

Research proves strong team of founders key driver of startup success in Africa

Venture Capital for Africa (VC4A) has released its '2017 Venture Finance in Africa' research that indicates that a strong team of founders is the key driver of startup success in Africa. The research is based on data collected from 1,866 ventures from 41 African countries and 111 Africa-focused investors from 39 countries around the world.



This year's study aims to understand the critical success factors for African startups and identify the key ingredients that determine why one venture outperforms its peers. This knowledge is useful for entrepreneurs and for the support systems they depend on to make well-informed decisions.

"We are entering a new stage of startup growth on the continent. Not only has the number of startups continued to grow at an impressive rate, they are increasingly successful at scaling into sustainable enterprises well positioned for growth. With the right team in place, we are seeing a growing number of companies break rank. I am sure we will witness many new success stories hitting the headlines as a result," comments Ben White, CEO VC4A.

Key outcomes

A key outcome was the identification of their unique traits relative to the start-ups' level of commercial performance. Although many factors go into building a company, analysis of the data makes clear that a strong team of founders is the key driver. Many investors consider this as the main thing they look for but now the data also shows that the right team of founders makes the difference and is the single most unique characteristic across the companies making commercial progress.

By analysing two data samples of 100 ventures in more detail, ie 'emerging' and 'established' ventures, the research team found correlations that help to understand the venture's ability to be successful. The success of the 'established' ventures can be explained by the composition of the founding team based on size, education, gender and age.

Balanced gender adds to success

Gender balance can further explain venture success, as the founding teams of successful ventures are more likely to include male and female founders. It is noteworthy that 46% of these ventures include a female founder in their team. Exclusively female teams run 9% of the startups.

Among the countries with 20 or more ventures participating in the survey, Uganda and Kenya have the highest female participation. For Uganda, 57% of the ventures include a female founder, where for Kenya the number is only slightly lower at 55%. South Africa has the lowest female participation rate at 33%. Nevertheless, these percentages of female founders far outpace averages recorded in more established startup hubs such as New York or San Francisco. More details and other factors that differentiate a successful team of founders are included in the 2017 report.

Startup impact

The research showed that 62% of the ventures have secured paying customers and 22% have prepared audited annual accounts. These are part of the milestones often achieved before formal registration. Research shows this affects investor interest positively: 42% of these ventures have received outside funding; of these companies, 29% have raised more than \$50,000.

Mainstreaming of technology

Mainstreaming of technology in traditional business sectors advances core industries. This year we found an increased amount of relevant technology applications across traditional sectors, including agribusiness, energy, healthcare and education. This relates to observations that there is a growing number of entrepreneurs that not only have the knowledge and skills needed to contextualise, repurpose and refactor technology, but also the business skills needed to do so successfully.

The 'VC4A Venture Finance in Africa' report captures the performance of early stage, high growth ventures from Africa and the activity of early stage investors. The insights are broken down across several indicators: job creation, performance, investments, investor interest, ecosystem players and drivers of success. This is the fourth such report.

As of September 2015, the data collection takes place continuously via the VC4A.com portal. As the community continues to grow, it is expected the report will generate insights into what is happening across the larger startup space. For more information, go to www.VC4A.com/research.

For more, visit: <https://www.bizcommunity.com>