Venture Partnerships: Our Solution to Catalysing Sustainable Business Ventures in Low-Income Markets

Position Paper #3

Entrepreneurs often require support to ideate, pilot, launch, and scale their business ventures. Incubators, accelerators, and advisory services are among the most frequently encountered models offering the expertise, networks, and resources that allow for a business venture's growth. However, while working with ventures that create a sustainable impact in low-income markets, the support offered by the existing services can be restrictive. Their short length of engagement, standardised curriculum, and focus on revenue before impact limits their service value. Over the last decade, with considerable experience in implementing such models of catalysation support, Ennovent has evolved its offerings to address the shortfalls presented by these models. Ennovent structures long-term venture partnerships with business partners where we share risks and rewards to create fair profits and sustainable impact in low-income markets.

CURRENT PRACTICES

The currently used models of support for catalysing ventures in low-income markets fall into three categories.

Incubators are programs or organisations designed to help startups innovate and launch. The first private incubator was established in 1959, and the first public incubator was established in 1987, both in the United States (Hausberg, Korreck, 2018). Often spread out over 2 to 4 years, they provide mentorship, skill training, access to investors, and physical workspaces. Mainly, incubators support ventures on their initial journey towards maturation (Torun, 2016), typically working with them at the idea stage (Pandey, Lall & Pandey, 2017).

Accelerators offer short-term interventions for quick results. The accelerator model emerged in 2005 in the United States and is now utilised worldwide (Guttentag, Davidson, Hume, 2021). Business ventures typically spend 3 to 6 months in an accelerator, where the group of ventures are catalysed together. Accelerators provide support similar to an incubator, including mentorship, peer learning, network access, fundraising and training. Accelerators aim to fast test a venture's potential for scalability (Nchang & Rudnik, 2018) and typically support ventures at a later stage than incubators (Pandey, Lall & Pandey, 2017).

Advisory and Consulting firms offer support focused on a particular project. Unlike incubators and accelerators that follow a well-defined model and engagement term, consulting firms provide support for variable lengths of time. Advisory and consulting firms offer support to startups, corporations, philanthropists, and foundations. The engagement with social impact consulting firms exists only through the duration of a project.

CRITICAL ANALYSIS

While these existing models are proven repeatedly, they are not without limitations, especially while working with early-stage business ventures who wish to create a sustainable impact in low-income markets.

1. **Short Length of Engagement**: The period that ventures spend in an incubator is insufficient to measure sustainable impact in the communities that the venture supports. Incubators create entrepreneurs who, in turn, create impact, and measuring this impact takes 5-7 years, by which time the venture is no longer associated with the incubator (National Entrepreneurship Network, 2013). With accelerators' short engagement period, ventures are primarily involved in business planning, networking and fundraising. Advisory and consulting firms work on a specific project, and their involvement with the venture ceases at the end of the project.

2. **Standardised Support**: Incubators are restricted in terms of the specialised support they offer. Follow-on structured support after the incubation period is not common (Low, Mettengberg-Lemiere & Tan, 2016). Accelerators have a standardised model, where they emphasise networking and business skills training and

focus less on specific needs of entrepreneurs and business ventures (Pandey, Lall & Pandey, 2017). With cohort-based models, accelerators also do not support ventures at all stages - less than 50% of accelerators focus on idea-stage ventures (GALI, 2016).

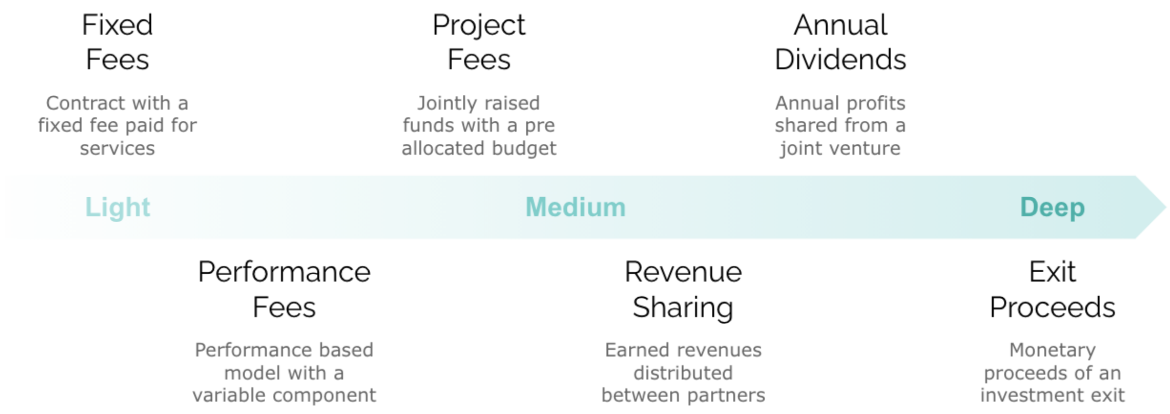
3. Gaps in Funding: Some incubators provide equity funding. Only 47% of graduate social organisations from incubators secure follow-on funding (Low, Mettengberg-Lemiere & Tan, 2016). In the case of accelerators, the investment benefits are primarily concentrated in high-income countries or entrepreneurs from high-income countries compared to local founders from low-income countries (Guttentag, Davidson, Hume, 2021). Consulting firms never offer direct funding, and their support is limited to setting up investor connections. However, early-stage investment is constrained in middle- and low-income countries, which is typically challenging for any model to address completely.

4. Revenue before Impact: Incubators reveal a bias for delivering business skills, networking skills, and training to develop business skills, while impact measurement support is one of the least provided services (Low, Mettengberg-Lemiere & Tan, 2016). Accelerators prioritise market traction, revenue and access to networks over measurable social impact. Nearly 60% of accelerators rated "helping ventures gain market traction" as a top priority (GALI, 2016). Sometimes, business ventures are also recommended to align their goals to that of the accelerator for best results (Cohen, Fehder, Rice & Murray, 2019).

OUR SOLUTION

Ennovent's mission is to create a sustainable impact and fair profits in low-income markets. The limitations observed first hand in implementing the models have challenged Ennovent's ability to address its two-fold goals. In response to these limitations, Ennovent has gravitated towards the model of venture partnerships where we share risks and rewards while catalysing ventures in low-income markets while offering startup expertise, local capacity, global network and funding access. With a thoroughly flexible model, venture partnerships are structured differently based on the issues we tackle, the partners and the solution Ennovent aims to implement. The venture partnership model allows room to address each of the limitations that the other models present.

Ennovent is involved in the venture from its inception and aims to be present for the long term. Using our global network, Ennovent works closely to secure funding for the venture and alongside the co-founders to identify and formulate the right kind of support required at every stage. A venture is usually catalysed through a series of venture projects, each extending over a finite length of time. Each venture project has defined goals that continually produce a measurable impact in the community. Our partnerships are driven by shared objectives, clear accountabilities, shared risks, joint learning and mutual respect. We continually assess what is best for the project, venture, and social impact.



Based on the partners and the nature and depth of the project we implement, our partnerships vary on a light to deep continuum. In 'light partnerships", Ennovent does not share the monetary risk or reward; however, operationally, we act as partners and are driven by the same partnership principles. We work with our clients every step of the way and provide fully customised support while ensuring we create a sustainable impact on the community for whom the solution is built. As we tilt towards 'deep partnerships", we play the role of co-founders and even shareholders of the business venture, taking a vested interest in sharing risks and returns over a long-term horizon.

PRACTICAL APPLICATION

Ennovent's venture partnerships continue to evolve and adapt to suit our goals of fair profits and sustainable impact. Here, we present three case studies that establish the success of the model.

DOT Glasses (Light): DOT Glasses is a company that aims to solve the problem of making eyeglasses accessible to people even in the remotest villages of the world. Ennovent has partnered with DOT Glasses to expand the reach of its products in India and Nepal. We do this by helping them forge mutually beneficial business partnerships to distribute their prescription eyeglasses. Through a performance fee model, Ennovent supports DOT Glasses with every successful partnership that creates sustainable impact.

Hasiru Dala Innovations (Medium): Ennovent's relationship with Hasiru Dala Innovations ('HDI') began with portfolio management support following our Impact Investment Holding's investment into the venture. The relationship was further strengthened with the partnership that we facilitated between HDI and Veolia while implementing Veolia's Pop Up India 1.0 project. During Pop Up India, Ennovent facilitated the co-creation of a business solution together with HDI and Veolia. Currently, Ennovent is exploring the option of establishing a joint venture with HDI in waste upcycling space.

Fair Trails (Deep): Fair Trails is a joint venture initiated by Trail Angels and Ennovent to design, market and manage sustainable tourism experiences. After jointly fundraising together from the Austrian Development Agency, the partners were able to successfully navigate the feasibility and pilot stages of the catalysation process. Fair Trails has involved three years of intensive collaboration between the partners in sharing the risks and rewards of this business venture. The partnership has been deepened further to include a shareholding relationship between the partners and the addition of a new partner to the joint venture - PILUM Digital. Fair Trails is now well-positioned to launch its operations in Nepal upon resumption of regular tourism business in the wake of COVID-19 while being well poised to replicate its work in India.

CONCLUSION

Based on our experience over the last few years, venture partnerships have proved to be an effective way to take business ventures with sustainable solutions to low-income markets. They have enabled us to leverage complementary resources to jointly catalyse businesses with our partners based on shared objectives, clear accountabilities, and mutual respect. This unique approach addresses the limitations faced with other incubation and acceleration models by enabling greater flexibility and deeper engagement, which leads to higher sustainable impact and profits. As we continue to refine our approach to market feedback, we are adapting our venture partnerships to specific contexts such as the partners' preferences, nature of the sector and even investors' requirements. Ultimately, the success of these venture partnerships is defined by the benefits we create for the partners, society, and the planet.

ABOUT ENNOVENT

Ennovent is a venture catalyst that takes innovative businesses to unexplored low-income markets in developing countries. We offer customised venture projects to entrepreneurs, corporates, funders and NGOs that provide access to startup expertise, local capacity, diverse funding and global networks. Through fair partnerships, we share the risks and rewards of optimising sustainable impact and profits in low-income markets. Since 2008, Ennovent has catalysed over 240 ventures in 35 countries through 70 projects.

SOURCES

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