that we're trying to tackle with our edtech is the skills gap. And that's pretty much what every NGO in the country is working against is that they've realized that there's a huge gaps in education quality from low levels up to university. So the biggest challenge every organization in Rwanda has is finding talented people in specific sectors, there is a big gap between the local entry level talents that will accept the local entry level salary, compared to the people who are a little bit better. But those people require signing back an NGO, which is the biggest competitive NGOs are the biggest competitors to the private sector in Rwanda because they are the ones who poach the best talents to work with a nonprofit organization, which leads the startups to having to basically scramble from the bottom of the ocean, and do a lot of internal training which costs a lot of money and as soon as you train someone to become really good, Then they will be poached by an NGO, so you can't compete with a salary. It's impossible, they quadrupled the salaries, compared to what the startup averages. So, talent is a huge challenge. Also developing in the right direction the education systems, it's becoming better, there's more programs there's more opportunities for young people to bridge that skills gap. So I'm very confident that in the next 5-10 years there will be a different scene, but, since Rwanda is a young country you can't blame them for it, it's literally just come out of the ruins so it's on the right track, but talent is a huge challenge.

Alexandra Lindahl 20:15
Interesting. So I think that covers for me at least the questions which I had for you unless you have anything else which you find would be very important to have in an investment readiness program or something that you would like to add on the note of obtaining venture capital funding or additional way of helping entrepreneurs,

20:38 Gabriel
There's no fundraising, startups do not understand fundraising, we didn't understand fundraising until three years down the line. It takes a lot of experience and a lot of failure. A lot of pitching and a lot of networks to even get a toe into the door. Most startups thinks that they will have a good enough product and then they will find an investor right away, it takes several years and that's why most startups fail after two years because they don't have the patience. They don't have the pockets. So, the awareness of the startup knowing that you're in for a long ride. Without not much money is something that needs

to be communicated early. And also, as soon as possible, understand the intricacies with financial planning, budgeting and tracking every expense and every cost and every income that you have properly from the first year, most startups fail to raise funding because they can't prove their finances from the first and second year. That's in general financial management and an understanding of your, of your stage of funding that you're mature for,

Alexandra Lindahl 21:53
and the the lack of being able to prove your track record is that due to a knowledge gap or is it due to not having sufficient tools?

22:04 Gabriel
I mean the government could be better at guiding startups, through the processes that they need to do in the beginning, but it's also because of the government's taxes being very high and startups avoid going formal for the first one or two years. They don't want to register, they don't want to go into paying taxes because they simply can't afford it until they've made a certain amount of money. So, again, chicken and egg kind of scenario there, and it's also lack of understanding, there's lack of training in starting a business, you don't know what budgeting actually entails.

Alexandra Lindahl 22:41
Right. And is this something the government has tried to modify?

22:45 Gabriel
The government is launching training programs, every week, you print programs in these kinds of topics. The government people also know what it means to hire consultants like us to do it.

Alexandra Lindahl 23:00
Okay, well it's super interesting, thank you so much for taking the time for this interview I really appreciate it. I wish you all the best. BAG.

23:20 Gabriel
Thank you very much.

10.2.3 Interview Victor, Envisage Incubators

Mon, 4/5 11:13AM • 38:12

SUMMARY KEYWORDS
rwanda, investment, incubator, finland, startups, companies, invest, funding, organizations, nordics, provide, people, started, business, problem, entrepreneurship, challenges, terms, capacity building, envisage

SPEAKERS
Alexandra Lindahl, Victor Lindahl

Alexandra Lindahl 00:02

Hello, Victor and welcome to this interview. So as you know, I am studying finance and strategic management at CBS. I am currently writing my master's thesis on the bottlenecks for Rwandan startups to obtain foreign venture capital funding, and consequently, will be developing an investment readiness program which addresses the obtained bottlenecks. So I would like to start with with you telling me about the background of Envisage incubators and why you decided to start it.

Victor Lindahl 00:53
Yes, thank you. Well, I have myself been starting different companies for several years and I'm doing my Masters At Hanken School of Economics in Helsinki within entrepreneurship and management as my major and In our school entrepreneurship line is quite small however we do have a lot of different types of support systems, such as Hanken business lab, which is an incubator in the cellar of the of the school. We actually have two of those also one at our other campus in Vasa. But anyway so during this time I've received a lot of support essentially from, from the school and so forth and, and it's been really invaluable to me in terms of my entrepreneurial endeavors. I've also been the chairman of our entreprenuer society, which has been going on for about 10 years, relatively large society as well. I've also started "Start Helsinki", which is a, essentially a pan European startup entrepreneurial societies originated from from St. Gallen in Switzerland. Anyway, so the whole point is to we've received a lot of these supports and and i always been really interested in besides my own companies, you know doing nonprofit work mainly pro bono work and supporting other people. And yeah so at our university we also have or business school we have a mandatory exchange here abroad alternatively, an internship abroad, which is mandatory in order to obtain your bachelor's degree. And at this time we where sitting with my, my, or when we when I was contemplating what to do for this I was sitting with my dear dear friend being Vincent Forsman, who is also my who was the president of organize before me and also has been running a lot of companies started his own restaurant when he was 18 and, and has started several different companies and so forth. So both are really into entrepreneur spirit, and, and we're really thinking about what we can do for this mandatory activities we have to do, but we didn't want to go study abroad, because to our, our own experience, that often just entails that you party you don't do that much nice for networking and so forth. So, we instead, decided that, you know, how could we utilize entrepreneurial skills and, and do something that really fits in the domain of an internship with entrepreneurship. And so we wanted to, and we're sitting in the business lab, and we're just talking, that's okay. But you know, we would really like to go to Africa, we have a huge interest east africa. We were talking about Asia and South America, but Africa, just, you know, was more, more appealing, and, we see much more potential here as well. And both of us knew several people from the African continent as well. extremely nice people. So, yeah. So then we were initially actually thinking about building a school. But we quite quickly realized that, you know, that can make a lot of impact. But instead, what we wanted to do is really empower young entrepreneurs to themselves kind of lead the change very much to this old Chinese, saying that, if you give a man a fish, you feed him for a day, if you teach a man how to fish you feed him for a lifetime. So providing essentially, in this analogy, the knowledge of fishing is entrepreneurship, essentially how to solve problems. So, yeah, we then I thought that, you know, after an hour of chatting we then realized that you know, the ball kind of dropped. Why don't we just build you know an incubator because that's something we really know. That's something we've been ourself involved in. And, as luck would have it, we met a gentleman called Theogean who was from, from Rwanda, who was doing his PhD in finance at Hanken. And he actually just a couple of days after we approached our CEO of the business

lab, but also mentor, Dr. Marcus Vartiovararen and told him what we were going to do and he was actually really excited about it. And then actually Theogene came to Marcus and said hey, you know that Hanken Business Lab is something we really need in Rwanda. And you know so it was really destiny. So we just eh, Marcus put us together with Theogene and we started chatting and Theogene said that he had a team or some friends in, in Rwanda of scholars and entrepreneurs that wanted to kind of do this together. So we got together we jumped on a Skype call with them and it was kind of love first sight. And after that we then decided that let's go and do this and you know, they were chatting about, you know, the challenges but also the opportunities and about Rwanda and it was just really, really exciting and what we then did in a very rapid. I don't know how much you want to tell about this, but we then decided to take the guys from Rwanda up to Finland with the rest of the team, so Patrice, Theogene and Dr. Benjamin and they come up to Helsinki for 10 days where we went around to all the All the kind of ecosystem players so all the incubators, accelerator programs, entrepreneurship societies, venture capital firms and so forth, and then we had a really nice Mökki experience, we went to for team building and all this fun and yeah, after that we then went down to Rwanda a couple months later where we started checking out different spaces. And perhaps what's important here that from the beginning, we actually chose to do agricultural incubators solely or agritech. The reason the reason for this being that 75% of Rwandans, or of the working force, were employed embalse and five were employed in within agriculture and we saw that this is perhaps the most, where you really need to make the change in order to to, to make it to kind of move from from, you know, Agriculture based economy to a knowledge based economy.

Victor Lindahl 07:49
so that's why agri-tech and obviously you know, then reading up about these numbers about 38% of children under the age of five, suffering from from chronic under Nutrition you know really terrible numbers and 30% of food or of post Harvest lost in agriculture. So now children are starving while at the same time, there is not the, you know, it's both production yield but also the kind of post harvest. So we just saw there's a lot of opportunities for startups to come in, but yeah.

Alexandra Lindahl 08:27
so it is a very interesting background. I would like to know more about what it was like to set up the incubator in Rwanda and what main challenges did you face during this time?

Victor Lindahl 08:42
Well, I would say the first thing would be that there's a lot of difference in I mean Governments, a lot of these structures, how you approach different organizations, how you find, And I think one of the main things, if we where to do it ourselves, would be the lack of information. It was very hard to set up the incubator, you know, it's hard to find info, government webpages are quite poor or like bad. And so yeah, I mean, there was a lot of challenges but at the same time was relatively easy because you know, the team, our team like our Rwandan part here was, you know, really well connected, well established entrepreneurs and academics, especially academics. and yeah.

Alexandra Lindahl 09:37
Would you say that it's important to have a local contact when you're setting up a business?

Victor Lindahl 09:43
It is essential

Alexandra Lindahl 09:44
Okay so it's paramount to know someone and is that because?

Victor Lindahl 09:48
I think it's exactly the same thing as if you would go from Sweden to Spain and try to set up something, not in the same sense, but you still need some local competencies. There's, there's different languages, different stuff, we're doing stuff, you need to have local competence in terms of lawyers in taxes in how to set up organizations. So I think that very much the same sense. Even if you would go from a country like from, you know, Sweden to Finland, you still need, there's different you know, everything works differently. So I think it's, I don't, I wouldn't say that it's impossible to do without, but I will say that it's very hard to do, and or significantly, much easier to do it. And especially in a country, like Rwanda, we have a lot of bureaucracy. And I mean, even more so than you have in the Nordics. So you need someone to easily navigate it. However, in general it is very simple to set up organization, we actually didn't set up an organization in Rwanda for the beginning. We just managed it from Finland or to their legal entity in Finland. And then everything here is through MOUs. So Memorandum of understandings. And that's kind of how everything works here. I've never heard of MOU, before I came here, so

Alexandra Lindahl 11:03
can you tell us more about it, what an MOU is?

Victor Lindahl 11:04
It is just a memorandum of understanding, like, you know, essentially agreeing to collaborate, it's not as binding as is like more, you know, you just put on paper that you're going to work together. That's essentially what it is. And it opens door, if you say you have an MOU with a university or with the government, it opens doors, but

Alexandra Lindahl 11:25
you're not legally bind to do anything?

Victor Lindahl 11:28
Yeah, you, it really much depends on what is in the MOU

Alexandra Lindahl 11:36
That's very interesting. So speaking of the institutional environment, or in general, the macro environment here in Rwanda, how would you perceive it? In regards to operating Envisage incubator, is it efficient, easy? Is it challenging? How do you experience it?

Victor Lindahl 12:07
I mean, again, for us, it was really simple, because, you know, we were the first agriculture incubators here, all of the ones that exists before us, were just focused on, you know, essentially things like, like, you know, trying to build a unicorn, so you can scale rapidly, which is obviously something that's very needed. And that's why we didn't want to, you know, build, since we didn't have, you know, everything was free for the startups. We didn't take an equity

or anything like that. So we more cared about obviously, essentially only cared about the impact, and actually, the potential of the company, more than building FinTech unicorns or something similar. With that said, I think the macro perspective. It's, I mean, it's relatively easy. Then obviously, there's, I mean, if you compare it to Finland, obviously, their input in terms of the level of knowledge that the kind of founders have is, you know, lower than you would have In, in Finland, just because Finland has one of the best educational systems on the planet, but I mean, if you would compare a wonder to Congo would probably be extremely much simpler in, in, in Rwanda than in Congo, so I think everything is just, you know, relation to what you're comparing to. But I would say that in essence it's relatively simple.

Alexandra Lindahl 13:33
And would you say that there are any main obstacles or challenges from an institutional perspective, which hinders startups from obtaining funding?

Victor Lindahl 13:47
Yeah. I mean, I think I think the institutional, Yeah, I mean, one of the things is obviously that, due to the government not functioning in a similar way as you do in the Nordics, and now I'm just compared to Nordics because that's the only thing I can compare with. But it's, for example, if you're doing taxes, if you're doing you know, setting up organizations, bookkeeping, all of this, because if you're looking at, and now I am again saying that Rwanda is extremely high up in ease of doing business index. So that's not hard, but what I'm more getting at is that in terms of how you educate people in terms of, you know how to run your finances, how to run your accounting, you know how to do all the legal aspects, how to source funding and opportunity stuff exists. And I mean, then obviously one of the biggest challenges here is that you don't you have, you know, many people don't have a bank account. So it becomes much harder to do all these simple stuff. So the risk is higher. And I mean, but while at the same time, if you look at Finland, I think there's very few people who actually know how to run a company. And what I can say about that is for example, that how can you say You know, top ranked school, Business School globally, but you know, that's why we actually just started also Similar preincubation programming at Hanken because we had many students coming up to me and say, you know, I've been studying for three years and I really don't know how to run a company, because it's very seldom you actually learn, you know, if you study accounting, you learn the basics and everything but then you focus on one thing and you become really good at accounting. We don't know anything about how to do financial projections or how to do basic marketing or how to do legal stuff for taxes and so forth. So I think that Capacity Building and why I mean this in a structural macro context is because that's something that you focus much more on the product than you actually focus on the people who are running it and it becomes difficult. So I think that's that's what we wanted to change. You know? We wanted to do much more capacity building in terms of providing the kind of knowledge you need. And I think that's why we also is this that you know, you don't need to know everything. You don't need to know the four Ps in marketing for example, which is actually from Hanken I think, and you don't need to know the most advanced Financial projections, but you need to know the basics in it. And especially the basics related to running an early stage company and I think that would help a lot. Because if we're talking about funding. The challenge is that the people who, or like the supply chain, or supply side of the of the kind of investments here, is you know that the risk is a bit too high according to them, so I think this would be a way to mitigate risk more

Alexandra Lindahl 17:03
So you would say that the main risks they perceive are related to the lack of capacity building?

Victor Lindahl 17:11
Well, I mean, that's one of the things because if you're looking at if you're looking at an investment, you're looking at first, you know, just that the product, what they're selling, what is the scale of how, you know, what is the market potential? How scalable is it? You know, unit cost and whatnot and whatnot. You're looking at the team, the founders, essentially the management, how good are they? You know, how much do you need to, because you're doing an investment and Also if we talk about, for example, venture capital, a lot comes down to how much do you need to not only invest, because investing the money is one thing, how much time do you need to invest in the companies if you have, if you're investing in a person who's run four successful companies, you probably don't need to invest that much time with a company, if you're investing in a university student you probably need to put quite significantly more time into it.

Alexandra Lindahl 18:03
Of course, that makes a lot of sense, so from an investment readiness perspective how do you think, or do you think that you will be able to overcome or help investors to overcome these challenges by including something in an investment readiness program or even just having an investment readiness program helping investors?

Victor Lindahl 18:38
Yeah Thank you sir. Can you repeat the question?

Alexandra Lindahl 19:02
Yeah, of course. So I was just talking in regards to the investor readiness program so..

Victor Lindahl 19:09
the investor's side right. Well, I think the first challenge is that if you are looking, and this very much depends on what investors there are, what type of investments, is it equity, is it debt and

Alexandra Lindahl 19:22
we're talking about equity primarily

Victor Lindahl 19:26
Okay. Well, I would say directly that the biggest challenge if you're looking at, i unfortunately don't know that much about angel investors in Rwanda, I know there are some, but we mainly work with institutional investors like Business Development Fund of Rwanda. So it's like under the ministry.

Alexandra Lindahl 19:45
So just a quick, is that the main way of investing or receiving investments in Rwanda right now? or why have you chosen to

Victor Lindahl 19:55

They were a partner. We, that's why, you know, I didn't really get to say to the end about how we set up everything because if I did say that first, so, the whole point about how we set everything up was that with how you do it here and you do it effectively, I will say like this, why we have succeeded by doing this with virtually no money at all. Well, first of all, we put our own money into it. But we have leveraged partnerships. That's the main thing. So Business Development Fund of Rwanda was one of our partners, one of my main partners and then we had University of Rwanda. So Business Development Fund provided, essentially funding because they needed deal flow, they needed a much higher quality deal flow that they can invest in. Whereas university of Rwanda needed to provide more entrepreneurial skill to their students so our incubator was set up in Research Development Fund's house in Kigali. So they have several of these in every districts that have it. And actually initially we were supposed to set up one in each district, but, we just wanted to make it work firstly, in one place, and then now when we are looking at our own challenges that's more that the whole thing how Development Corporation Funding is structured in the Nordics is just terrible. You can't receive funding, or our organization couldn't receive funding though we were highly educated. Well, well experienced entrepreneurs with a fantastic local team. You know, partnerships with the government in Rwanda. And with universities and with funds and everything and still in Finland they couldn't provide any funding because you have to be an organization for x amount of years, you have to have an x like five year projection in terms of, so everything is strucutred very much in a corporate way, like you know, what I mean by that is a corporate nonprofits, so you can only kind of provide money to this organization that have been doing the same shit for a very long time. So that's why we didn't scale it. But the whole point is that we leverage partnerships from the beginning. That's how we were able to do everything very quickly. And that's also why I think that what we did was with a startup mentality. So the whole point about we have very few resources, how can we you know, achieve what we want to achieve, but with very few resources that we had, but that was leveraging partnerships.

Alexandra Lindahl 22:12

So Just going back to the partnership you have with Rwandan development, what where they called?

22:23

BDF Business Development Fund.

Alexandra Lindahl 22:25

Right, So obviously these partnerships is a win win situation for both of you. But what, when you were talking to them, what main problems were they experiencing with the startups that they wanted you to help them to improve in order to provide more attractive or high-quality investments?

Victor Lindahl 22:44

Well, I would say very honestly, it is not something that you necessarily need to quote me on, I'm not saying that you're not allowed to, but necessarily need to do it, but I think that one of the challenges is that the people making the investment isn't that knowledgeable in how to make investments. I think that this is actually one of the biggest problem when talking about funding in Rwanda, is that the people of the supply side supply side. So, institutional investors like BDF, you know, obviously also like VCs, like the VCs are all foreign, they come mainly from the US or UK, or then it's like Finn partnership or Swedfund, Finfund, and all these organizations that actually fund these different types, you can look them up. I'm not. I always mixed them up. But the thing is also that they, for example, Finfund who have a mandate to invest in impact businesses in, for example Rwanda, they, we've had a lot of chats with them, and the problem for them is that they only invest in companies that has something like 1 million or more in revenue. Which in Rwanda is seriously late funding. So the biggest challenge here is kind of early stage. There's no one who's doing Early stage because everyone thinks that the risk is too, it's way too high. And I think it's mainly because they don't understand the climate. Right. So I think there's much more needed, but actually I think the investor readiness program needs to be also, I can talk soon about what the startups I think they need and what we've seen that they need to improve, but from the perspective of investors, I think that investor needs to be much more educated also

Alexandra Lindahl 24:37
The foreign investors or are we

Victor Lindahl 24:40
especially them

Alexandra Lindahl 24:41
Okey and that's because they are missing a lot of good investments due to the fact that they have these set boundaries. Yeah. Because

24:56
no first Thank you sir. Thank you Yes, I would say that

Victor Lindahl 25:02
what was the question?

Alexandra Lindahl 25:04
So about them being more educated about the climate in Rwanda, the foreign investors

Victor Lindahl 25:10
Well, I think that the problem here is that, you know, in the end, VCs have external funding, then they are they have an investment list that they need to follow. And they have an obligation towards their limited partners to provide an return on investment, to a certain percent, or a certain percentage with your investments. And obviously, so the thing is that they if they would be in, for example, you know. Most of them often have have, you know, successful companies behind them. They have as much investment but they've done that, for example, in the UK. So for them to do an investment in the UK is much lower, like, a much lower barrier for them to do, than doing it in Rwanda, because they don't understand the landscape, they don't understand the culture, they don't understand the markets. And if you're looking at a VC and you go into the team page . They're like, you know, investing in Africa. And they have, the board has like 10 white, white people and one, one local person, I think that directly should set off some alarm bells. So, but then again, I think the thing is here again, a VC, its purpose is to invest in companies that can scale rapidly. So I actually think that if you want to create

the invest readiness program for VCs, then what you essentially need to do is you need to do a pre investment with a pre accelerator program before you actually come to the VC investments.Because often if you look at preseed funding in the Nordics, that is significantly much higher, than what a pre seed investment is in Rwanda. And that accounts for a lot of things, just in general the cost of everything. So I mean If you want to build products, for example, just if you're thinking about let's say you do, I mean since also since the kind of work force, like the cost of work, we know people actually work is significantly much lower here. It also also entails that it's not the same thing that you know, if you have a for example have, in a hotel industry, you know in the Nordics to invest in a software, significantly decreases the requirements for people actually doing physical labor or like working, it is not as important as it is in Kigali when you when you're paying, because one of the biggest bottlenecks for hotels or like, for example, in Finland, is the cost of man power, but here is so much lower. So I think what I'm essentially trying to get at here is that, I think that you have a big gap because you have foreign people trying to make investments in you know in an environment that they do not really understand

Alexandra Lindahl 28:21
And also just going back to what you said about them requiring a $1 million

Victor Lindahl 28:32
I'm not sure exactly but it was an insane amount

Alexandra Lindahl 28:34
yes, do you feel that it's significantly higher than what it's sort of reasonable from what you have experienced startups to have achieved here and Rwanda

Victor Lindahl 28:42
What I have to say real quickly, is that the reason for this is very evident. It is because they don't have, for them to make an investment from Finland here is quite expensive, so they wouldn't. Like for them to do a 50k investment.

Alexandra Lindahl 29:00
And why is it expensive?

Victor Lindahl 29:02
because again if you're doing it, say like FinFund, let's say that they have eight countries in Africa they do investments in. For them to do all the due diligence of the company, all estimations etc for 50k, it's nothing for them. So they actually, the problem is that this is also what I'm coming back to that Development Corporation is very corporate. That it becomes so that they only provide bigger organizations with big investments. So I think that there's, in terms of making you need to create, you need to extend the kind of whole chain. You have to start much earlier. And I think that's why organizations like Envisage, It would be, like it is something we've been doing with Finfund, is you know telling them hey, we can do, you know, for what you do would do one investment in, we can instead do 20 or 30, and obviously they won't all be successful, but, you just need like five of them to be or so on, or for one or two to be a rising star to cut it.

Victor Lindahl 30:09

So I think it's kind of the whole just, it's just, everything is problematic on a macro level

Alexandra Lindahl 30:15
right, that's very interesting. So what would you say your roll then as Envisage Incubators and from an investment readiness program to be? Where would you be or what would you be including, to kind of solve these macro economic issues? Or macro level issues

Victor Lindahl 30:39
I mean I think that what is needed is much more collaborations between all the actors in the ecosystem. Much more collaboration between incubators, accelarator programs, coworker spaces, corporates, because one of the biggest challenges here, as well, is just technology. In Finland you have so much access to you know the best engineers and software developers, and you can go to Nokia and they have you know some form of venture hubs or something, you can leverage technology from there you can get much more mentorship. So I think you need much more collaboration. But I think what we can do on a macro level, we can just, I think now for example you have a very interesting happening here in Rwanda with Norrsken foundation coming from Sweden, and what they, the whole thing about them, you know they scale companies, you know and what an organization like Envisage then does is that we essentially provide a pre qualifier and essentially pre build that like, you know, we actually provide the capacity building in this stuff they need to actually be ready for a place like Norrsken, because if the companies we have in the incubator right now, before they've gone through our programs, they like it would be such a gap between organizations like Norrsken and their investors, like their, you know, Norrsken VC and between, because they need so much more kind of. And I think this is a lot about the same thing that if you would have a banker coming into, you know, investment banker without first having, you know, done, been to university and learned so much so, I think we see ourselves as in terms of entrepreneurs in the same sense what you need to do you need to educate much more, as doing, but the only difference between University and us is that our work is much more practical. It's much more like how do you actually okay you learn this x, how do you implement it in your company? So you actually learn by doing. But yeah, so I would essentially say that what we need to do is is really just focus a lot on the management of the startups, what I mean by that, is capacity building, providing different types of. And that is not only things like how to do accounting and how to, you know, and that'd be what accounting is also, it's not just about okey how much do I sell, but it's also about understanding what is your runway, how much money do you have? How much you know, what can you do here, there, but then, also, obviously, about providing, you know, structures and frameworks for them to actually become investment ready so they actually put in systems for it. For example, how do they do due diligence within the company? Like how do you ensure like all the legal aspects are working, how do you ensure that that I mean everything in a company works because now it's often that someone you know someone comes to me if they have a great idea they have, You know, great products and solving a very important problem. But then but then you know someone asks them for the most basic financials and you know they say that they don't have it. Tech enable accounting like you actually just put in the numbers, so then they can actually also provide you with data that perhaps they wouldn't receive otherwise.

Alexandra Lindahl 34:33

But would you say that your role in helping with these things would reduce also the risk and also the costs for foreign investors to evaluate the startups? So I'm just thinking that given that, to you're point which you said earlier that it's very expensive for them to make an investment which is also why they kind of have the lower level, or lowest level of investment they are making is fairly high in comparison to what the Rwandan startups are actually capable of. So I was thinking that if you do then help them in educating them in their financials and all these sort of things, do you think that would help to reduce the risks for foreign venture capitalist or funds to invest in startups. Just because it would be easier to do the due diligence and those things.

Victor Lindahl 35:36
Yes, 100%

Alexandra Lindahl 35:38
But given that you combat that problem, are there any other barriers which hinders these investments?

Victor Lindahl 35:49
but I mean I have to say one thing here quickly also that about the investments needed here in the beginning when I was saying that it lacks very much proper investment opportunities, like from the startups point of view, like obtaining funding, and the really beginning stages is that no one's talking about the tech you're gonna get is that most of them you know if you need to have you know for building a product You need to import it

Victor Lindahl 36:17
and it's very expensive to do so as well. Like there's so many of these stuff that you don't have readily available, like just you know, the basic stuff, for example, like microchips, if you want to build that, if you want to build a drone, you still need to import majority of all the components, which is very expensive if you're, if you're agritech, you know, student, at an agriculture University. It's extremely expensive to do so. Because this also comes down to that. Entrepreneurs here as well on a personal level doesn't have nearly like, it's lightyears ago, in personal financing as well, because a start up in Finland, students still get paid to go to school and still get, you know, very, very good loans and so you can actually invest quite a lot yourself. Here it's very hard to do so, so it is about getting the companies even like out of the starting pit

Alexandra 37:09
And even getting an MVP?

Victor Lindahl 37:11
Yeah and I mean that is also the norm. Like they're very, very innovative in terms of you know, getting their MVPs, likke you know using very few resources to get the MVP. We had one company that was doing hydroponics and vertical farming and they, you know went to a scrapyard and found all these you know as you have on Buffes these aluminum trays, found those like for example, and you know drill holes in them and then they have some some insane water pumping system, I didn't even understand how it worked, but it really didn't cost anything, but they were able to get that much with extremely few resources, the whole about

thath is okay. Look, they managed to get this far, imagine what they can get with a little bit of funding so they can actually get the bigger system.

Interview Victor continued:

Alexandra Lindahl 00:01
So back to the creativity you were heading at or indicating about their MVP, and what they

Victor Lindahl 00:11
I would more call it resourcefullness.

Alexandra Lindahl 00:13
right, and I mean that is something which is, or would you say that it's something that they can leverage upon in comparison to startups in Finland, who have more access to capital on a general level.

Victor Lindahl 00:33
Well I mean definitely, I think it comes down to, you know, the less you have, the more resourcefulness and innovative you have to be. So I think in the end, like what, what a startup is all about entrepreneurship in a way it's just about, you know, how can you build something with as few resources as possible as fast as possible. Well I think there needs to be a carrot at the end of the road. But now there's no carrots, and I can literally say that out of the 250 startups that I've mentored in Rwanda, I have never heard a startup not mentioning that one their biggest challenges is access to capital.

Alexandra Lindahl 01:12
And what is it that they primarily would be using this funding for. Are there any patterns

Victor Lindahl 01:21
or problems here. Looking at this was what it comes down to, from an investor point of view, it's more than just put a number out. This is what we need. And, I think the problem here is that, looking at what it comes down to from an investors point of view, it's more for the startup than just putting a number out. You know, it's not so much that it is very detailed, saying this is what this will cos, this will cost, and this will cost and this will bring this in the future, and that's what I'm saying again, that in terms of the capacity building is so essential. But I also think here is a challenge, like for example, a startup very seldom, often like early stage, you don't know so much asking for, you know, paying wages in same extent, but here since the people don't have the same, you know, security you need to have money, you're often paying for a range of rent as well to, to, you know, live and especially when we're talking about you know a lot of people being in agriculture, especially now with, with, you know, The climate changing all these different stuff, is that it also becomes so much more insecure like connect with food. So I think this is what I'm trying to get at here is there's so much more need for actually when you're asking for money being very specific, this is what we need. This is what we will achieve with this. And I think there's for example the impact consulting or something very much to do with that because, like you don't need to be in, like, I think capacity building is one of the, you know, enabling people to become experts or something, its more by just providing an understanding of it. And then I also think there's should be much more collaboration within, you know, actually. But this is also a huge challenges in the Nordics, its

a challenge everywhere, you know, how do you take a technical founder and find a non technical founder someone who can join the business someone who can buy the product. So that's also what we're doing now trying to know through our MRU with the entire university of Rwanda on all their seven campuses that has everything from business to agriculture to ICT and everything, how can you put teams on those together and also praise that

Alexandra Lindahl 03:34
So, in terms of going back to the capital. If the startups, generally ask for VC funding to primarily to their wages so to kind of secure their or to even get food on the table to proceed.

Victor Lindahl 03:55
That's not what I'm saying. I'm saying that they don't often, like it's not so detailed what they need all the money for, often if you're looking for something to see, like, if you say 50,000 is what I need, then its not really like materials 2000, and, you know, operational costs 2000, logistics 1000.

Victor Lindahl 04:31
and then the VC asks, okay, so you can show us what it actually entails. What is the breakdown of this cost. And then you don't have it. So, it is this conflict okay so what is it that you're going to do.

Alexandra Lindahl 04:40
So would you say that this is something which primarily should be including then in an investment readiness program.

Victor Lindahl 04:47
Yes, definitely.

Alexandra Lindahl 04:49
And if you compare an investment readiness program to what you are already doing at Envisage incubators, what would you say that its primary necessity is, which the investment readiness program should fulfill

Victor Lindahl 05:03
I think the thing is that all the companies are different. Obviously, all the founders have different experiences, different knowledge. But I think, again, you know, capacity building is needed, because you need to provide a more robust and not higher educated but higher competency management team, and also say that these startups have the potential, just need the right type of education, to come there. Then there's need for, you know, having presentational skills as well. Like I don't think I've seen. I see. I think I've seen one or two actually really good pitch decks. And this day and age with like SaaS services like Canva, for example, and these other stuff that you know you can make a brilliant pitch deck. And I think also, that's the investors that are here, by just having a professional pitch deck, like how much they would open the door like it's insane. The difference between having, you know, and there's so many that has like spelling errors in them like so many that have like these basic things. And then obviously, being able to, how to communicate besides the pitch deck, and how to talk investors you know, you know, there's readiness for questions that will come, understanding the markets more. And the difference between, You know, if you break it down to markets, you know, not only

that you are selling at. What is actually the total addressable market, you know what it's like and so there's these different models you can use to actually go really, like, you know, very specifically down to, to what your actual obtainable markets are. And these are stuff that needs to be and obviously market research, how do you like all of these things comes down to how do you do sufficient market research,

Alexandra Lindahl 07:06
but I'm just thinking, because this is something that you are already doing, right

Victor Lindahl 07:12
to some extent but I think, again, that what we're doing is we're understanding. I would say as a good example. You know the difference because, we've learned a lot on the way, and in the end, you know, we've been operational since, you know Q3 2019, we were operational for five months, the first batch, we learned a lot during the first batch, you know what we need to improve.

Alexandra Lindahl 07:42
Can you share some of those things.

Victor Lindahl 07:44
Yeah, like how much more need it is for all these different things, because you know, our experiences, you know, within the best voted accelerator program in Finland so Chios accelerators, and for example that program would never work in here, because it's the best accelerator program because they bring the best mentors. There's no, like they have then they did this, like thing called starting up, which provides you the basics of startups but it's more like you know what, what does this mean what does this mean like, you know what is the VC what different types of stages are there and so forth but I think so. What I'm trying to get at is that in Finland it's about because the people coming in, often has a lot of inexperience, but then again also knows that the minute doesn't have it. So, what we learn is much more emphasis on actual education, like in terms of all the aspects of it, much more emphasis on you know how can we create much more prototyping capabilities. So for example, there's all this stuff now with 3d, printers and that can enable you to rapid prototype, and thus drastically reducing the initial of, like, requests they have for their funding. But, but I mean then again like one of the challenges we had that after the first cohort, you know, a pandemic came, and everything shut down, especially where significantly many people don't have internet. So you know we had to pay internet for people, and which was really expensive as well and is really hard to achieve, to have the same kind of providing. So though we now have been, you know, going on for almost two years. Yeah, well I mean that was about, I would say now it's about a year and a couple of months, but a lot of those time has been during a pandemic so we haven't really been able to do anything. So, and also I think the last thing that. No, I think we need to go much more up on master levels.

Alexandra Lindahl 09:59
Who are the primarily one applying for the incubators or the what age are they? University, or like 20 to 30 year old and just another just to go back at this, the difference between Envisage and the investor readiness program. When different businesses are applying to your incubator. Would you say that, in terms of what stage they're in. Could you distinguish between some of them coming in with a fairly investment ready business from a general perspective,

yet that they are lacking, like the track records of bookkeeping presentational skills and those sorts of aspects, whereas other businesses need to kind of find their market fit, and have a lot of other things which they need to work on before even becoming a candidate or, or are most of the businesses at the same stage.

Victor Lindahl 11:00
No, I mean this is also one thing that, I admitted that companies are in very different stages, but I think what we've been doing is mostly getting the companies, more in finding product market fit, and that's what I said as well that they're already, you know, Caleb, and other kinds of organizations Westerwelle House and these, that is perhaps companies which are a bit more further along, and what we want to do again was because we started this from a university, we wanted to educate, university students and this the reason for this was that we saw that back in 2019, when we were at numbers that 22% of youth in, in Rwanda were unemployed, and the youth is a majority because I think the middle, middle age here is like 20 or something. But among those among those who have a university degree 28% are unemployd. So that's why we focused on university students

Alexandra Lindahl 12:03
And how there are so many unemployed

Victor Lindahl 12:05
because if you, if the economy is based on agriculture, and you don't have white collar jobs, and it's exactly the same thing as in the Nordics, if you study for three to five years, you kind of expect to find a job. Related to that, but there are very few as white collar jobs. So,

Alexandra Lindahl 12:27
and that's where you want to,

Victor Lindahl 12:29
yeah, you know, essentially, you know, we what we the whole kind of our motto was to go from job seekers to job creators. I mean, looking at the investor readiness program. And this is again this is very, very broad, because there's so much different. All companies are different and all industries, but I would say the first thing for you to do is have prototyping, in production. How can you actually get them to have a prototype that actually works that looks good. And you can actually enable investors to see the potential, then you need to have a lot of focus on testing. So, when you have a prototype or like MVP, how do you actually test them, and first before that, how do you define your customer groups and how do you like to find your customer and like everything in between, and just test, test, test, so you actually can start to get some traction where you can showcase, start to get some sales, or at least some self commitments or something similar. I think there is a need to from the beginning to put in like the capacity building, but thst again is all the time. And then obviously the market research and also Rwanda is still is pretty small market I mean it's 13 million people. It's not like it's a market with, you know, huge purchasing power.

Victor Lindahl 13:59

So, you always have and if you're looking at from investor point of view, you want to look at a product that has scaling for that. So if you already could have a small soft landing with an MVP in other markets, it shows them that they're there, now we're starting to talk all of a sudden. I think there's a big need for having consultants, like impact consultant that can come in. We've been doing that where they can come in and actually come look from outside perspective on the team, or on the product or on the markets. And, you know, provide expertise that they otherwise never will be able to obtain because it's way too expensive, but I mean again if you have university and master level students in the Nordics, that otherwise get jobs had the best banking firms on the planet and so forth, and are doing a lot of that actually working at you know PE firms and doing assessment of firms, so they actually doing the exact same thing already. That would be, because that could, that could also be so that because now everything I'm talking about is very general. It's won't be so, because there with the impact consultant thing is that you can focus on specific companies, what does this company, what are you lacking. Because again if you're doing fertilizer, for example, Eco bio fertilizer is very different from doing a drone that distributes like bio pesticides, it comes so much other stuff made well because I mean from in one, yeah. So I think, I think this is why these types of consultants can be something really actually needed, and then just, you know, providing onboarding to digital tools, how do you use like, if you just take some kind of Canva for example, because that you can use for all the marketing. I think that it could, like, you know marketing content for example, I think there's a need to educate people on how to do to build a webpage, how can you have someone who can really look at it, what the work they're doing, because it looks so much more professional. And I think a lot here is that if you look at a Nordic startup. It's much easier to fake it until you make it. Essentially, because you can do this basic stuff oh this looks professional, but if you just have like, imaging an investor, and I come here and I tell you that I just presented an idea with a pretty bad pitch deck and just like a power point, and it says here's how we would do it. This is how we're going to do, la la la. I don't have anything else than that, compared to me coming, having like only one prototype, that was the only thing I had, I take this hydroponics thing again. And they were, they were actually really good, like the hydroponics guys that we were talking about, they were able to do with this latest stuff they found to actually produce a working prototype that has very good numbers as well, like you know when they were, but if they could say like that and just have one, you know, bad picture, bad you know, quality camera phoyo and say this is the only thing we have, compared to me coming in, having a nice webpage, you know, very professional webpage, you know everyone looks like this with a tie on and, and then you have a very professional pitch deck, and you also even have some animation of how, you know, show me first, like, this is how we you know, and having building a story behind it as well, like, look this is the this is the prototype we did the stuff we found the scrap yard, and it's been, these are the amazing numbers and then you have, you know, a sketch of, like, the next step. This is how much money we need, because this is what this material cost is this material cost this is what this material cost, and this is our vision in the future. And then you have someone who's rehearsed and rehearsed and rehearsed pitching. So, you have exactly the same thing, but I think it's also the perception, because in entrepreneurship so much it's just perception. compared to,

Alexandra Lindahl 17:57
So I completely understand that and I find it to be very reasonable but I would just like to get back on one thing which was the discussion in regards to the impact consulting. So, obviously, the value it could bring is is evident with having someone who can perform due diligence and valuations to, or for you in comparison to having to hire someone to do it. But in order for them

to even do the valuation, they will need some sort of track records and data, and, and how do you think that investor readiness program could play into that

Victor Lindahl 18:45
First of all, impact consulting is a concept where we have collaborations with universities in Nordics, where a student gets ECTS credits for providing consultancy work for a given time that reflects on that number of points. I think this is also why. And this is something that can really work well but the thing here is something I think the investment readiness program is that what you can do, you have be able to have it a bit more long term. So for example, a team coming in, firstly and saying, this is the data that we need and this is how we could say that you could collect it, essentially, or just something maybe a team could do or something that you know we also could do, and I think this is also about creating the framework for impact consulting, you know, this is what, you know, chatting with a lot of different management consulting firms, about for example you know we've been looking at implementing the McKinsey 7 step framework for example and, for example, having an academy for onboarding teams to that

Alexandra Lindahl 20:03
So you would not be taking on this part or you would be the kind of communicators to the startups, whereas the, for instance the academy hypothetical Academy would be educating the students

Victor Lindahl 20:18
actually educating both. So how do you how do you like ensure that the company is coming in, they understand, how do you how do you conduct meetings, what should you prepare beforehand. So essentially everything because that's how you can scale it. Investor readiness program can also be just like impact consulting can also just be like a team of designers, like for example we are now chatting with industrial designers, schools on industry design, how can they design a very nice prototype, while they're in Finland, and then just send that, you know, with a datafile to our incubators, and then we can just you know print 3d print.

Alexandra Lindahl 21:12
That is super, Super cool.

Victor Lindahl 21:18
So, but I think that the whole point about impact consultants, is that you can, you know you can get companies kind of off the, off the wall, or off the ground, quicker. And I think that this is also about what I was saying, the main thing I want to emphasize system. You can do investment is program that is in general, and then has the covers you know the challenges, but I think there is a big need for also having that customizable components essentially. So it's not, you know, Because investor readiness isn't a one size fits all thing, otherwise it would be very simple to do this, but it isn't simple. I mean, I think also what is needed just a lot of, but we just need some success stories, because that will also then open the floodgates from investors.

Alexandra Lindahl 22:12

So just looking from from shorter perspective, I understand that there is a big gap between the institutional investors, and particularly foreign funds. And the Rwandan startups, so from a short term perspective, how would you kind of get this wheel spinning. Who should be targets in terms of, if the venture capitals are a far reach

Victor Lindahl 22:42
I wouldn't say that venture capital is a far reach per se, because again, their challenge is that they can find anything to fund. So, and they want to find stuff. but I think that what we're doing for pilots, I would say like this is to find companies that have a product market fit, or at least something that you can look at and okay, this will work, and have the management team behind them that can, like, both the technical aspects and business side of it, and then have angel investors. Because Angel investors don't need to follow any investment thesis or fund like you know, I think this is again the most success stories. If you see someone going through the program, an angel investor funding it, then again much more companies coming in, right applying for the program, or you get much more investors, you know, open their eyes. Because.

Alexandra Lindahl 23:45
So the angels are essentially the primary targets we should be focusing on initially to kind of attract the venture capitalists, as well.

Victor Lindahl 23:57
Yes and no. It very much depends on what VC you get in, but I am just saying that it can be easier to get, because I think the success stories is what you need in an angel also invests more you know more about kind of from their heart you know can come in as well. A VC is much more just, essentially a quantitative, like they look at the numbers, and what is the probability of this, whereas an investor come i not necessarily wanting the same quality, it is more like you know you're talking to them and, like, Hey,I love your story I really want to support you. So I think from from that perspective, I think in the beginning it can be yes, you know. But I also think that. Even so,

Victor Lindahl 24:43
it can be you know you don't need to do. Angels sure, VCs hm, but then you can do this, like, you know, theme partnerships and these as well. I think one analyst with one of those who would like but having them come in for example, because, again, for them the challenge is that it's too expensive to go for the smaller ones, but if you have a program, you have, they go through that, and then they sit on the you know jury and then they get 10 of them. And this kind of pre validated that could work. I think everything is just about there's such a need for more success stories, because that's why, you know, if you're looking at everything has changed with

Alexandra Lindahl 25:52
Yeah, so I was just curious in regards to these investment readiness program do you think that there's any element which, or whereby you should, for instance, educate these foreign funds as well to kind of bridge the gap between them and the current startups on the size of the startups in Rwanda, or is it more coming from the startups having to develop to become more attractive to them. Do you see that you should move them closer as well. So, essentially,

there's obviously a gap between the funds like FinFund and the startups, where you say that the investments are too small. And obviously we've been looking at what the startups can do to become more attractive, but do you think that you should bring the Finfund closer as well by educating them in some sort of way in bridging the cultural gap for instance. Or do you think that it's, it's more the startup who should become more attractive

Victor Lindahl 27:18
then again the problem an organization like FinFund is that they still get the same payment, I assume every, every month. There's so much bonuses and government institutions. But, yeah, but I think again like this is more about yes educating them but even more like, how can you have, I think there's like, just change how the structure work like for example how, how can you have low VC deal flow managers might look at that to experience, how can you have local deal flow management so they can pre validate pre do all the pre deliverables, everything needed, so that then when it comes to, because again you can have someone at the biggest universities in Rwanda. You know paying two interns. Anyway, to pay them 200 euros per month, which is a lot of money for a part-time job. And for you know for FinFund that is nothing in comparison to the investments they make, and then they can have someone who provides them with all these kind of, so I you know, I think it's because, like the people doing investments they're often, you know, professional, like they're, you know have a long track track record like in financial investment there, and I think it's the same thing that you need to kind of start earlier because, like, I think there can be a need of actually these are those who have been thinking of doing this deal for manager trainings, and then having them for example and not only for FinFund but having, you know, a consortium partners consortium impact investors, you know, paying a small fee, and then we provide them with the

Alexandra Lindahl 29:10
right. That sounds super interesting. So I think that you provided me with a lot of very valuable knowledge and is there something else would you would you think it's, it's important to, to add in regard to the main bottlenecks of the funding gap or the main aspects which should be included in an investment readiness program.

Victor Lindahl 29:45
The whole point here again is just, you know, improving the team behind. Like, which was, with everything, right, learning by doing, but also providing, you know, educational modules and different things. There is a lot, a lot of need for mentorship mentors is extremely important, there's need for consultants, because they can provide expertise and knowledge or wisdom, there's the need for developing MVP is prototype so they can look at a tangible, and something tangible can also also been platform when looking at again this can work. And think that there's a lot of need for implementing an onboarding and implementing themes into these software's that can really change how companies work. And there's a big need. And this is like everything about convolution pipe drive if you're a sales company. Squarespace, Vics, how to build a webpage, but also accounting. And I'm saying accounting a lot but that is just because like manual accounting is very hard to look at. Then presentational skills. Very important. And under more validation, understanding the problem even more and the impact of it

31:20
Yeah but I mean if we just go back to some of your point that you said that it all boils down to macro problems. So, is there any way you think that the government,

Victor Lindahl 33:29
when I'm saying macro problem I mean the whole thing about Rwanda, from, you know, colonists, and to having first French in school and then change to English, and then having one of the most bloodiest events in modern history in 94, and then having to rely a lot on aid payment, You know, and having very few production capabilities and having to import everything. Like I think there's so much things that comes into it that it's not something that I can fix. But then again, let's say you find. But however, It was just, I think more it's, you know, it's a very much light in the end of the tunnel like what's happened in Rwanda is amazing, like what they achievedsince. And like now, education and health, sort of thing is becoming better and I think it's just a matter of having a few of these huge, like building huge companies that can then provide a lot of employment opportunities. So I think. And I mean, again, I think the government is doing quite a good stuff. Ease of doing business is high, corruption is low, and so it's still a country that investors are looking at. But I think there's a more need about. It is why it's important to think that pandemic as well, much more need of having you know, people coming here physically, and being here.

Alexandra Lindahl 35:03
Perfect, thank you so much for taking the time to interview, it was very interesting.

10.2.4 Interview Benjamin, Iris Hub

Thu, 4/8 10:33AM • 24:26

SUMMARY KEYWORDS
startups, kigali, rwanda, investors, copyright, funding, business, market, government, problem, technology, access, idea, order, obtain, capital, invest, big, middleman, program

SPEAKERS
Benjamin, Alexandra Lindahl

Alexandra Lindahl 00:25
So, i will start by intriducing myself. My name is Alexandra and I am a master's student at Copenhagen Business School in Denmark. I am studying Finance and strategic managment. So now I am here in Kigali to do my master's thesis where I am writing abouth the bottlenecks for startups to obtain funding, or venture capital funding. And then based on the results I will try to design an investment readiness program which will serve to address these bottlenecks and hopefully help startups to obtain VC funding. So although we just already went through it, maybe, if you can just start with telling me a little bit about your involvement with with startups here in Rwanda and your background on that.

Benjamin 00:57
Okay, yeah, my background, actually, I've been in ecosystem for since 2013. And I was like, Okay, I was in secondary school at that time. And then I got in coding boot camp. And then after just joining the coding boot camp and then I saw that technology is I mean is, is a big tool just to be used. And then next time and then I was in 2015 when I was finishing my second high school, that is when I started my business in 2015. And then after that time I actually just kind of budget or just some capital to start a kind of business. That was a huge, I mean, big problem to me, even in our day startups to find the capital is a big is a big problem. And then, and then I attended the University. And at the same time doing the business because I was like, doing the business on the one on one hand, and then the class on the other end. And there's some time to expect to go to classes so that I can just find the money to run a business to pay the school fees. So that's as I was doing for five years. And then that's what I'm doing

Alexandra Lindahl 02:18
and what kind of business was it.

Benjamin 02:21
Yeah, it was just to Iris Hub. I was just we have been developing different mobile applications for companies, in Rwanda and Kigali especially, and provided technology support with maintenance updating just those kind of hosting platforms like that.

Alexandra Lindahl 02:37
Wow, that's amazing, Super cool. And so, how would you say that you, in general, and it's interesting, from your point of view also to see the development, but how would you say that you perceive the entrepreneurial landscape here in in Kigali and Rwanda.

Benjamin 02:57
Okay, enterpreneur landscape. Okay, like in entreprenuership is now was just, by the time was the starting point was in the 2011. That's when K lab has been establishing a K lab in orange center, I think, that was when established, and then from 2011 up to 2021. We have been just like having more than six, I mean 21 Innovation Center. That is already operating in Kigali, of this, some have been coming, and the programs open, or just they fail for some time they we've been looking for. Not focusing on the, on the local startups, by just bringing in internal startups in Rwanda. So sometimes they defaulted because we don't have some big market, like, and at that time there was not any idea just how they can expand on the market on in East Africa just market so that you can access that kind of market. Sometimes, I mean, they failed.

Alexandra Lindahl 04:11
So the market access is a big issue.

Benjamin 04:14
Yeah, the market is small. Yeah.

Alexandra Lindahl 04:18
That's very interesting. So, what, also from your own experience and what you have seen in general now working with so many different startups. So, what would you say are the main reason or obstacles to why it's difficult to raise capital or why it's difficult to receive funding,

Benjamin 04:39
sometimes. Okay let me start on the investor side. Sometimes investors are coming in with criterias. So like in those criterias, a kind of startup. I mean a startup in Rwanda cannot reach those kind of, I mean, those criterias, like, in, in technology, sometimes they will maybe find a startup. I mean, an investor, they come to, let me see the big data entreprenuer, or just project, and then sometime you find, a mean he, with the, with the criteria just, they are going to be basically used in the due diligence, then you find that the, those criterias cannot be reached by our startup, like maybe to be having, like, maybe 1000 clients, maybe, per month, which is like a big problem to, to our startups in Kigali, even if for example in Kigali we have a 1.5 million people. And then who can access to the internet is like 700 people, and then those 700 people, they are not, they're not everyday using their smartphone, so those are problem just maybe, I'm saying that in E commerce right, and then you find that they act like I mean, the client can be like maybe 300 or 200. Those are the client who maybe who use the smartphone to run their daily business. And so that they can buy, and, and also those 200 people, those are people who are just been divided into like five startups who run e-commerce in Rwanda. So you find that is like, you don't have access to the market. So, and then one of the market, I mean the market is removed our startup cannot. We don't have market. And then also, and, maybe, on the other point of like, Maybe they have in due diligence like to have like a startup, with the minimum may be a minimum capital like, I mean, the transaction and the money like 20,000 USD, which is like 20,000,000 Rwanda Francs, and then a startups raise those money, that it's a problem also. Right. Yeah. So like another problems like to have a, like, a yeah, like a seed capital of 20,000 and allocation to be working. I mean, a stable location like offices and stuff, something like that. Yeah, which is a problem to our startup. A start up can I mean, start with, with no location, with no offices with no, with no budget actually because they manage to fund themselves or just to compete with each other and entreprenuers to different competitions so that it can get access to the funding.

Alexandra Lindahl 07:59
Right. And what about the like co working spaces like Westerwelle and those,

Benjamin 08:08
even those, those kind of working spaces sometimes startup cannot afford the space, and, and then become hard for them to access to the internet, and also to the market to the market to the resources to the, to the events, something like that. Sometimes even like, you see, we also we like charge, like 6000. Oh no no, 6600 Is that like 60, How do you call it, 60! Yeah 60! That means like those are 60,000 Rwandan Francs. So, per month. So that means, to find a startup with no market with no with no budget with no something like that to access those kind of space and the benefit is hard.

Alexandra Lindahl 09:39
And then just to go back to the access to market. Is it so that, in general, startup should perceive the whole of East Africa as their market, in order to kind of have, well I guess better or like a larger population or reach or how would you say that they should tackle that sort of issue.

Benjamin 10:05

Yeah I suppose that's what we are, we are just actually just said to our startups, to see the see the region as an internal I mean as its one market, not only just local peoples, but see that we are just one market, for some time, it becomes a hard to find and in a those who in first have to come in Kigali, to invest in one like, in, in a startup with one, on regular one, on 1 million in market. Yeah, which is, which is, like, bad for our investors. Yeah, so we told them to find the continent, being one content and the entire continent as one market, so that they can access to basically that those, like, big companies coming to invest in Rwanda just invest in our startup, so that you can get those funding,

Alexandra Lindahl 10:59
yeah, that's, that's very interesting. So, and then if we look at a step from the startups perspective, what would you say that are the biggest mistakes that they make in order to receive funding, is there something particular which, which they do, or something that hinders them from receiving funding or is it more from the supply side, and their requirements and the things that you mentioned.

Benjamin 11:28
Yeah. One of them is like the skills, a bit of skills for, to, to make them invest or just someone that run to be interested in, in business, and into them. So, another example is like when you find a startup, with a with a good idea, but they don't know really how to present it. Right. That is that is another issue. And then the another issue is like prototyping, having a prototype of the product. in Kigali we don't have like a big, we don't have every resources, right. But sometimes, even to import those resources of machinery, or something like that is a hard problem is a problem. Yeah, so for our startup, but we have been we have been talking with a different organization as well. While we're in, in charge.

Benjamin 13:08
first, of course we have been. We have been involving every kind organization who have been, or it can just be exactly be the key point in the entreprenuership, and then then so that aligns the entire ecosystem, entreprenuers so that it can get easily those good environmental for them, like Rwanda revenue of authorities, was a big one, it's been raised as an issue for a startup. Sometimes, you, you find the I mean like, you start a company, at a certain time start paying the taxes. That was how it was building in our, in our system, but yeah, now that they are changing to give us like I mean to give our startup, like a one year or six month free from taxes, taxation. And then we have been, which was like a program to a startup, And then we involving startups as we have been building the different rules and regulation to be. I mean to, to be submitted to the government, so that the government, can pass those rules and what we have been just facing as an entire ecosystem, so that they can revise the laws so that our startup just can work smoothly.

Alexandra Lindahl 14:40
That's very interesting, so you are essentially doing like a bottom up approach instead so that you tell them what the problems are, rather than them, being the ones implementing the rules so you suggested and they do.

Benjamin 14:54
Yes

Alexandra Lindahl 14:54
That's amazing. That's fantastic. And then if we look at, Now that we're talking about the government so from a more, or from a bigger macro perspective, what would you say are the main challenges for startups to, to obtain funding, is there something which is on a broader level, hindering that?

Benjamin 15:18
One of them is like, like in a in the ecosystem, I mean, ecosystem. Having a good idea is one, but sometimes to to see, I mean to find a key person who can just support you. There is what we call copyright. Right. And, and, in a copyright we sometime we have been having those startups with a good idea, but then when they are presenting in like in, in different competition and just submitting their business idea, and then you find in two months, just someone just have been implementing the same idea, which was a big issue for startups. And then just the government can be involved but they have been just not, we didn't have those kind of roles, supporting roles for startups, just so that they can have their copyright on their, on the ideas. But now we see those kind of roles being developed. Right, so that our startup can have those kind of copyright of their business idea and their code

Alexandra Lindahl 16:40
Yeah, and it's very important so that you can get the support you need without someone stealing your ideas.

Benjamin 16:49
It's very hard to take, like patent, essentially, on these, like to patent an idea or copyright an idea. There's so little things you need to do in order to make it to go pass it. Yeah, for example, in Sweden. There isn't essentially any copyrights for for ideas, or like concepts, it's extremely hard and I think this is also why it's such a need for these, like, rapid prototyping, like rapid seed funding, so actually the people with the ideas can quickly get to a point where it doesn't matter if someone takes your idea because they're already so far ahead but I fully concur that there needs to be more protection. Yeah, for sure. And that also makes people don't want to talk about their idea, because they're afraid that someone's gonna Yeah, it comes like a bad wheel that spinns around.

Alexandra Lindahl 17:43
So just if we look at all these issues that you present in both from startups and for the investor perspective and for a broader perspective in regard to the copyright. If we were to implement an investment readiness program do you think that there is anything particular which it should be focusing on that would be very beneficial to for startups to have in order to help them to obtain the capital, is there a specific focus area.

Benjamin 18:41
Yeah, actually just to have, like, funding your brand, capital to access our startups to access those kind of big money, big money, was something that they had to have like a local linkage between our startups and investors. Without a middle point. Okay, sometimes we find okey, we have a startup here, and then, our at first, and then there's a middle person, who was dealing with those kind of person. And then this person comes in and then like he takes like 15% of the investment.

Alexandra Lindahl 19:26
Oh wow.

Benjamin 19:27
Yeah for sure they do. Okay, he may be, he managed to find that investment about 100,000 USD. And then this person comes in with, who is a dealer, and then he find like, I mean, you have a good idea, but he didn't have money, but have someone who can invest in you. So why don't why don't we just take like 70% and then I take 30% as someone who didn't review. Yeah, then you pay back the money. But there's another issue actually for

Alexandra Lindahl 20:00
startups, but who, what, so could you like incubators be the middleman instead of the dealers.

Benjamin 20:10
Yeah, that's what I have been proposing actually, right, what was that. Because, like, because like when a hub is in the middle, and then hubs have been just monitoring the startups, Yeah, and then have they been spending every, I mean, the entire source of logistic, or just resources to the startup, so that the startup can be, can reach to the level where the investors can be interested in investing. And then the dealer just comes in from where, from I mean from nowhere actually. So that just can get the money. And then that's where that's where we need to do, I mean to. That's what we did brought in so that hubs can be the middle point. Yeah, from startup to investor.

Alexandra Lindahl 21:00
Exactly, and the middlemen essentially what they have is the contacts with the investors, or how do they even get to know each other?

Benjamin 21:09
we don't actually okay sometimes the governments comes in. Then like I've been there is what is that we call. Okay, we have already taken some time to look at different kinds of investors. And then it comes to dealing with startups, rather than just dealing with the hubs, which my weak because the middle friends who have been developing the startups, and then sometimes the startup even ending failing. Yeah, because we don't, they don't have someone who to follow up with every kind of steps. Yeah, so But we are just we are proposing these sort of hubs can be the middle point

Alexandra Lindahl 21:58
and also be the, the network who the investor should approach you rather than the middleman. Yeah and I mean you have superior insights to the startups as well because you know them since you help them to develop and grow, and support them so you would know them even better than the middeman. So that's, that's very, very interesting. And, but yes I think that from, from my perspective I received so many great insights and really am super thankful for you taking the time and I don't know if there is something particular that you think I missed in regard to obtaining funding for startups or an investment readiness program,

Benjamin 22:42

just like what like you're like, Okay, actually we don't have a like a pipeline for investors. Right, we sometimes we sometimes we don't have, I mean access to those pipeline, there are a lot of investors. Right, yeah, maybe to access those kind of investors that we can have as hubs and startups to make up this link.

Alexandra Lindahl 23:10
So essentially, for you as hubs, it's very important to get access to these broader network of investors. And who do you think should be the primary source to kind of help, is that the government who should help you with that. Is it you, or more investors raising awareness amongst investors so that they would approach you instead or.

Benjamin 23:31
Okay, maybe, but I can say both right. I can say both, because sometimes the government has much of the entire pipeline with investors, and then the investors can also comes in. So to approach the hubs. Yeah, so that we can all have a good link, together. Yeah, it's good.

Alexandra Lindahl 23:54
Perfect. That's very interesting. Thank you so much for taking the time I really appreciate it. Really, really appreciate it. I believe that Victor has some things as well. We would like to discuss with you about this, not about this, I mean about your, your own business. Yeah.

Benjamin 24:19
Thank you

10.2.5 Interview Alex, Sanit Wing

4/15 1:44PM • 30:03

SUMMARY KEYWORDS
business, kigali, standards, people, problems, investors, pitch, difficult, rwanda, program, apply, raising, company, 100k, requirements, money, north, funding, incubator, find

SPEAKERS
Alexandra Lindahl, Alex

00:00

Alexandra Lindahl 00:12
I'll just start with the questions. So just quickly some background about myself. My name is Alexandra. And I'm studying finance and strategic management at Copenhagen Business School in Denmark. And I'm here now in Kigali to get a better understanding of the different bottlenecks you may experience in having venture capital funding. And so the interview would be 30 minutes maximum. And if you have any questions that you know do not want to asnwer,

feel free to just skip them. And I just want you to speak from your experience. But maybe we can just start with you telling me a bit more about yourself. And Sanit Wing as well.

Alex 01:17
My name is Alex, yeah, we have the same name but your name is feminine.

Alexandra Lindahl 01:26
Yeah, exactly.

Alex 01:35
So happy to meet you. I am the Founder and Managing Director of a company that is based in northern province, where I came from this morning. So we have a business in Agri-tech where we extract different oils to make different products. But then some oils where banned just after we had started the business, so we had to refocus our business. So we could not use like palm oil anymore, which is why we had to change the business. And that took some time. But so today, we mainly focus on avocado processing. So in 2016, that's when we became a commercial company.

Alexandra Lindahl 03:17
Interesting, so can you tell me a bit more about what it was like for you to start the business, was it a very challenging process? And now I'm not really talking about the business itself, like finding the product market fit or finding out what you wanted to do, I am more referring to the legal aspects, was it easy to create the venture? How did you do that?

Alex 03:36
Yeah I think it was difficult because I wasn't, I was a kind of a pioneer in my country, because I started from Uganda Primarly. So coming back here to the business was a little bit challenging for me, because I didn't know how anything was going. So doing it. I just started. That's what I did, I just started, so I looked around I realized that people were importing a alot materials from Uganda, which was our neighboring country. And every bus stop every decidability was being imported. And I was like, I can make this. Oh, and I just did it. Then, but I didn't know that being a business was more of having a product. I was also navigating around the business aspect. I didn't know anyone in the business. No one in my family or family background has ever done business that way. So I was the first to tap into that space. And everyone, of course, has been my people my age, like everyone in the north from do potatoes, everyone do beans and rice and. They said, grab a piece of land and come? What will come out from what yo do? So I am the first born in the family, and then behind me there are nine.

Alexandra Lindahl 05:40
Oh, wow, you are many

Alex 05:45
Yes, It was also challenging that. I come from the I'm the firstborn. And I have to also help my mother is because my father was not supporting anymore. So it was a kind of a double. But, of course, I will have to give up just like everyone else. Because I live, I hated working for anyone. I've never seen myself sitting reporting to anyone. So it was difficult for me to go look for a job because I have never been imagined myself working for anyone. And then also the responsibilities, the pressure, then, you know, I have no place to escape. But because I have

so many personal problems, family problems, community problem that contributed to my failure, they forced me to failure, not supported me to move around, they supported me for failure, but I resisted. And in so doing my popularity was really was going up, and I remember there a program for the food processing to go through. And it's a management organization that came here to their first round, then to support the company. So I just applied, and got selected, went around it. And at the end, I was the winner, and that one really opened my eyes and gave me the feeling that someone who sees value in what I'm doing. So that encouraged me. And I'm not gonna back up. Yeah. That was the acceleration journey, then things change. And then people knew about us as a company. Aurora media was attractive to me. For some reason.

Alexandra Lindahl 08:04
But were they providing you with funding?

Alex 08:07
No. Not yet Okay, So it was like the recognition? Yeah. But the board of Rwanda gave me, I think 700,000 Rwandan Franc. And it was around 1000 US dollars by then. And that was the initial funding support. So it was really helpful, and also the exposure and the technical level.

Alexandra Lindahl 08:33
But how did, or did you apply for that funding?

Alex 08:37
No, it was a competition in the end. We went through a program, and then, at the end we compete.

Alexandra Lindahl 08:48
And did you pitch for investors? Or how did they determine the winner?

Alex 08:53
Yeah so the people with the best pitch and also the best cities in business and the critical people that were also considered to have a nice pitch but the business is not sustainable. So the business was supposed to be competitive, innovative, sustainable. And also you must be able to pitch everything. And then the best out of everyone was awarded the cash. So it was a kind of a business competition

Alexandra Lindahl 09:20
Okay, cool. And the incubator, they help you like prepare for pitches and your business idea or was that the whole goal

Alex 09:28
No so we spent two weeks with going to classes every day. But every day we had to come to classes from morning for like three hours. So we go through the business module. Rwanda, it was my first time too in Rwanda then.

Alexandra Lindahl 09:49
That's amazing. So and after that, have you tried to apply for additional funding or have you been self sustained?

Alex 09:59
So we have had an attitional competition which was held countrywide. So people from anywhere can apply, then they can go through a three month program, with like screening can also go through pretty much everything like business modules in business management, in general anything concerning the business. Then at the end of the three months, we got through a business presentation again. So I actuallt my company again, was the winner, so we first had to pass around the 700 applicants, then the honored five, were supposed to go take the bootcamp, the courses. Then out of five, only three startups was supposed to go for competition, then also, we won. Yeah, that was another 5 million Rwandan Franc

Alexandra Lindahl 11:27
5 million. Wow. When you applied for all of these programs, did they require you to have financial track records? Or did they have any formal requirements?

Alex 11:44
Yes you needed to have revenues and a sustainability plan. A history or, they wanted to, generally, they wanted an operational business. They wanted a functional business.

Alexandra Lindahl 12:00
Okay. And have you, or did you find that these programs were helpful in understanding how to develop your business? Or do you think it's important for you to attend to these programs?

12:15
Yes, I think it reallyis. This program, they never looked at, or I don't know specifically what they look at. But they were basic. Anyone could have them. So if you have a business that is sustainable, then you just come up, ans stand up for your business. So they don't ask your for what certification do you have? What's the bank paper? No, they just want someone who is focused

Alexandra Lindahl 12:53
Would do say that it's difficult for startups, in general to receive funding to pursue their ventures

Alex 13:03
is very difficult. Because I prided myself, I went to BDF, but its poor. They don't, they have a lot of problems when it comes to project assessment. Then also, they require a lot, the requirements are too much. They track it, they are talking about the different people. And they also depend because I, myself went there. Then they called me back again, and the again, and we never manged to get anything done. It's not that it's not possible. It is possible, but it's very difficult. So they asked you I don't know, things that are not even important. If they have a reason. Why do you ask me a degree to give me a sign? Does it make sense? Right? I am a business owner, I have a financial record. I have a performance record. I have everything then you are talking about a degree to give me a round, and take about something that 25% shares in my company. So that is BDF, not good.

Alexandra Lindahl 14:34
And what about other sources of funding besides BDF, I am thinking venture capital?

Alex 14:43
There have been a number of because I went through another program. They help that both moments of funding, but there's a time that I'm five years old in the business. I really understand every aspect of my business. I know the trends in my business, then people are telling me to get the rent. Well, I understand that. But why should you think for me? That doesn't work? Yeah, I mean, I know I'm not gonna say no to 30 000, I don't want problems. I want the money, which is going to buy the equipment that I'm looking at and serve the market. But if I buy good, I'm not gonna buy anything out of my structuring, right? So if I just take it, I'm gonna take it, but what am I going to use it? To spend it? And then at the end? I have problems.

Alexandra Lindahl 15:48
Yeah.

Alex 15:49
So raising 30000 is easy, or not easy, but it's there. There is someone who's committed can raise it, but raising more than 50,000? Difficult.

Alexandra Lindahl 16:02
And do you think that there is a need to raise more than 50.000?

16:05
Yeah, because

Alex 16:06
Yeah, because let me speak from avocadoes which I understand the most. So my avocado processing grind, the standard one, is going to cost me 150,000 euros. That's that's the money that to have the smallest standard avocado oil. Less than that, what am I gonna buy? And if I can buy That's right, that's right. I am 100. They are numbers. I look at the demand and show you that what the capacity and the results. Actually I can be able to make a half a million in the first year. When I say that they half a million US dollars. I will be able to make those in the first year in the past three years, because now we are already making a profit, I can even make 2 million in sales every year. I show you the demand. I show you the supply chain and I show you I can answer all the question but no one says that. Even someone who is like that's right. But then they are like, but Alex that is a lot of money. So then what should they talk about, 30000?

Alexandra Lindahl 17:20
exactly. Yeah.

Alex 17:20
So I think there is also a mentality, mentality about the communities around, so that we don't not have a lot of young billionairs.

Alexandra Lindahl 17:41
So it is then truly important to have the option of raising 50k. So, what would you say, what would you say are the biggest challenges for you in raising more than 50k?

Alex 17:46
Yeah, I think brokering, raising that money from investors, I think Rwanda is really growing in many aspects, but there are not a lot of people who can invest 100,000. Some people can, but then you need to connect. But for a young person like where I came from, we are just ordinary it is going to be difficult for us to raise 100k.

Alexandra Lindahl 18:16
Is that because you cannot establish the trust or?

Alex 18:44
No, the problem is from where, from who?

Alexandra Lindahl 18:47
This applies. Okay, Would it be helpful for instance, if you have connections to an incubator or someone who has connections to foreign investors who would actually be able to give those sort or monye? Is the connection the difficult to actually find investors? Yes An then is there's something else that you think would be a problem, even though say that you would have access to investors, who would have the capital to invest 100k, are there any other things that you think would be a problem?

Alex 19:34
I think that it comes down to that not only finding I would say, everyone expects everyone to be in Kigali. Like you expected me to be in Kigali today, but I come from the north this morning

Alexandra Lindahl 19:49
Oh really, just for the interview?

Alex 19:52
No for the work I come here. So but there's no one who thinks there's are country in the North, there is noone who thinks there is a country in the south. And then we have people in the north, like young people like me, if people do not have a connection in Kigali, what are we gonna do? The investors are not gonna come to me? Then you are intubated over here, then everyone needs to move here, but then, how are we going to develop those cities? Because those, because sometimes that isn't the case. But, you know, so it becomes a very weird and also find out if someone wants to invest in something in Kigali, and also goes through an incubator, which is also going to take a long time, and someone could be in the north and still be important. So that is a problem, that everything is in Kigali.

Alexandra Lindahl 20:51
No, of course. And so, if we are thinking, because I would like to help startups in general with investment readiness programs that will, essentially, combat these obstacles or problems, entrepreneur experience in obtaining capital. And then of course, the first thing you do connectors to investors, and particularly on foreign countries, but what do you do if you would attend one of these investment readiness programs? What is it that you would like programs to help you with? To kind of become attractive for foreign investors who would actually provide large sums of money? If there's something in particular, which would be very helpful for you?

Alex 20:58

I think ther progrsam has to be specific on what it is looking for. When they are specific, it becomes easy for you. Then you can inspect it. Like if they say they are looking for people in the IT sector, then I am not going to be there. If they are looking for agr-cultural, long term investments, then you know, since I am in agri-tech, I know it could be for me. So it has to be specific.

Alexandra Lindahl 21:55
So and it is specific enough that essentially say that you would like to raise a certain amount of money, because you really need it for the growth of your business, and to say that this program is a six week intensive program on how you will become attractive investments in the eyes of foreign investors, by following methods like generally the how you should behave, and how you should act to be appealing to investors? Or would it have to be a six week program, specifically for Agri-tech businesses? To be effective? Are you following it? If it's really focusing on just the investment process, like how should you approach the investors? What is it that you have to fullfill? Or how should you behave? And how should the pitches look like? Is that enough? Or does it have to be a specific industry?

Alex 23:38
I think nowadays, I think things are more clear than someone is coming to program a, I know I'm gonna spend maybe a period of time, I know, among people between maybe 10 to 100. So I can write between there depending on maybe 10 to 100, then the requirement of me, am I going to avail myself for the next maybe 10 weeks? Am I going to you know, audit the appointment on my site, and also they are so if I'm able to make these requirements, then I can also be able to see if I match. So if they say, the whole program will be in Kigali for 10 weeks, the investment is between 10-100k, there I know I can commit. Then we are looking at the people in agriculture maybe maybe farming I then I know I'm in then I already do. My size and their numbers. I make sure my numbers are okay for everything. So let me say homolka, they incubation program is the best, one thing, sometimes the only time I've been there, I didn't know how much I was applying for, like how much I can get access to. So I'm gonna make a big presentation directly, like "give me the money". So how much? They ask. Then I'm like, not knowing the specific amounts I am not supposed to exceed, then it is difficult to say. And then insetad they concluded that I did not know what I was applying for.

Alexandra Lindahl 26:01
Yeah, but say that they had only lower offerings, would it even have been beneficial for you to apply for the money?

Alex 26:09
Exactly, they said we have already made up our mind, you are not flexible. and all of that. But I didn't know how much I was pitching for!

Alexandra Lindahl 26:22
Yeah, I understand. Thank you so much for that input. So the time goes quickly when you are having fun. But I would just like to ask you a final question. In regards to kind of, the government and the macro in the bigger environment? What would you say are the biggest challenges for entrepreneurs? From a government policy perspective, is something which challenges you to really grow and pursue your enventurergy? Or, or is it the other way around, that they're very supportive?

Alex 27:21
I think from the perspective of being Rwandans, and, I think the hardest part is that the development is happening so fast. And as I said, there is no such thing the North and if someone in the North is not able to run to the to the standards, the standards are becoming higher every day, even those kind and standards of production standards of production, productive quality, productive quantity, everything is moving so fast that it is downing. We are still you know, down. So at the end, let me say now we are going to abolish it. But there Do we have a company I knew I was already struggling to even access the plastic. So I can't have a plastic packaging material for now because it's important. Now they're planning to ban away the plastics. No where am I going to get the packaging, even when I could not access it from the beginning. So now what's the basic about maybe bamboo, maybe something else, then you'll find that it's hard to just adopt the standard, maybe any any product like every small entity that produces a product must have the standard. Now those standards might be in terms of a financial model, just starting a startup, and you need to have the standards everything that I needed to have a proper infrastructure needs to have a proper guideline, everything must be proper standard, everything. So now with someone like me, if I'm gonna be raised in an environment where I have to meet all the standards, where am I going to get the range that has the probe? When should I get that even sometimes the warehouse is in the process itself. So as I said, Kigali is moving so fast, that some more smaller communities upcountry, it's hard for them to cope up. So we find it very challenging.

Alexandra Lindahl 29:33
Okey thank you so much for taking the time to interview with me, I highly appreciate it.

Alex 30:03
Thank you very much, it was

10.2.6 Interview Thierry, Crop Tech

4/14 4:39PM • 27:37

SUMMARY KEYWORDS
business, funding, market, investor, big, crop, okey, bookkeeping, startups, incubator, general, idea, support, equity, capital, growing, tech, people, entrepreneurs, challenges

SPEAKERS
Alexandra Lindahl, Thierry

00:00

Alexandra Lindahl 00:13

I will just introduce myself. So my name is Alexandra, and I am studying at Copenhagen Business School, and I'm doing my master's in finance, and strategic management. I'm now here in Kigali writing my masters thesis on the bottlenecks for startups to obtain venture capital funding. And then the aim is to design an investment readiness program which will be piloted in one of the incubators, and hopefully help to overcome these challenges for entrepreneurs. The interview will take maximum 30 minutes, and then if you have any questions, you can just ask me. If there is something you don't want to answer then feel free to skip the question. And just speak from your own experience. So if you want to start with introducing yourself and a little bit more about Crop Tech aswell.

Thierry 01:18
yeah so my name is Thierry and I am the founder of Crop-Tech. Crop tech is like a company in agri-tech that focus on ending post-harvest losses that farmers have today. So we do this by providing on farm drying services to agricultural products, you know like maize and other grains. We specialize in crop logistics and transportation, and we are also like linking farmers to the higher end market

Alexandra Lindahl 03:02
Okey very interesting. Thank you for that, And so, for how long have you been doing this?

Thierry 03:09
Yeah, so Crop Tech was founded in 2017, but it took a long time before we were in perfect existence. We had to change the product from the first one, and there was a lag in that development, so we had to wait before we could support our customers. So yes, it was founded in 2017 but it took a long time to develop the right machines and that you know, so we had to change a lot of things before we could really be giving service

Alexandra Lindahl 03:55
Okey, and how was it like for you to get your first funding?

Thierry 04:00
Okey, so we have like applied for two grants, that we did not get yet. But like the actual funding, I can say that it was not easy, but as a highly competitive person, you know, like we've been just working on it. We got generally accepted by one, but like we've been in the process since March.

Alexandra Lindahl 04:29
Okey and was it some sort of competition to get it, like within an incubator programs or something like that?

Thierry 04:38
No so it was a competition, it was through the sustainable technology for Africa. So they came in Rwanda, and then choose 20 startups, who pitch. And then they selected the top 3, and then the top 3 went thorugh that process, like almost one year, like very different, financial

plans, business models, market designs. And then after a year, like in January that is when they send the contract

Alexandra Lindahl 05:10
And how did you get into the competition could anyone apply or were there any requirements to even be able to compete?

Thierry 05:25
No, there was actually like anyone could apply. The only thing was that you have to show that like you support Sustainable Technology for Africa. So it's like, you had to, the only thing was like give a solution to some of the social problem with technology. So like when we applied, we had no attraction, only an idea

Alexandra Lindahl 06:41
Okey, and so the different things that you went through after the top three got admitted was focused on kind of making your startup and idea investment ready, with like a business plan and all those things? And do how do you in general, or are you, and crop tech, in need of more capital, would it be helpful for you to get VC funding or something like that? Or do you think you have sufficient capital to grow your business as you want?

Thierry 07:18
No I need more. It's like I have a small machine, and with the width of the market, it's like, you need to be a lot in January, April, like there is a lot of production like nationwide on that time. If you only have the capacity, from the small machine, at that time, they cannot make it. So I really need more.

Alexandra Lindahl 07:47
Have you tried pitching to a VC or an investor, is that something you would consider?

Thierry 07:55
Yeah, only like it is hard to do this. Because like, because like maybe in the past we could maybe go for some of the events and get an opportunity to talk to someone. But then when you talk, they will ask you what you do not know, and then you can't answer. So it is difficult to know what they want and how to answer.

Alexandra Lindahl 09:02
Okay, so that's one of the problems.

Thierry 09:06
Yeah, definitely. So instead we like many times go to competitions instead to compete for funding.

Alexandra Lindahl 09:26
Right. And so, say that you were to attend an investment readiness program that would focus on helping you with the different problems that you experience. What would you like to have help with? What is it that you need in order to be an attractive investment to investors?

Thierry 09:48

like, in terms of record keeping. Right. Normally an investor is looking for, like ABCD. So, and they like, they end up saying, you guys are not really ready. Not that they're not ready, like they just have to attend like that program, and like okay, knowing like admin, maybe their financials, and then it is okey. The way I like to do bookkeeping, so like I do it myself. So, normally I'm an engineer, so I don't care that much about business. So the only thing I know about bookkeeping I read, like for instance like I read downstair here in Westerwelle about bookkeeping, but it was more general. So like, I do not care about balance sheet or anything like that, the only thing I do is that I make sure I do not lose money.

Alexandra Lindahl 12:11
Right. And in regards to the book keeping. Do you think it would be, say that you were to attend the program, and that there would be a student who's working at a big investment bank or something from Finland, or in Sweden, or in one of the Nordic countries. And so, one of those students would do like an internship at your company in exchange where they would focus on the financial aspects and make a valuation of your company. Do you think that could be a helpful way of kind of getting your financials in order? Would it be interesting for you?

Thierry 13:27
Yes so I think, so I think it could be good. Not only finance, but also like marketing, accounting, I mean like in all these key functions of business. So, I must be making my own book keeping, marketing and all of that, and I am more focus on engineering. Not so much business. So someone who know that and can do that is good.

Alexandra Lindahl 14:19
And just considering the first stages of Crop Tech. How did you manage to get an MVP, minimum viable product, for the prototype, since you didn't have any initial funding? So how was it, was it challenging for you to start a business?

Thierry 14:31
On my own, like the way I did things. So we where back at university. Then we could like apply for one competition, and get like a little funding, and then do a machine. And then after, we could apply for another competition and get more. Then we could build the machine better. This is how we got our initial funding, we really had to move around. But I think, I think it is good to have support for every step of the process. So like one incubator for the idea, the next incubator for the business model etc. Then you can test, maybe this machine will work, maybe not.

Alexandra Lindahl 16:02
That sounds very interesting but do you think that is generally, the way I understand it, is that it is necessary to have the support on all of these different stages. From the idea born to VC. So you need like the support in all that. But would you say that you need support from a technical aspect, business side, or support on everything in the business?

Thierry 16:26
I think it also depends on the person, like, maybe like me like I'm an engineer, I can maybe handle the technical part to maybe up to 70% , but like the other business parts I have no idea about how to do. So I use the information I see, or like find, and then I try. So like it is like with

the book keeping, you know, I have to do it so I try, but I do not know how. So someone just brings me an invoice, and then I make a mistake, because I have not done it before and I do not know how to do it. But then you learn, and then you do not make the same mistake again. You know, so I think support in that business side is very important.

Alexandra Lindahl 17:48
Yes I understand. So if we look at it from a broader perspective, like governments. Do you think that they are promoting an entrepreneurial environment here in Rwanda? Are they helpful in, in providing support? Or how do you perceive the envionrment from a bigger persepctive?

Thierry 18:06
government is trying. They are good. Just looking at different things that they can you know help you with. So like electricity is growing and those things. Yes, they are good, the government is good.

Alexandra Lindahl 18:27
Okey, and are there any bigger challenges from the bigger perspective which hinders entrepreneurs from efficiently obtaining VC funding, like any laws or regulations or something like that makes it difficult for you to get funding?

Thierry 18:57
Yeah, like, the thing is sometimes, you know, when you try to get a deal, you want data. You need data. I don't have data and it is not easy to get data. There is no information. So this is difficult I think. Yeah. To get the funding.

Alexandra Lindahl 19:45
What kind of data and information?

Thierry 19:49
on the, like, on these are activities happening. Yeah, because like, maybe, to this Westerwelle community, you can get information on you know different competitions for funding. But then, when you get to the competition, you do not have the information you need. You know, and then also like, information to different contact that can give you funding. You know, because it is difficult to know who you should contact for that. Maybe like, sometimes, there is somebody interested in you from a different country, but you do not know that, because you do not have the information. Also, maybe like, we have to take a lot of risk because we do not have enough information.

Alexandra Lindahl 21:24
And just to go back to the information point. And is it also information on like market size and market access extending cross border?

Thierry 21:35
Yes like, yes. Information is difficult for startups. You know, definetly market size and market you know. It is difficult to have information on production also. There are many things we do not have information on.

Alexandra Lindahl 22:02
Yeah I understand. And also that such informartion is important to have when you apply for funding from VCs, so you kind of need that data in order to give the VCs what they need to evaluate the business.

Thierry 22:14
Yeah

Alexandra Lindahl 22:16
Okey so I just have a final question. So I'm just interested in, so usually the way many go about in creating new businesses is that you first have an idea, and then try to assess it on the market and the kind of market potential for your venture, so you look for different competitors and all of that, thinking that you don't have that sort of information when you started your business, how did you go about in this process? So you have an idea, how do you then navigate to see whether this idea will work or not?

Thierry 22:48
Like, maybe, let's say like, Okay, I'll give you this. So maybe you one day sit on a bus station and you are going to get on a bus. Then you come up with an idea, because you see like there is a lot of traffic or something. Then the next day, you like, you think. Okey how much till this cost, how many people around you are on the same bus. And you know, that kind of thing. And then you get the idea.

Alexandra Lindahl 24:01
Yes, but you don't know how big the market is still though, so you just estimate how big the market will be based on the observations you have on the bus station?

Thierry 24:23
Yes but like for me, I know like how big Rwanda is, I know like, how many people around me go on the bus everyday, you know. And then I think like okey so this and this many people will be interested in my idea.

Alexandra Lindahl 24:58
Okey interesting, It's very interesting. A lot of potential. One last question, would you be willing to give up equity in your company to obtain funding from a VC?

Thierry 25:09
Yeah, like, what I would do. Like, it depends, with equity, like I'm willing to give up. But like, kind it depends on the investor. So if it is like a key investor I would be like even willing to give up a lot. You know, for me I could give up like 60% or more, it depends, if the investors is like really good you know, and can really help with the startup. If the investor can like collaborate and help with you know strategy, and the business part of the startup.

Alexandra Lindahl 26:49
Interesting. Okey, so that's my last question to you unless there's something else that you'd like to add, in regards to part on obtaining funding here from VCs?

Thierry 27:01
No I think that it is.

Alexandra Lindahl 27:03
thank you so much for taking the time to interview I really appreciate it. I will turn off the recording now.