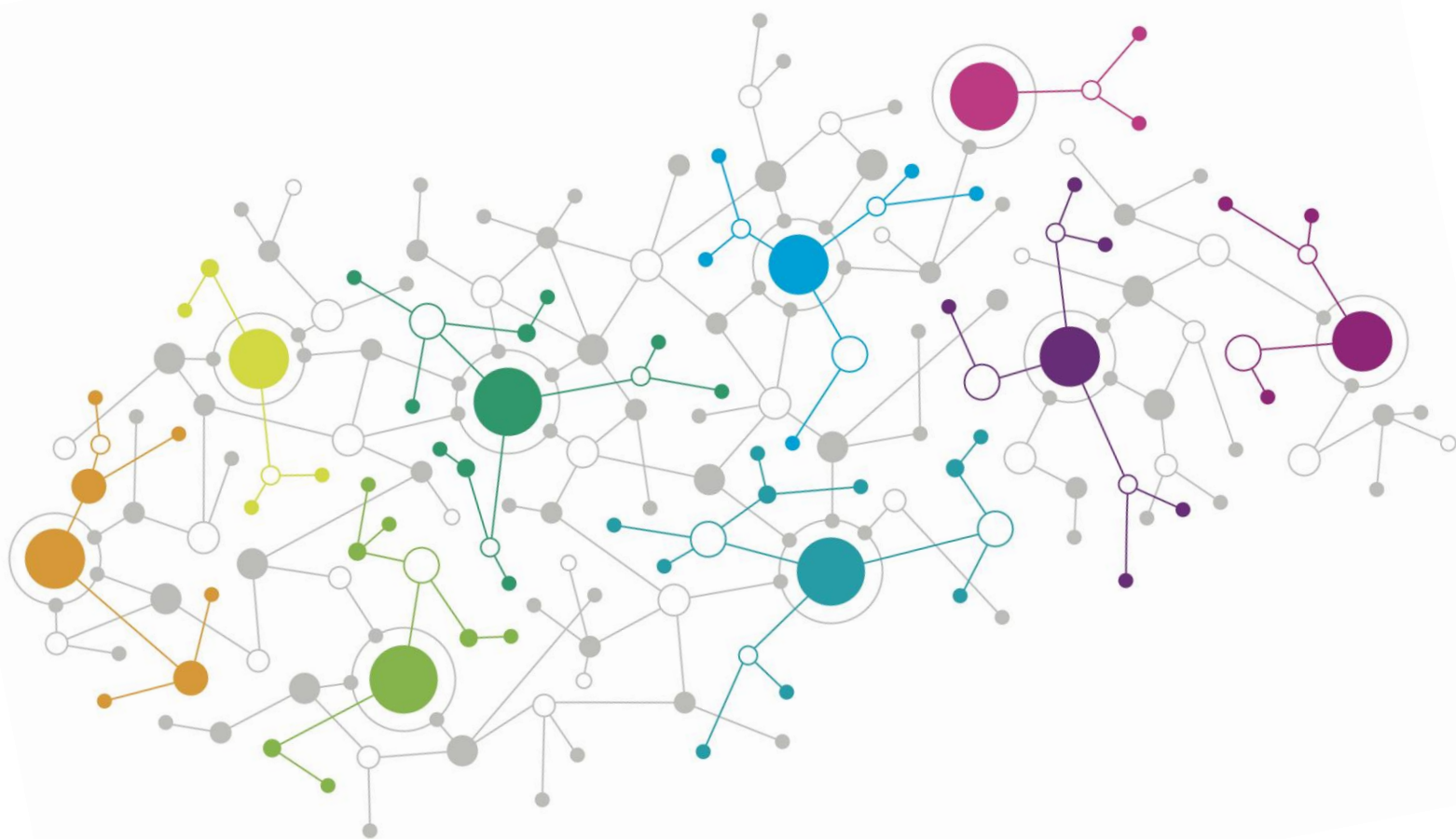


# ENTREPRENEURSHIP ECOSYSTEM IN SRI LANKA

*A network analysis of institutions supporting entrepreneurship*



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## EXECUTIVE SUMMARY

Entrepreneurial ecosystems are increasingly recognized as a way to stimulate economic growth, innovation, and social change across most countries globally. Each of these entrepreneurship ecosystems are unique and emerge as the result of a multitude of institutions and actors interacting in highly complex and idiosyncratic ways. Implementing and accelerating entrepreneurship ecosystems is central to unleashing the potential of young entrepreneurs. In addition to promoting entrepreneurship within the broader policy context, it is critical to invest in the performance, interconnectedness and growth of the intermediate level of the economy.

This report responds to this urgent need by using a novel methodology to understand the institutions active in the entrepreneurship ecosystem of a country. The analysis starts with an initial mapping of the overall ecosystem and attempts to gauge the types of support given by institutions to entrepreneurs and at which levels of the business lifecycle. Secondly, delving deeper, a network analysis is conducted to observe the types of linkages or collaborations that occur between various institutions in the entrepreneurship ecosystem. Such a network analysis does not only show the connections between actors but can also identify which institutions are highly connected. Finally, complementing the institutional perspective, entrepreneurs or the “users” of the ecosystem were asked to share their insights. Based on this comprehensive analysis, the objective of this report is to provide an accurate description of a country’s entrepreneurship ecosystem of institutions, identify gaps and highlight recommendations.

In this edition of the report, the focus is on Sri Lanka’s entrepreneurship ecosystem, with a specific emphasis on Colombo and Jaffna. While Sri Lanka’s entrepreneurship ecosystem is still at its early stages, it is important to recognize the momentum not only in the business capital, Colombo, but also in the post-conflict regions in North and East. With various new entrants in the form of incubators, co-working spaces, angel investors and venture capital funds entering the market, entrepreneurship is shifting from being just a buzzword to a reality for many young Sri Lankans. Complementing these new types of support institutions targeting specifically start-ups, the existing institutions such as industry associations, chambers of commerce and trade and investment support institutions (TISIs) are also revamping their services to meet the needs of young entrepreneurs.

### Current ecosystem

**Start-up events and competitions play a key role** in bringing together the entrepreneurship ecosystem and are widely accessible to entrepreneurs across the country. Moreover, network analysis reveals how events are key connecting points in the network of institutions. Events contribute to the facilitation of information among Sri Lankan institutions, financial exchanges and collaboration for services provision. However, the current focus on networking and events results in limited attention on expanding business skills training opportunities.

**Financial support services are present** in the ecosystem, including innovative financing mechanisms such as crowdfunding, venture capital and angel investments. Institutions providing them are limited in number and mostly located in Colombo, though they are expanding their reach in the North region.

**Actors in the IT sector take a lead as connectors** in the network. While most are based in Colombo, the actors in Jaffna (North region) are multiplying connections in the network. Further, collaborations with universities and schools are creating new connections. This is contributing to the expansion of the community and the delivery of services targeted to early stage entrepreneurs.

In addition, the analysis suggests that the maturity of an institution is still a factor of success when it comes to providing support services. Long-established institutions offering support to the larger business community are better positioned to create new connections and act as a bridge for institutions in the overall network.

Connections in the Sri Lankan ecosystem happen informally and constantly. However, while information and service provision collaborations are numerous, financial collaborations between institutions are occasional. Given the size of the Sri Lankan ecosystem and the maturity of its institutions, collaborations for service provision are especially relevant for leveraging business and technical expertise to deliver quality services.

## Entrepreneur insights

**Skills and knowledge** through training, workshops and meetups are essential for most young people to pursue the entrepreneurship path. Yet, there is limited availability of structured entrepreneurship training programmes in Sri Lanka.

**Events and competitions** are important for entrepreneurs to network with peers as well as to increase their awareness on the different institutions active in the entrepreneurship ecosystem in Sri Lanka.

**Access to finance** remains to be a critical barrier for most entrepreneurs in Sri Lanka despite the emergence of new financing mechanisms such as crowdfunding, venture capital funds and angel investment networks.

**Market access** support including market information is needed by most entrepreneurs to expand beyond national borders and explore new business opportunities. However, the current ecosystem of institutions is focused mostly on early-stage entrepreneurship support and provide limited services to facilitate market linkages and business expansion.

## Next steps for the ecosystem

The research and analysis of this report reveal that Sri Lankan entrepreneurship support institutions can address several gaps to continue the development of the ecosystem:

**Addressing the informality of interactions.** Coordinating interactions and formalizing connections to respond to specific strategic needs of the institutions. Also, developing successful connections and collaborating in specific joint initiatives that can lead to mutual benefit.

**Expanding support to new regions.** Designing specific programmes and initiatives in regions outside Colombo. Including the creation or support of regional institutions.

**Supporting the participation of women in the entrepreneurship community.** Investing in programmes to overcome specific barriers and encourage expansion and gender balance in the community.

**Expanding service portfolio.** Emphasizing financial support services and business skills training. Investing in creating or strengthening collaborations with universities and other education institutions to develop joint initiatives as part of the portfolio of support services.

**Cultivating international linkages.** Connect to good practices and peer-to-peer learning, both for institutional development and for entrepreneurship support.

Attending and mitigating coordination risks, identifying, understanding and incentivizing relevant players as well as strengthening project execution capabilities, collaboration capabilities and a long-term horizon view will be key to the ecosystem's success.

It is evident that no institution alone will be able to take the Sri Lankan ecosystem to the next level. Collaboration will define progress.

## Limitations of the analysis

The analysis provided in this report aims to reflect the findings of desk research and interviews. Some institutions, currently present in the ecosystem might not be represented in this analysis given the characteristics of their mandate (not including entrepreneurship support) or the sporadic character of their interactions in the network. The interview questions were based on ITC's Network Analysis methodology designed specifically to understand the interactions of support institutions. Therefore, questions were less focused on the particular situation of start-ups or entrepreneurs. The information gathered on the entrepreneur's perspective only represents a small subset of the ecosystem's entrepreneurs and therefore further analysis might be needed to provide a full profile of the entrepreneur's journey. This report is a snapshot of the situation in 2018 and therefore might not be representative of inactive or future interactions.

# 1. INTRODUCTION

Entrepreneurship is widely recognized as the engine of social and economic development. Consequently, entrepreneurs and new ventures have become the focus of attention among policy makers.

The National Export Strategy (NES) of Sri Lanka 2018-2022 highlights the role of innovation and entrepreneurship for export competitiveness and better jobs. Some of the key priorities of the NES include building the skills and knowledge of entrepreneurs, improving the national business environment and enhancing access to finance for start-ups.<sup>1</sup>

Despite the current boom in start-up support, the Sri Lankan ecosystem is relatively new and informal with a strong focus on promoting entrepreneurs at the idea and start-up stages of their ventures. According to the Global Entrepreneurship Index 2018, Sri Lanka is ranked 90 out of 137. Findings from a recent start-up survey highlights the limited availability of capital, complex regulatory environment and limited business support services in regions outside Colombo as some of the barriers encountered by start-ups.<sup>2</sup> It is critical to note the significantly high concentration of start-up support in Colombo, the country's business capital. The start-up communities in rural districts and in regions that were highly affected by the civil war, such as Jaffna, are gaining momentum but with only few actors. The recent IT strategy for Jaffna notes the positive entrepreneurial attitude in the region's start-up community and the conducive role of Jaffna-based incubators and chambers.<sup>3</sup>

Increased attention on promoting entrepreneurship is timely given the country's high youth unemployment rate, ageing population and low female labour force participation. Efforts to increase the economic contribution from youth and women is crucial to sustain growth and development. Accordingly, the Vision 2025 of the Government of Sri Lanka (GoSL) highlights the need to strengthen entrepreneurial capabilities of young people. Moreover, a key policy recommendation from the World Bank is to reinforce the ecosystem with early-stage finance and incubation facilities.<sup>4</sup>

This report provides an analysis of the Sri Lankan entrepreneurship ecosystem with a specific focus on the interaction among ecosystem actors and gaps in services in supporting entrepreneurs. Section 2 of this report provides key findings regarding the services offered in the ecosystem based on the interviews conducted with relevant institutions. Section 3 delves deeper into how the institutions within entrepreneurship ecosystem in Sri Lanka, with an emphasis on Colombo and Jaffna, interact using network analysis techniques. Section 4 offers insights from entrepreneurs in terms of navigating the entrepreneurship ecosystem. Based on the network analysis and interviews, Section 5 highlights the gaps and overlaps in the current entrepreneurship ecosystem and Section 6 provides key recommendations.

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<sup>1</sup> Government of Sri Lanka (2018) National Export Strategy of Sri Lanka 2018-2022

<sup>2</sup> SLASSCOM (2016) Country Overview of the Start-up Ecosystem in Sri Lanka

<sup>3</sup> Stax (2018) Where Modernity meets Tradition: A dual-hub IT strategy for Jaffna

<sup>4</sup> World Bank (2018a) Sri Lanka Development Update June 2018: More and better jobs for an upper middle-income country

## 2. ECOSYSTEM MAPPING

### Defining entrepreneurship support ecosystem

In the context of this report, an entrepreneurship support ecosystem is a collaborative arrangement through which institutions that support entrepreneurs combine their resources, capabilities, and products to offer a coherent, entrepreneur-oriented solution.

When they work, ecosystems allow institutions to create value that no single one of them could have created alone. Well-managed ecosystems improve the management of critical interdependencies to increase benefits or reduce costs.

### Sri Lanka's entrepreneurship support ecosystem

In Sri Lanka, entrepreneurs have access to a wide variety of support.

The entrepreneurship ecosystem in Sri Lanka is largely concentrated in providing services to idea to early stage entrepreneurs. Driven by policy objectives as well as entrepreneurial motivations of young people, the ecosystem mostly caters its services to those under 35 years old. The interviews further confirmed that most start-ups are owned or managed by young men.

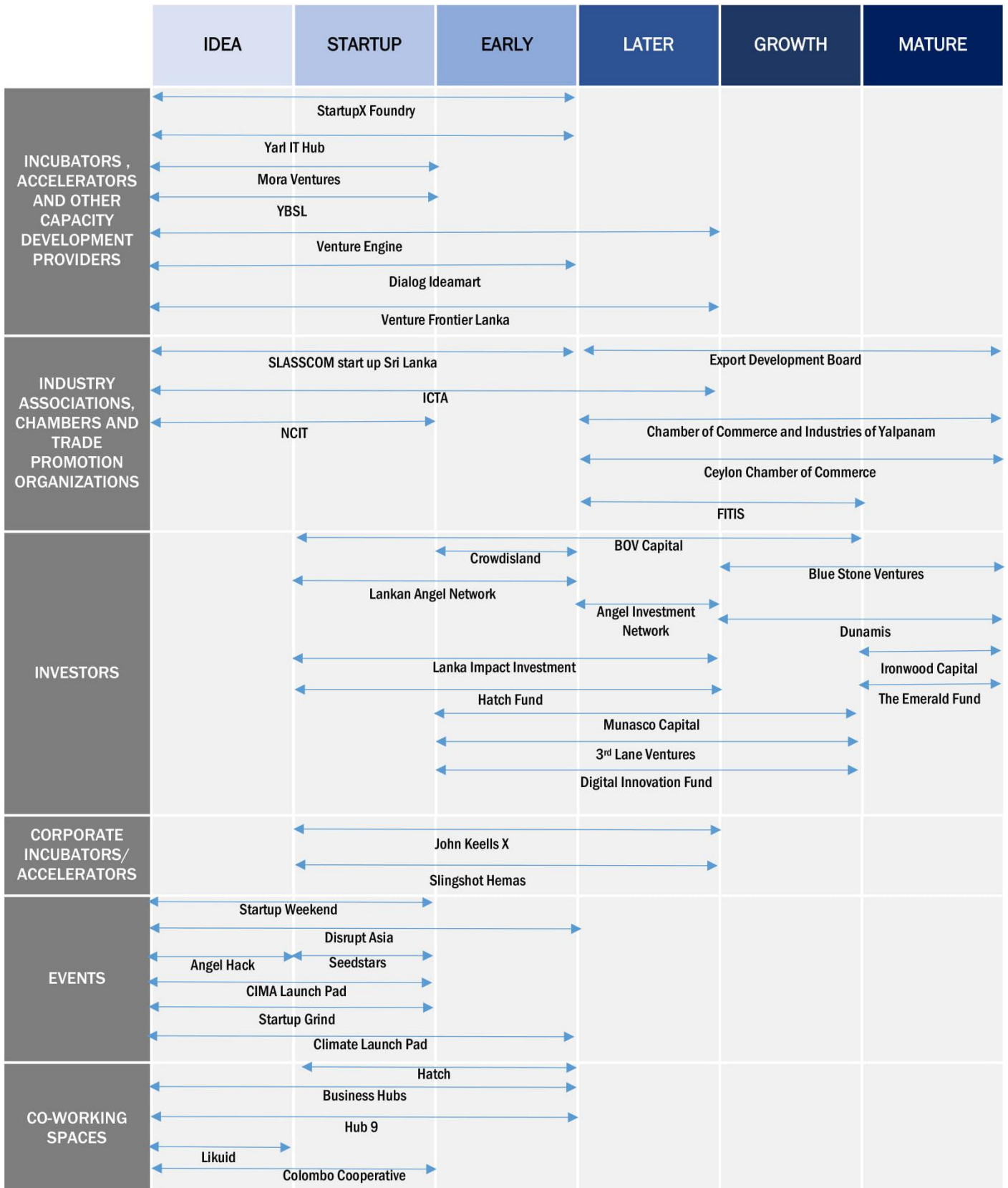
Based on the interviews conducted with entrepreneurship-related institutions ranging from incubators, accelerators, co-working spaces, sector associations, chambers, and venture capital funds, the following findings can be outlined.

Figure 1 below provides an overview of the range of institutions active in the Sri Lankan entrepreneurship support ecosystem at various stages of the lifecycle of a business. See Technical Annex for a list of definitions of entrepreneurship support institutions.

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Figure 1: Ecosystem actors by category and business stage



Note: This figure has been developed based on desk research and therefore may entail omissions in the coverage of the active institutions.

### **Financial support to entrepreneurs is currently facilitated by a mix of actors including incubators, accelerators, angel investor networks and venture capital funds**

According to the interviewed sample of institutions and entrepreneurs, seed funding is part of the offer from most incubator and accelerator programmes such as ICTA's Spirulation. In addition to embedding financial support within such programmes, dedicated initiatives such as Lanka Angel Network facilitates access to angel investors and mentoring support. Moreover, the venture capital fund, BOV Capital, targets start-ups that are established and seeking to grow whereas Crowdisland, the first equity crowdfunding platform in Sri Lanka, supports tech start-ups at an early stage with seed funding.

While these services are available to entrepreneurs across the country, the physical presence of the institutions is only in Colombo. In terms of outreach to regions outside Colombo, Youth Business Sri Lanka offers microfinance loans to start-ups in all districts through local chambers of commerce.

Notably, the interviews did not indicate that traditional financial service providers such as banks are active in the youth entrepreneurship landscape.

### **Limited focus on business skills training opportunities for entrepreneurs**

Most incubator and accelerator programmes active in the Sri Lankan entrepreneurship ecosystem impart knowledge to entrepreneurs through community meetups and talks by experienced entrepreneurs or investors.

Structured entrepreneurship or business skills training programmes are not widely available. Youth Business Sri Lanka, an entrepreneurship-support institution that is a member of the global network of Youth Business International offers training programmes to young people. In addition, Yarl IT Hub organizes training workshops in the Northern Province on IT-related topics.

### **Rise of corporate-led incubator programmes**

Several Sri Lankan conglomerates have recently established incubation and acceleration programmes such as Slingshot (Hemas Group) and John Keells X. These programmes tend to be linked to sectors covered by the main business enabling the entrepreneurs to easily access technical knowledge. Corporate-led incubator programmes are an effort to channel innovation from outside into traditional organizations.

### 3. NETWORK ANALYSIS

The network analysis in this section aims to characterize the group of interconnected actors supporting entrepreneurs in Sri Lanka. The analysis focuses on the nodes (individual institutions) and the edges (relationships or interactions) that connect them. The network analysis presented is part of ITC's methodology.

#### ITC's Network Analysis methodology

ITC's Network Analysis methodology aims to capture interactions, trends and patterns in collaborations among institutions. The results presented in this section are based on three pillars of analysis:



#### Desk research

Preliminary research to understand the landscape of institutions in the country and their offerings. Research on specific studies and reports in the field of entrepreneurship support and start-ups development in the country. Research to validate findings.



#### Entrepreneurship support institutions

Personal interviews to understand the role of the institution in the ecosystem, its contributions, perspectives and specific collaborations within the network.



#### Entrepreneurs

Personal interviews to validate the institution's offering and to understand the entrepreneur's journey in the ecosystem.

In order to represent and visually capture the interactions and linkages among the interviewed institutions, this section of the report provides qualitative and quantitative insights supported by a network analysis software.

The following section provides answers to two key questions:

1. **What are the main connections in the network?** The analysis explores how the landscape of institutions interact with each other, who are the most connected institutions, with who are they connecting and why are they connecting. The aim of this analysis is to understand what stimulates collaboration or what is preventing it and therefore, what can be done to continue strengthening the ecosystem.
2. **How are institutions connecting?** To respond to this question, ITC's network analysis focuses on three key factors of collaboration: information, funding and service delivery. In the case of information exchanges, the analysis looks into aspects such as database of entrepreneurs, events information or market intelligence. Regarding financial exchanges, the analysis focuses on the exchanges of funds between institutions. This would be the case of institutions providing financial support for events to other institutions or logistics support. Finally, service delivery collaboration involves support for trainings, such as training material and training staff and collaboration for the organization of events and competitions.

#### 1. What are the main connections in the network?

##### IT-focused institutions are leading the network

The analysis reveals a clear tendency of the network to focus its support on IT sector start-ups. However, this is not a deliberate choice but rather an adaptation of institutions to current demand. Despite offering responses in various sectors, most start-ups in Sri Lanka leverage the use of technology to deliver solutions. Most of the institutions interviewed for this report mentioned their interest to expand entrepreneurship support to other sectors.

### Expanding to other sectors:

Developing additional sectors is a challenge for most ecosystems at pre-mature stage. However, when well managed it can be a key factor for success. For example, start-ups in New York have successfully moved beyond purely focussing on the tech sector by applying technology to existing non-tech industries and new categories of markets. This is the case of the start-up company Uber and the mobile app it created for people to get a taxi and pay for the ride. Uber led other taxi companies to develop similar apps themselves,

thereby creating new tech jobs in a sector other than tech. Sri Lanka has been developing similar examples and is now expanding to other sectors such as health, education and fashion and apparel sectors. Start-ups such as Guru Paara (education) or ZigZag (women's fashion) are examples of the increasing efforts of the Sri Lankan ecosystem to diversify its community.

Sources:

World Bank (2016a) *New York City. Transforming a City into a Tech Innovation Leader*

### Emerging solutions to develop the post-conflict city of Jaffna

Currently, the network operates mainly in the Colombo area. This is to be expected, given the distribution of the population, highly concentrated in Colombo, where most business and financial activities occur.

Notably, Jaffna, a city in the post-conflict Northern region, is advancing at a fast pace to develop and support entrepreneurship. Jaffna's network is mainly composed by regional chambers and the incubator, accelerator and co-working space Yarl IT Hub. Increasingly, other institutions such as SLASSCOM and ICTA are developing specific programmes to support the region but are still at an early stage.

The recent momentum in entrepreneurship development in Jaffna can be partly explained due to the desire to recover from the years of conflict. Interviews clearly indicated the entrepreneurial spirit that is taking root there. The fact that most programmes and collaborations are operated on a volunteer basis indicates their willingness and passion for entrepreneurship.

### Accelerating collaborations with universities and early stage entrepreneurship development

Part of the entrepreneurship ecosystem is moving towards an early-entrepreneurs development system, collaborating with schools and universities to establish the necessary foundation for future entrepreneurs. This has proved to be an effective system to encourage the creation of skills, ideas and networks. The network analysis reveals that universities such as the University of Moratuwa and Jaffna University are some of the key players when it comes to early development of entrepreneurs.

### University of Moratuwa - Leading the way

The University of Moratuwa is currently leading the way by offering an MBA programme in entrepreneurship designed to create entrepreneurial atmosphere while nurturing capabilities. The programme sets the scene for experience sharing with successful entrepreneurs as well as special guest lectures, field visits and research seminars.

### What makes a university a catalyst for entrepreneurs?

Ranking sites such as Princeton Review use the below criteria to rank universities in terms of their support to entrepreneurship:

- Entrepreneurship focused trainings, courses, and/or degrees.
- Students and Faculty enrolled in school's entrepreneurship offerings
- Number of companies started by graduates over the last five years

- Sponsored programmes, mentoring, competitions hosted
- Scholarships and Aid related to entrepreneurship

### How can other institutions contribute?

Ecosystem of institutions such as incubators or accelerators can contribute by offering mentoring services to students. Initiatives such as connecting successful entrepreneurs to students or organizing talks and events where entrepreneurs share their journey have proven to be effective. Collaborations in short projects or tasks in start-ups can also promote an entrepreneurial mind-set and contribute to the student's development. Moreover, institutions such as sector associations or chambers of commerce can also offer support in logistics for the events led by universities.

### Events as key institutional connectors

To understand the connections, a centrality analysis is run as part of the mapping exercise. Connections in the map show that events are key connectors in the network. Generally organized by several institutions, events are key to foster international connections, visibility for start-ups and access to finance. In general, activity-based events of incubators, where entrepreneurs use and practice relevant skills, such as Startup Weekend or Disrupt Asia, prove useful for the development of entrepreneurship ecosystems and more effective than pure networking events.<sup>5</sup> They help to generate quality relationships that allow the exchange of assistance and knowledge and foster local connectedness.<sup>6</sup>

### Institutional maturity is still a factor

The overall analysis of the network demonstrates the influence of institutions whose mandate expands further than entrepreneurship support. For example, SLASSCOM's mandate is "to act as a catalyst of growth of the Sri Lankan IT and BPM industry by facilitating trade and business, propagation of education and employment, encouragement of research and innovation, and by supporting the creation of a progressive national policy framework". Similar mandates are found at the Information and Communication Technology Agency "Transform Sri Lanka towards a creative knowledge-based society through digitally empowered citizens" or the Northern Chamber of Information Technology "the gateway to the information technology market and industry in North part of Sri Lanka".

Such broader focus enables institutions to diversify their revenue sources and leverage on other initiatives to support entrepreneurship. However, in some cases, this may also lead to less focussed programmes and a weaker connection to specific issues affecting entrepreneurs.

### The ecosystem map

The ecosystem, represented in Figure 2, has forty nodes (institutions) reporting different types of connections.

Despite the general tendency to compare and quantify the ecosystem nodes, this might not be of any relevance to understand the strength and quality of the support provided to entrepreneurs. An analysis of ecosystems in Buenos Aires, Amman and Istanbul, concludes that a few main nodes, taking on the central role of activating and connecting the rest of the players, are required to create a successful entrepreneurial network.<sup>7</sup>

In some cases, a high level of density with multiplying clusters allows entrepreneurs to connect to knowledge and resources through other actors, making those flows more efficient and helping to nurture new start-ups. For example, Cairo's tech entrepreneurship ecosystem is considered as an example of a highly connected cluster, promoting connectivity between actors.<sup>8</sup> Therefore, in some cases, the key to a successful ecosystem relies not on expanding the number of institutions but on strengthening them to provide a more targeted and coherent portfolio of services.

Institution nodes are ranked according to their betweenness centrality. This centrality measure weights how many times a node (institution) acts as a gateway in the network. The higher the betweenness centrality of an institution, the more paths run through that entity to connect two other actors. When an institution has a high betweenness centrality, and therefore a bigger node size in the map, this means that a node is a key bridge or facilitator between different actors. Overall, it measures how often an institution appears on shortest paths between nodes in the network. Institutions with high betweenness may have considerable influence within the network by virtue of their control over information passed between others. They are also the ones whose removal from the network will most disrupt communications between other institutions because they lie on the largest number of paths taken by messages.

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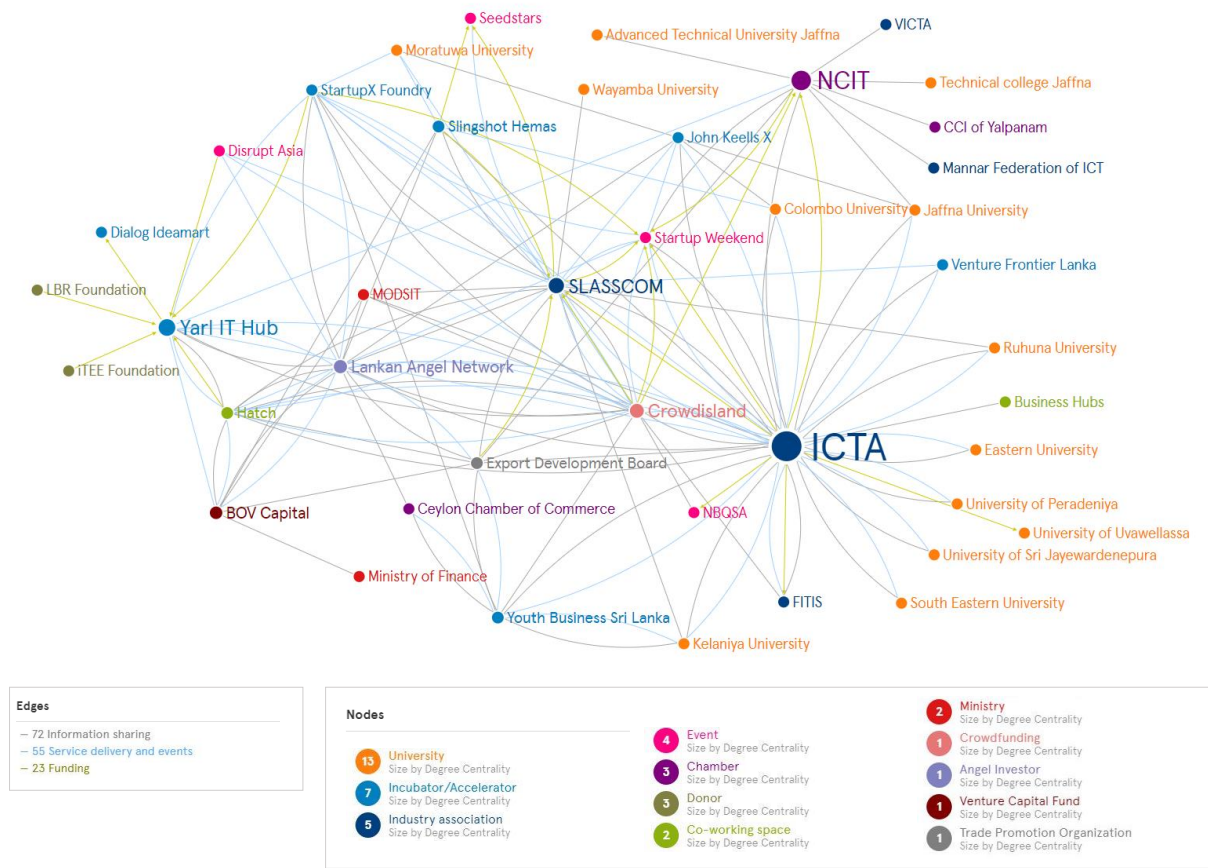
<sup>5</sup> Kauffman Foundation (2014) Examining the Connections within the Startup Ecosystem. A Case Study of St. Louis

<sup>6</sup> Startup Genome (2018) Global Startup Ecosystem Report. Succeeding in the New Era of Technology

<sup>7</sup> World Economic Forum (2014) Entrepreneurial Ecosystems around the Globe and Early-Stage Company Growth Dynamics

<sup>8</sup> World Bank (2017a) Tech Start-up Ecosystem in Dar es Salaam. Findings and Recommendations

Figure 2: Mapping Sri Lankan entrepreneurship support ecosystem



From the analysis, we can see that SLASSCOM, NCIT and ICTA are the key connectors. They are able to act as bridges and link with a broad set of actors. It is important to note that some actors like NCIT rank high on betweenness centrality because they are able to expand the network to institutions that are not currently connected with the rest, such as regional chambers of commerce or universities.

In this map, we have also analysed the location of the network actors. Colombo stands as the main hub for institutions. However, it is important to note that at least 17% of the total institutions in the study are based in Jaffna, clearly indicating the potential of the region and subsequent need for investment and further development.

Figure 3: Entrepreneurship support ecosystem in Colombo

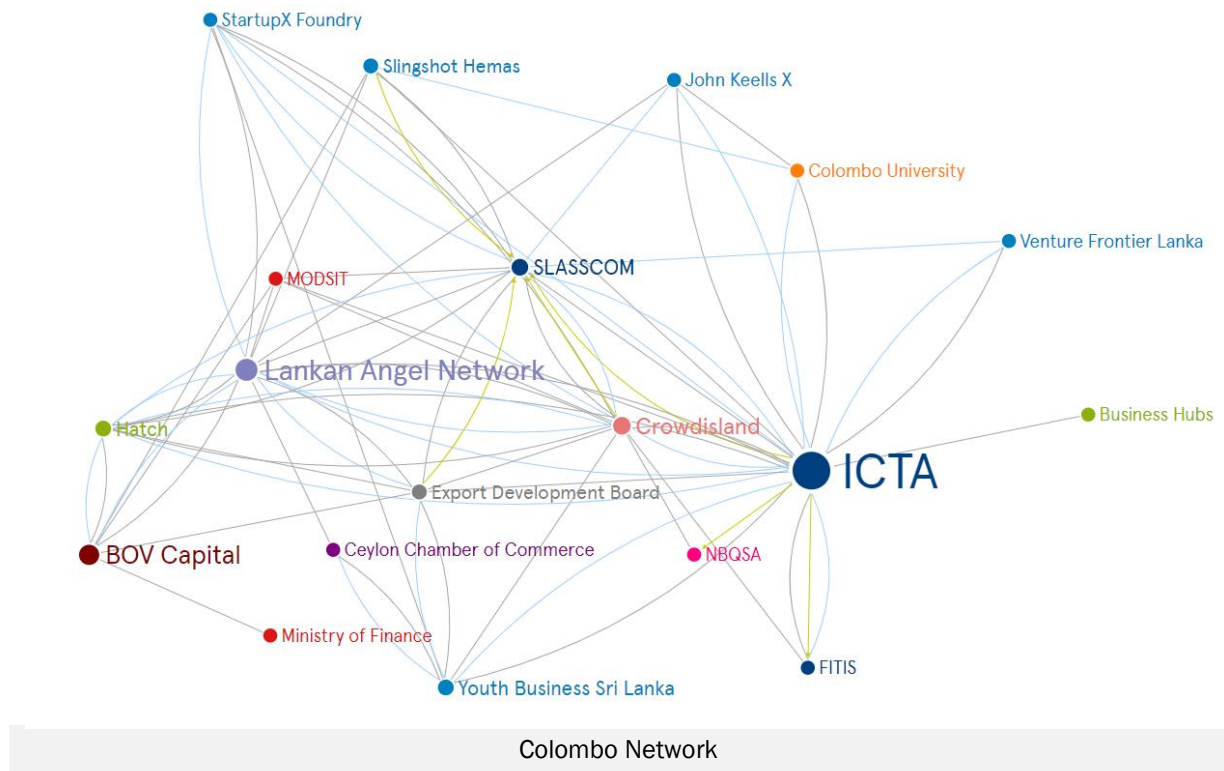
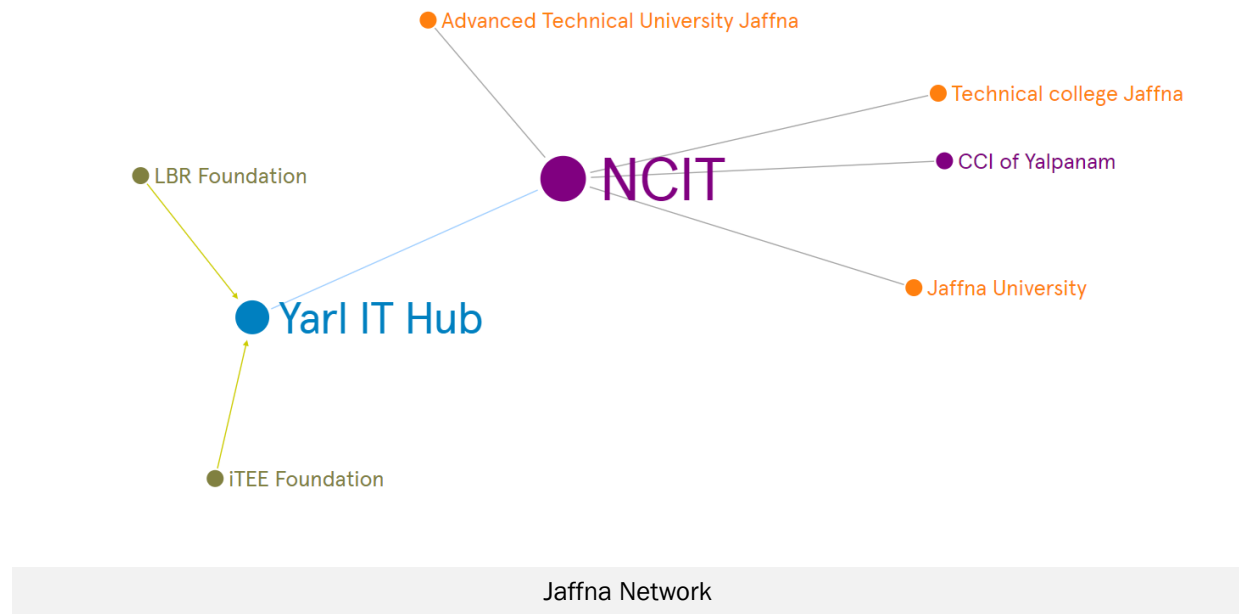


Figure 4: Entrepreneurship support ecosystem in Jaffna



When looking at the type of institutions that constitute the network, incubators, accelerators and universities are the most numerous. However, the types with higher betweenness centrality and therefore better connected, are industry associations, chambers of commerce and incubators. Again, this shows on one side

the advantage of mature associations that have had long-standing exposure to the business community, but also highlights the need to increase the network connections for universities, incubators and accelerators.

Deeper analysis of Figure 2 indicates that creating additional connections could significantly increase the overall density and centrality scores. Possibilities for growth in the network can be as follow:

### 1. Growth by increasing density of the network

Augmenting the number of connections in the network by creating new linkages with existing institutions currently poorly connected. For example, connecting to:

Moratuwa University	Buiss Hubs
Jaffna University	Ruhuna University
CCI of Yalpanam	Kelaniya University
FITIS	Wayamba University
VICTA	Colombo University
	Seedstars

### 2. Growth by increasing centrality

Institutions can adopt new roles as “bridge” actors by connecting specific groups. Even when not having a high number of connections, an institution can act as a bridge when reaching to key unconnected actors. This might be the case for regional institutions connecting to specific groups in rural areas. For example, the following institutions have the potential to become bridge actors:

Yarl IT Hub	Increasing connections in Jaffna region (i.e.: universities, schools, associations and chambers of commerce)
Startup X Foundry	Expanding the network with training providers. Exploring possible cooperation/synergies with corporate actors such as Slingshot and John Keells.
Youth Business Sri Lanka	Strengthening current connections with Ceylon Chamber of Commerce and Universities in Colombo area. Connecting to international actors through the Youth Business International.

## 2. How are institutions connecting?

The research findings reveal that institutions in Sri Lanka are part of a highly informal network. Therefore, exchanges and collaborations happen frequently and through different informal channels (common network, shared working space, WhatsApp, etc.). However, this report has identified three key interactions between institutions:

1. **Information exchanges:** the analysis looks into exchanges such as database of entrepreneurs, events participation or market intelligence.
2. **Financial collaboration:** the analysis provides an overview of the funds exchanges happening between institutions (not funds given to entrepreneurs). This would be the case of institutions offering financial support for events to other institutions or logistics support.
3. **Service delivery collaboration:** involves support for trainings, such as training material and training staff and events coordination.

### Information exchanges

Information exchanges happen informally and constantly. Despite not having any connecting platform or forum for discussion with all actors, information flows are abundant in the Sri Lankan network and reflect the openness of institutions to collaborate. However, the recent emergence of new institutions with a

consequent lack of maturity, in terms of strategy design and clarity on service portfolio, hinders further collaborations.

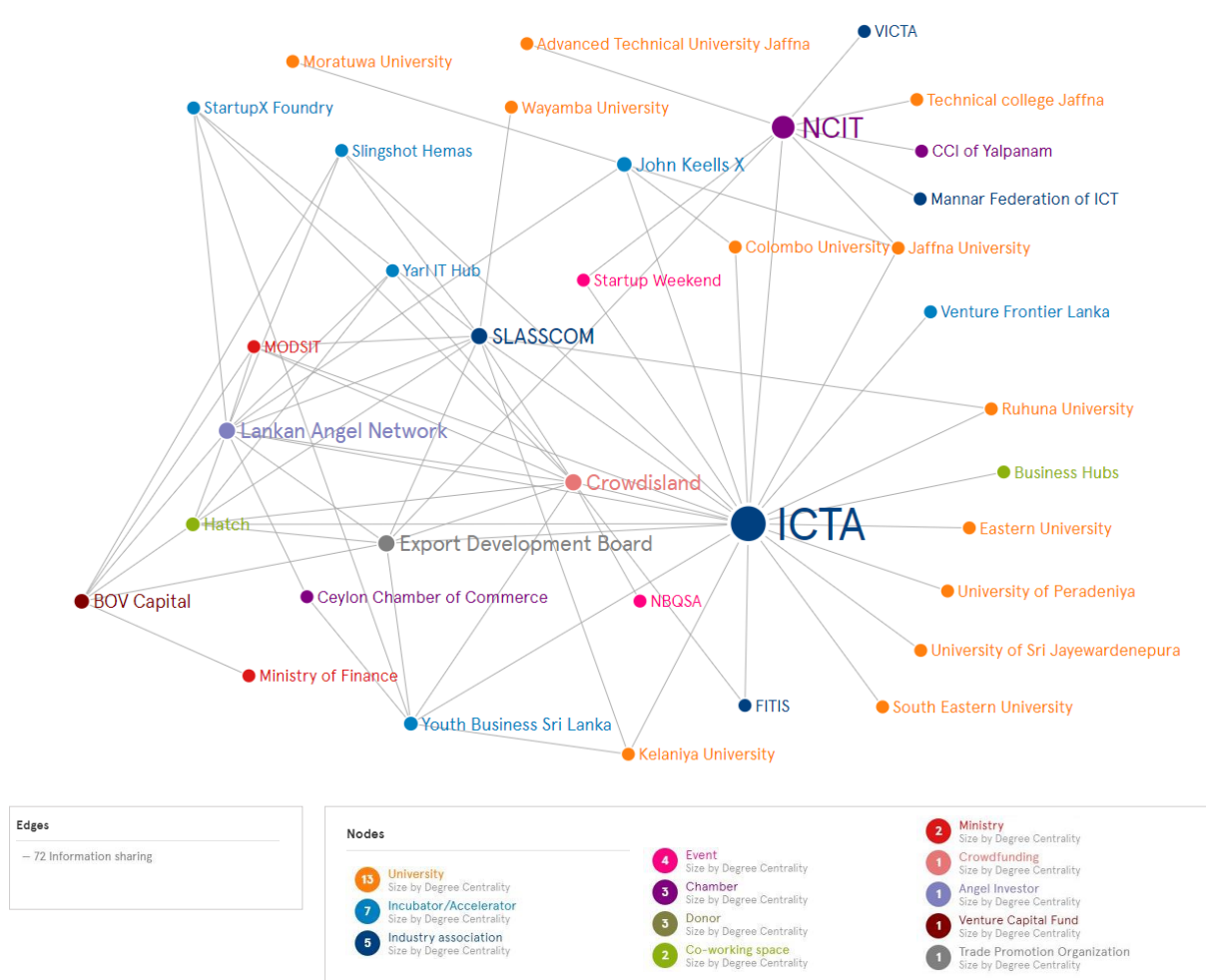
Even though in some cases it might not be necessary to create a formal platform for collaboration, some initiatives particularly related to events, have proven to be helpful to tighten connections and create new ones.

### Investing in collaborative platforms

Sri Lanka has started its involvement in collaborative platforms inspired by 4 Years from Now [4YFN], the innovation platform created in the framework of the Mobile World Congress (MWC). Such applications aim to enable start-ups, investors, corporations and public institutions to

discover, create and launch new ventures together. Moreover, they offer unique connecting initiatives including insightful onstage talks, technical workshops, custom networking activities, community outreach and open innovation programmes, among others.

Figure 5: Information connections in the ecosystem



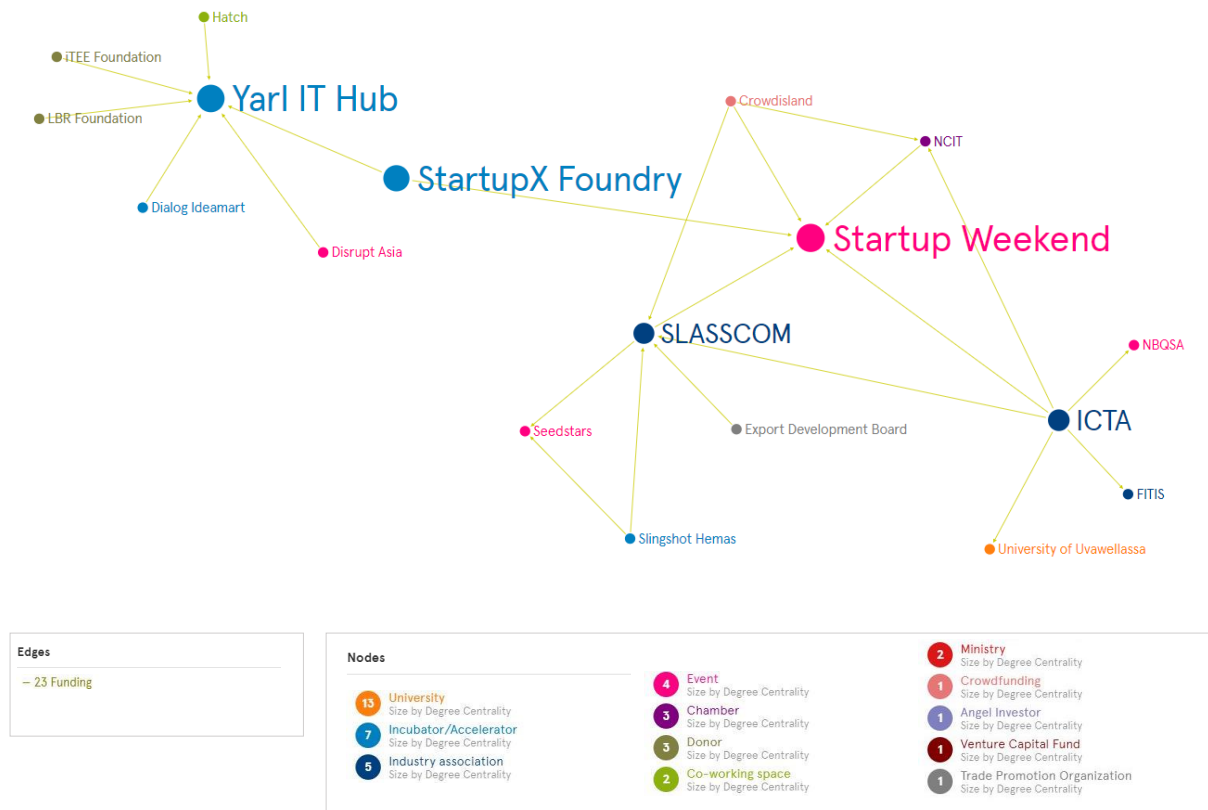
### Financial collaboration

While institutions are very active in sharing information with peers, they are less keen to engage through funds support. Cases are quite diverse but events, such as Startup Weekend, are still at the centre of most interactions. Moreover, institutions such as SLASSCOM or StartupX Foundry are key to the development and coordination of projects coming from external sources such as government or international funds.

Moreover, the informal character of the interactions in the network and the lack of partnerships planning and strategy are hindering factors for increased financial collaboration.

Finally, the network is mostly composed by institutions with low resources. This can partly explain low collaborations in this area.

Figure 6: Funding connections in the ecosystem



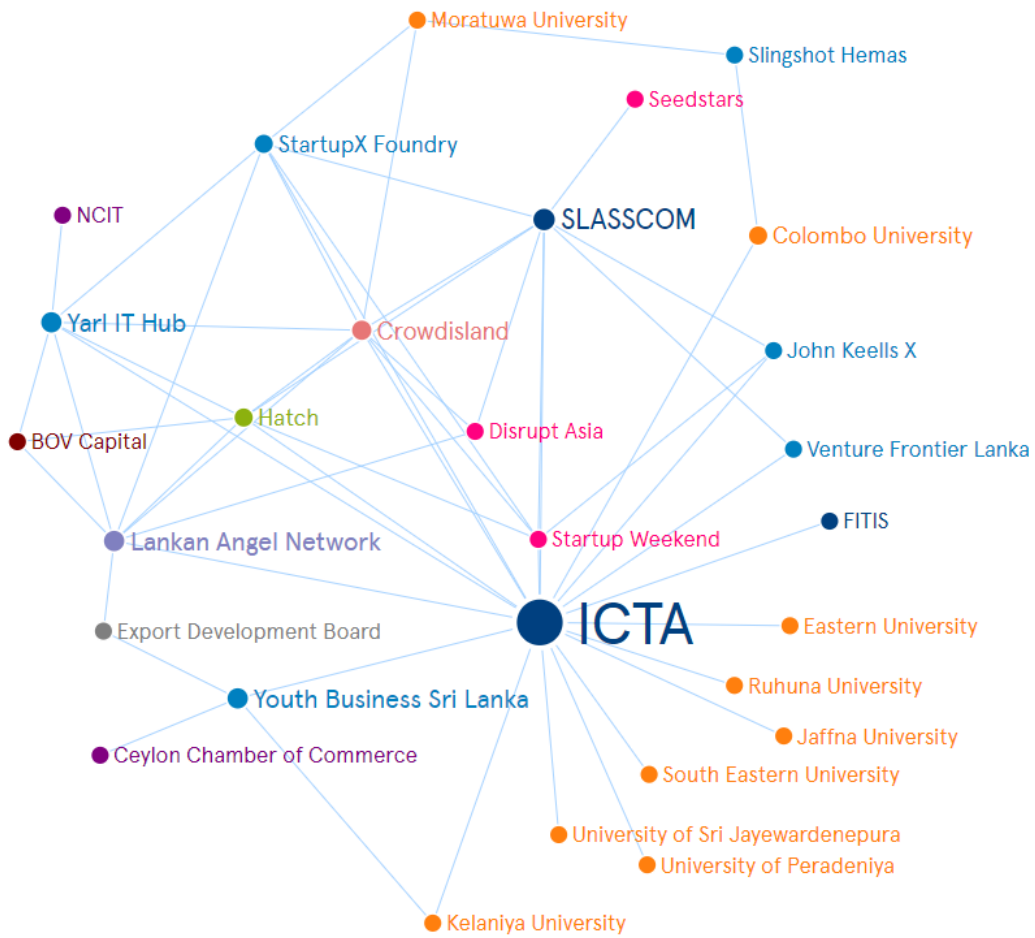
### Service delivery collaboration

Delivery partnerships usually occur when institutions collaborate to provide training services, mentoring programmes or support access to finance initiatives. The graph shows three key actors in this network, SLASSCOM, ICTA and Yarl IT Hub. This last one is particularly interesting since it acts as one of the key connection points between Colombo based institutions and the Jaffna region.

In this case, the presence of incubators and accelerators is high, showing the creation of synergies to leverage on specific expertise to provide services. Service delivery partnerships can be a driver for efficiency increase and cost reduction. Partnerships of this nature enable institutions to improve the quality of their services while saving costs. However, when used in excess it can lead to a decrease of in-house expertise resulting in loss of trust and image damage.

Digitalization and new business models are expected to shake this type of collaboration. New technologies provide increased flexibility and speed to ease interactions between service delivery partners and facilitate IT solutions to make services more efficient.

Figure 7: Service delivery connections in the ecosystem



Sri Lanka's ecosystem and its networks are on a promising journey of growth and success. Despite its very informal character, key actors are connected and increasingly collaborating.

Shifting to an ecosystem mind-set is therefore key for the development of institutions in the network. Identifying clear reasons to collaborate, working with committed teams, and setting individual and collective goals will define the success of the network.

Access the interactive Network map [here](#). Or scanning the following code:



## 4. USER EXPERIENCE ANALYSIS

Analysing the entrepreneurship ecosystem of a country requires not only the insights of its institutional actors but also that of the entrepreneurs or “users”. Interviews were conducted with a selected sample of young entrepreneurs to complement the above network analysis. This section provides an overview of the user experience in terms of support received, by which institutions, and what is next in their entrepreneurial journey.

As highlighted previously in the report, it is important to note that the typical “user” in the Sri Lankan entrepreneurship ecosystem is young, male and based in Colombo. This has been evident in the interviews conducted with institutional actors as well as in the latest “Start-up Survey” conducted by SLASSCOM. According to the survey, 75% of the respondents were between the ages of 20 and 35 with a university-level degree mainly in Computer Science or Engineering.<sup>9</sup>

Based on the insights gathered from the entrepreneur interviews and the findings of the SLASSCOM start-up survey, the following key trends can be outlined regarding the user experience in the Sri Lankan entrepreneurship ecosystem.

### **Building knowledge through training, workshops and meet-ups**

According to the entrepreneurs, building their skills and knowledge to pursue the entrepreneurship path was facilitated through training activities, workshops, and meet-ups organized by institutions such as ICTA, Hatch and Youth Business Sri Lanka. However, some entrepreneurs indicated the limited availability of programmes to build their expertise and further highlighted how they used their own initiative to gain knowledge through books and open-source videos on entrepreneurship.

### **Events and competitions as an avenue to build connections**

Most entrepreneurs indicated the benefits of participating in events such as Disrupt Asia, Startup Weekend, SLASSCOM IT weeks, Yarl Geek Challenge, and pitching competitions, to name a few. For example, one entrepreneur was introduced to the company’s future co-founder through the networking opportunities at Yarl Geek Challenge.

### **Accessing finance through new types of support mechanisms**

Young entrepreneurs indicated that given the difficulty finding the collateral required by traditional financial service providers, they had to rely on alternative methods to access finance. It is to be expected that in nascent entrepreneurship support ecosystems such as the one in Sri Lanka, the primary source of funding for most entrepreneurs are still personal savings and funds from family and friends. This is confirmed in the SLASSCOM start-up survey where 58% of respondents utilized personal savings and 12% relied on funding from family and friends.

However, some of the entrepreneurs highlighted the seed funding support available through incubator and accelerator programmes such as ICTA’s Spirulation. In addition, entrepreneurs have also benefitted from new actors such as Crowdisland that facilitate linkages with potential investors.

### **Market access support remains a service offered by trade promotion organizations**

Despite the range of entrepreneurship support institutions active in Sri Lanka, the role of facilitating market linkages and providing market information remains with trade promotion organizations, in this case, the Export Development Board.

The entrepreneurs interviewed clearly indicated the need to expand beyond national borders and explore opportunities available in the Asia-Pacific region as well as in European markets. While some of them took their own initiative to access support from foreign accelerator programmes such as those in Malaysia and India, many of them have benefitted from Business-to-Business (B2B) meetings and trade fair participation facilitated by EDB.

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<sup>9</sup> SLASSCOM (2016)

Entrepreneurs were able to gain exposure and explore new business opportunities through these B2B meetings, trade fairs and exhibitions, contributing to the growth of the company. However, the interviewees reiterated the gap in targeted market access services to meet the needs of early-stage businesses.

**Popularity of institutions: Which entrepreneurship support institutions have you heard of?**

*Figure 8: Key institutions based on user experience*

<b>SLASSCOM</b>	<b>ICTA</b>	<b>Yarl IT Hub</b>	<b>StartupX Foundry</b>	<b>Lanka Angel Network</b>	<b>Crowdisland</b>	<b>EDB</b>
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As part of the user experience analysis, entrepreneurs were asked to identify the key institutions in the Sri Lankan entrepreneurship ecosystem as displayed in Figure 8 above. Corroborating the findings of the network analysis in the previous section, SLASSCOM and ICTA appear to be the leading institutions. The nationwide events organized by SLASSCOM as well as ICTA's strong connection to the country's public universities have contributed to their recognition among young entrepreneurs.

## 5. GAP ANALYSIS

The recent growth of the Sri Lankan entrepreneurship ecosystem is evident with new institutional actors and geographic expansion of the support services available to young entrepreneurs. The current situation has little in common with the structure of the ecosystem a few years ago. Nonetheless, the ecosystem is still far from saturation with regard to the provided support. While there are some overlaps in services, beneficiaries of those overlapping services differ. In fact, achieving a reasonable level of support overlap is often considered to further facilitate entrepreneurs in navigating the ecosystem and progress through different stages of development.<sup>10</sup> Therefore, in this section the focus is not on the overlaps but rather the gaps in the Sri Lankan entrepreneurship ecosystem.

### Informality of interactions



**Interactions are mostly characterized by informality. Such informal ties and random collisions can drive ecosystems, but should be complemented by a formalization and coordination of interactions.**

The entrepreneurship support institutions in Sri Lanka, particularly new entrants such as incubators, venture capital funds and co-working spaces are at early stages of developing partnerships. Interactions can be characterized as “informal”. However, “information rich” is defined as a feature of strong entrepreneurship ecosystems, not only referring to formal connections, but also to informal ties.<sup>11</sup> This includes an exchange of information through accidental encounters as well as so-called “bridging assets” – people who play a critical role in connecting actors, resources and ideas and mostly undertake this task informally. In the case of Sri Lanka, the founders of Lanka Angel Network, StartupX Foundry and Hatch emerged as “bridging assets” not only in Colombo but also in stimulating entrepreneurship support services in Jaffna.

Diverse factors such as talent, creativity, strong infrastructure, economic assets, financing opportunities and a stable, enabling environment can facilitate this informal encounters or “collisions” to drive ecosystems. Further, support services from different stakeholders like events, skills trainings, co-working spaces and mentorship networks, can multiply them.<sup>12</sup> The Global Startup Ecosystem Report emphasizes this with its finding of a causal chain: density helps to create collisions, which in turn foster local relationships and a sense of community, making local connectedness an important multiplier for access to resources and knowledge. Informal help for each other among founders, investors and experts enhances the overall performance of an ecosystem.<sup>13</sup>

Apart from informal networks, coordinated interactions and formalized connections can enhance the density of the ecosystem and thereby increase the likelihood of those favourable collisions. The interest in such a formal streamlining in Sri Lanka is clearly reflected in the wish for a **coherent strategy and a common platform** pooling all relevant activities and support offers, as expressed in the interviews. Apart from ensuring a higher level of information and awareness among all actors and increased transparency, this can also make it easier for new start-ups to enter the ecosystem, nurture their businesses and grow.

### A digital home for the South African ecosystem

In 2017, the South African start-up support organization SiMODiSA launched Venture Central, an online platform that offers aggregated business information, opportunities, links, tools, resources, access to networks, mentoring and market opportunities as well as lists of workspaces, incubators and accelerators. Designed as a “single, comprehensive national entrepreneurial portal”, it is a digital platform from

entrepreneurs for entrepreneurs. It is managed, monitored and regularly updated by a team of entrepreneurs, but being community-based, various entrepreneurial supporters are able to contribute information about their offers and feed relevant material into the portal themselves.

*Sources:*  
*Disrupt Africa (2017) SiMODiSA launches support platform for SA entrepreneurs*  
*venturecentral.co.za*

<sup>10</sup> Kauffman Foundation (2014)

<sup>11</sup> OECD LEED Programme (2014) Entrepreneurial Ecosystems and Growth Oriented Entrepreneurship. Background Paper Prepared for the Workshop Organised by the OECD LEED Programme and the Dutch Ministry of Economic Affairs

<sup>12</sup> ITIF (2017) Learning from the World's Leading Startup Ecosystems

<sup>13</sup> Startup Genome (2018)

Furthermore, **formalization of the coordination among relevant actors** is favourable, as observed in successful ecosystems like Buenos Aires, Tel Aviv and Boston. Roundtables with stakeholders, consultation processes and support for public-private-partnerships resulting in entrepreneurship support like the District Hall in Boston are some examples.<sup>14</sup>

#### Boston District Hall as the “living room” for the entrepreneurial community

District Hall is the centre of the Innovation District, a 1,000 acres home of the entrepreneurship community in Boston, which clusters companies, new housing models and public infrastructure strategically. Founded in response to a call of the city, through a public-private partnership, District Hall was funded privately by Boston Global Investors, the concept was developed by the Cambridge Innovation Centre, and with various

other stakeholders such as the not-for-profit Venture Café Foundation, involved, it became a collaborative and innovative venue for events, a public workspace and a programming hub. It is the world’s first free-standing public innovation centre, giving innovative people a place to work, exchange knowledge and connect.

Sources:  
*districthallboston.org*

#### Lack of funding support



**Limited financial support services available to entrepreneurs, including venture capital, angel investments and loans, hinders the growth of the ecosystem as well as the process of entrepreneurial recycling.**

As the interviews have clearly shown, lack of funding support, in particular through venture capital funds, constitutes a gap in the ecosystem and an obstacle to entrepreneurs in Sri Lanka. Access to finance for start-ups is further impeded by difficulties entrepreneurs encounter in providing the necessary guarantees to obtain a loan, and lack of tax incentives that dissuade angel investments.

#### Attract international venture capital

In Israel, the government programme Yozma succeeded in attracting international venture investors and boosting the venture capital sector to the highest level in the world within two decades, by matching investments of internationals who worked in partnership with Israeli firms and offering tax incentives among others. Another success model is the programme INOVAR from Brazil’s government, which stimulated venture capital investments through a combination of capacity building for entrepreneurs, a special organizational framework and tax incentives.

The example of Ottawa shows that while most firms were initially funded through self-financing, venture capital funds to accelerate the growth of businesses at a later stage can be “imported” to an ecosystem later, attracted by the visibility of an ecosystem based on the reputation of just a few successful businesses. This would also open up possibilities for international linkages.

Sources:  
*World Bank (2016b) Strategic Investment Funds. Opportunities and Challenges. Policy Research Working Paper 7851 of the Finance and Markets Global Practice Group of the World Bank Group*  
*OECD LEED Programme (2014)*

A “critical mass of seed and start-up investors to provide finance and hands on support” is necessary for the growth of an entrepreneurship ecosystem, with special importance of business angels, seed capital funds and accelerators. Sufficient funding for a significant number of businesses is a precondition to create quality start-ups and thereby pave the way for success stories of thriving founders who then reinvest their human and financial capital in the ecosystem, creating monetary backflows. Furthermore, spill over effects from even just a few successful entrepreneurs can have significant benefits and create their own momentum – this was observed with Microsoft in Seattle and Nokia in Finland.<sup>15</sup>

<sup>14</sup> World Bank (2018b) Tech Start-up Ecosystem in West Bank and Gaza. Findings and Recommendations

<sup>15</sup> OECD LEED Programme (2014)

### The importance of entrepreneurial recycling

Research on entrepreneurship ecosystems shows that entrepreneurs should be encouraged to become investors, mentors and board members themselves to leverage their human capital. Such a mixture of nascent and experienced entrepreneurs and their interaction in the form of learning from each other is of significant importance – especially to acquire the necessary practical knowledge, which goes beyond educational training provided by universities.

“Entrepreneurial recycling” can be a driver for the growth of an ecosystem, whereas if no exits happen, resources remain locked up and entrepreneurial recycling for the support of younger start-up generations is not initiated.

For example, in Berlin a number of large exits contributed significantly to the development of the ecosystem, creating success stories, attracting attention and allowing resources to flow

back into the ecosystem. This includes the recycling of both human and financial capital, which was a key feature for the growth of the Chicago ecosystem as well. A quantitative study from the World Bank concluded that mentorship by an experienced founder increases the probability of getting funding compared to support from mentors who were not founders themselves. For an ecosystem to be sustainable, such success stories of founders who then reinvest in the ecosystem, e.g. through mentorship or angel investment, are needed.

#### Sources:

*World Economic Forum (2014)*

*Startup Genome (2014) Berlin's Transition from a Global Startup to a Global Scaleup Ecosystem*

*PitchBook (2017) Venture Ecosystem FactBook: Chicago*

*World Bank (2018c) Supporting Entrepreneurs at the Local Level. The Effect of Accelerators and Mentors on Early-Stage Firms*

*World Bank (2017b) Tech Start-up Ecosystem in Beirut. Findings and Recommendations*

### Lack of international linkages



**International linkages and interactions are missing and could be addressed by ecosystem-wide events with international participation, specific accelerator programmes and the attraction of international accelerators.**

Apart from funding from abroad, stakeholders in the Sri Lankan entrepreneurship ecosystem remark the lack of international linkages, including a lack of access to international markets, the absence of foreign accelerators and internationally linked projects, international collaborations of universities and connections with the diaspora.

The example of Stockholm underlines the importance of global connectedness. Being a relatively small ecosystem, the connectedness of its local entrepreneurs with their peers in the world top seven ecosystems stands as one of their key success factors. It “keeps them at the leading edge of global knowledge about innovation and business models”, allowing them to engage with global customers from the start, develop products tailored to the international markets and thereby creating globally leading start-ups that generate higher revenues. This can lead to a virtuous cycle for start-up ecosystems.<sup>16</sup>

Ecosystem-wide events can help to attract international attention and attendees, thereby fostering global exchanges and networks. For example, the RiseUp Summit in Cairo, being a “platform that connects start-ups to the most relevant resources, worldwide”, brought together more than 5000 participants from 41 countries in 2017, enabling stakeholders from the start-up ecosystem to exchange experiences, foster international collaborations and get access to foreign resources and markets. However, it will be important to move beyond a focus on events to fully benefit from a high level of involvement of international accelerators in an ecosystem, which - as positively highlighted in the case of the West Bank and Gaza<sup>17</sup> - fosters connections to valuable foreign resources.

<sup>16</sup> Startup Genome (2018)

<sup>17</sup> World Bank (2018b)

### Chilean public start-up accelerator attracts international talent

One of the most remarkable examples for an accelerator integrating international resources into the local ecosystem is the government-led, public start-up accelerator programme Start-Up Chile (SUP) in Santiago de Chile. It aims at attracting international, high-potential entrepreneurs to come to the country, build up their enterprises and pass on their experience, skills and knowledge to boost the entrepreneurship ecosystem in Chile. For example, one of the various programmes under this scheme is the Seed programme, which offers a six months-experience in Chile and support to world-class, early stage entrepreneurs to accelerate their businesses. In turn, they take part in the Founders Lab. In this Lab, they help Chileans to develop their start-up businesses,

thereby contributing to the entrepreneurship ecosystem, innovation and the global connectedness of the country. Further, similar programmes for international entrepreneurs from all over the world at different stages of start-up development are implemented under SUP, all applying this approach of founders supporting founders to position Chile as the innovative and entrepreneurial hub of Latin America. One programme, The S Factory, explicitly focusses on start-ups led by female founders.

SUP is the leading accelerator in Latin America and has inspired 50 other countries to create similar programmes.

Source:  
[startupchile.org](http://startupchile.org)

### Low support in rural areas



**Entrepreneurship support available to youth in rural regions, in particular post-conflict regions of North and East is still lacking despite the rising entrepreneurial spirit in communities such as Jaffna.**

With much of the ecosystem's activities directed towards Colombo, entrepreneurs in rural and post-conflict regions are still isolated. In the specific case of Jaffna-based entrepreneurship support actors, a key challenge is the unsuitability of the current entrepreneurship training content given the differences in local languages.

Physical proximity often correlates with interactions of businesses.<sup>18</sup> However, existing research highlights that geographical proximity to relevant networks is less important than formal partnerships, which can bridge geographical distances.<sup>19</sup> The Global Startup Ecosystem Report also prioritizes quality relationships over physical proximity. Rather than co-located offices, a strong sense of community and accelerator programmes that increase the local connectedness of founders turn out to be of high relevance.<sup>20</sup> Considering this, virtual incubation programmes or so-called incubators without walls could be a good option for entrepreneurs in rural areas or entrepreneurs who already have established offices or need specific equipment that cannot be provided by an incubator.<sup>21</sup>

As mentioned in Section 3, the entrepreneurial spirit is strong in the region of Jaffna. This is important to note, as fostering inclusiveness, a “give-before-you-get”-attitude and a culture of knowledge-, experience- and expertise-sharing as well as a high tolerance for failure are also considered success factors of ecosystems.<sup>22</sup>

<sup>18</sup> Kauffman Foundation (2014)

<sup>19</sup> ITIF (2017)

<sup>20</sup> Startup Genome (2018)

<sup>21</sup> EDA (2011) Incubating Success. Incubation Best Practices that Lead to Successful New Ventures

<sup>22</sup> OECD LEED Programme (2014)

### Focus on building the entrepreneurial community

The building of entrepreneurial communities is considered to be of key importance to the success of the New York ecosystem. On a general note, a study from the World Bank on boosting tech innovation ecosystems in cities highlights the need to understand such ecosystems as communities. This has implications for policies, which should focus supportively on this community as a whole rather than on a geographic area. Challenges, hackathons

or competitions to foster networking assets, meetups and mentoring networks, and collaboration spaces as platforms for community building are some examples. Role models and promotion campaigns as well as an increased legitimacy also help a community to expand.

Sources:

World Bank (2015) *Boosting Tech Innovation Ecosystems in Cities. A Framework for Growth and Sustainability of Urban Tech Innovation Ecosystems*

### Barriers for female entrepreneurship



**Young female entrepreneurs encounter specific barriers in pursuing their entrepreneurial journey. This is further aggravated by the limited availability of entrepreneurship support institutions targeting women-owned start-ups.**

Women becoming entrepreneurs is not the norm in Sri Lanka. Societal perceptions and stereotypes inhibit the necessary support from families. In addition to such a lack of encouragement through personal networks, not many support services explicitly targeting women exist in the ecosystem. A new development in this regard is the founding of a women's chamber in Jaffna. Started only this year, it first aims at providing networking opportunities to female entrepreneurs from all industries, but plans to expand its offer to training programmes in the future.

Fostering female entrepreneurship has the potential to increase the level of diversity with regard to products, processes and target markets, among others. Empirical studies also suggest that women entrepreneurs focus more on social goals.

### Low involvement of educational institutions



**Limited availability of business skills training programmes including within the formal education system (i.e. schools and universities) is delaying the potential of entrepreneurs.**

The interviews identified a need for more business skills training programmes in Sri Lanka, which should be included as entrepreneurship education in the curriculum of universities and schools in the long term. Skills training contributes to creating better quality start-ups, possibly triggering a virtuous, self-reinforcing process of growth for the ecosystem.

The importance of high-quality and well-known tertiary education institutions for the growth of a start-up ecosystem can be seen in the case of Boston, where MIT and Harvard powered the tech sector.<sup>23</sup> In the case of Cape Town, the presence of world-class universities and internationally recognized business schools, technical colleges and research councils within close proximity contributed to the availability of talent and thereby to the attractiveness of the environment for start-ups and investors. More than 12,000 graduates annually in engineering, sciences, tech and mathematics as well as a high number of coding academies and skills development initiatives contributed to making Cape Town one of the most established tech ecosystems in Africa.<sup>24</sup> Furthermore, a quantitative World Bank study ascribes education, postgraduate degrees and senior experience to a positive and significant correlation with funding.<sup>25</sup>

Apart from higher education, specialized programmes for the provision of technology skills, especially coding bootcamps connected with tech start-ups and companies positively catalysed the employability for locals in the New York ecosystem. This addressed the strong demand for technology skills and generation of employment.<sup>26</sup>

<sup>23</sup> ITIF (2017)

<sup>24</sup> Invest Cape Town (2018) Cape Town Still No. 1 Ranked African Tech Ecosystem

<sup>25</sup> World Bank (2018c)

<sup>26</sup> World Bank (2016a)

There are few university-based incubator programmes currently present in Sri Lanka, apart from the “Mora Ventures” programme from Moratuwa University, highlighted by most interviewees. Good practice can be seen in Turin, where universities prominently support the local entrepreneurship scene, The city features two important incubators, both credited as best practice at EU level that are linked to universities (I3P within Politecnico di Torino and 2i3T, linked to Università di Torino).<sup>27</sup>

### Legislative obstacles



**Legislative issues further complicate the development of the entrepreneurship ecosystem. The implementation of the new Innovation and Entrepreneurship Strategy is of key importance.**

Laws restricting limited liability partnerships, work permit issues, the high costs of business registrations, lengthy processes for the closing down of businesses, lack of policies to attract crowdfunding platforms, and regulatory structures to set up venture capital funds are identified as policy-level issues surrounding Sri Lanka’s entrepreneurship ecosystem.

UNCTAD’s Entrepreneurship Policy Framework points out a national entrepreneurship strategy as a key priority to have a direct impact on entrepreneurial activity.<sup>28</sup> In line with this, the recent Innovation and Entrepreneurship Strategy for Sri Lanka developed in a consultation process that included various relevant stakeholders, addresses some of the above mentioned legislative obstacles to the development of the entrepreneurship ecosystem.

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<sup>27</sup> URBACT (2017) Boosting the Entrepreneurial Local Scene. Maximizing the Ecosystem Approach

<sup>28</sup> UNCTAD (2012) Entrepreneurship Policy Framework and Implementation Guidance

## 6. RECOMMENDATIONS

Based on the evidence from the network and user experience analysis as well as the identified gaps, this section focuses on summarizing the key high-level recommendations to support the growth and success of the Sri Lankan entrepreneurship ecosystem. These recommendations are intended as guidance to the local ecosystem actors. Further analysis of the entrepreneurship ecosystem will be necessary to develop targeted recommendations and actions.

### Strengthening institutions in the ecosystem

The Sri Lankan entrepreneurship ecosystem is currently at a timely position to develop its offer to entrepreneurs before investing in the creation of new actors.

As mentioned earlier during the network analysis, the value of the ecosystem relies on the quality of its actors (in this case supporting institutions) and therefore this should be the priority for further development.

One of the key questions that summarizes the intent of this report is **“What can Sri Lankan institutions do (individually) to improve the ecosystem they operate in?”** The answer, invest in their own capabilities as an institution:

#### 1. Strengthen the managerial capacities of individual institutions

**Developing a strategy to guide performance and define positioning:** As a first step to design the strategy, institutions should set up a clear value proposition. Despite most of the institutions in the network have a website indicating key features of its value proposition, they are still very generic descriptions that hardly differentiate from one another. Institutions should formally communicate what is their expertise and what will be offered to entrepreneurs. This is essential at a later stage to build partnerships that are based on complementarity of services.

Delivering without guidance can work in the short term, especially in the start-up context, but can seriously jeopardize growth in the long-term. Institutions in the network should invest in the development of a clearly articulated strategy to foster stakeholder engagement and increase the institution’s ability to pitch for additional funds. Working on a strategy can also support the definition of a sound, integrated portfolio of services and can contribute to the implementation and sustainability of the institution’s operations.

Strategy development will also help institutions to articulate plans for training, events and new projects that can support the achievement of specific goals. Currently, most institutions in the network are operating on short-term or ad-hoc work-plans that lack a long-term vision for the development of entrepreneurs and start-ups.

In addition, relying on a strategy allows better decision making. For example, to decide the kind of collaborations and partners that are better suited for the institution’s needs and strategic objectives.

**Setting performance metrics and targets for collaboration:** Considering collaboration as a key objective will lead to a different thinking. Institutions can therefore set targets for the objective and measure progress to ensure the institution is taking full advantage of the ecosystem. In addition, small changes such as adding collaboration with other actors to the formal agenda at leadership meetings can significantly improve collaboration. Institutions should consider the ecosystem perspective into strategic discussions and decisions. Further, thinking ahead on possible synergies and collaborations can improve service delivery and reduce cost.

#### 2. Cover the ecosystem gaps in service portfolio

The report has identified a set of gaps that require urgent action. Based on their strategic priorities, institutions can work to include the following in their service portfolio:

*Accommodate services to reach female entrepreneurs:* Encouraging and promoting the creation of personal networks, understanding specific needs for women entrepreneurs, adapting existing services and setting specific targets to reach more women owned businesses.

*Business skills training programmes:* Creating programmes for entrepreneurs to master people and process expertise in areas like communication, finance, leadership, negotiation, technology and problem-solving. Creating linkages with universities and training centres can support the delivery of this service.

*Specific entrepreneurship support programmes to reach rural areas:* Partnering with regional institutions or starting online initiatives such as virtual incubation programmes. Collaborations with regional universities or schools to promote entrepreneurship early on can be a first step to enter in a new region with low entrepreneurial spirit.

*Continuous support to entrepreneurs from early to growth stages of the business:* Institutions supporting growth and mature stages of development are rare in the ecosystem. Extending the journey of support for successful entrepreneurs increases the sustainability and growth of selected start-ups.

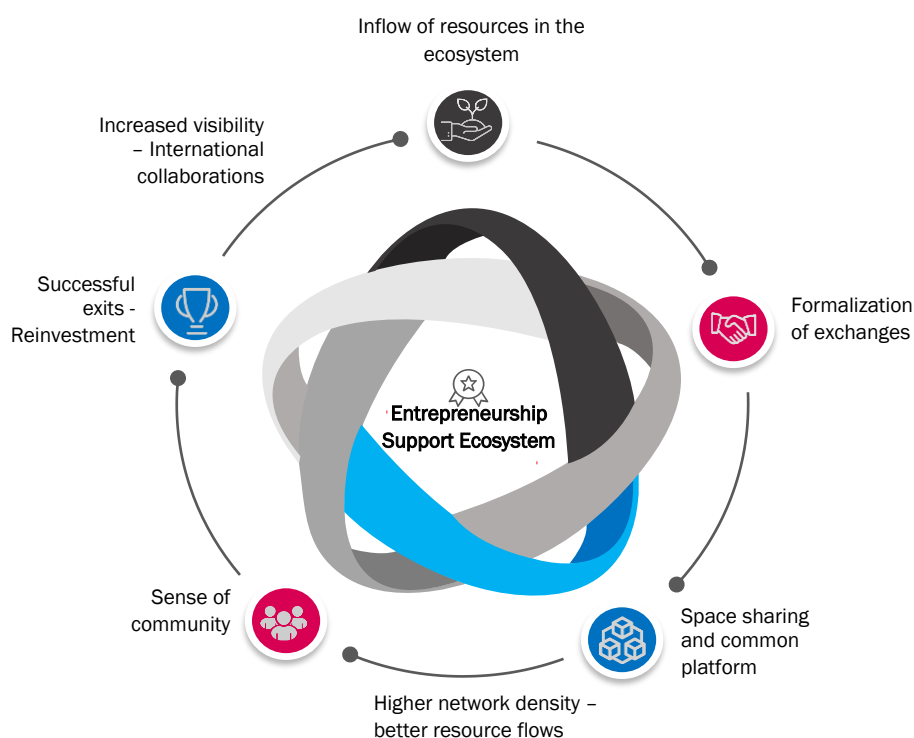
*Specific support to encourage internationalization plans and product/service adaptation to foreign markets:* Designing specific programmes for the expansion and adaptation of start-ups to international markets. Accelerator programmes are usually able to offer this type of support focusing on market access and bringing an international perspective to entrepreneurs.

### Developing the ecosystem network

Apart from strengthening the individual institutions, the development of the network as a whole is important. Once growth has started and dynamic interactions have been achieved, there is potential to trigger a self-reinforcing acceleration process to the benefit of the overall entrepreneurship ecosystem.

A formalisation of interactions among institutions in the sense of structuring and coordinating exchanges more explicitly increases the density of the network and is therefore recommended to ensure efficiency in the flow of resources among actors. In addition to strengthened collaboration through space sharing and bringing key actors together physically, a common virtual platform aggregating and enabling exchanges between institutions among themselves but also with entrepreneurs can furthermore enhance the sense of community of the Sri Lankan entrepreneurship ecosystem as a whole.

Figure 9: Self-reinforcing acceleration process



Generating a “community feeling” helps an entrepreneurship ecosystem to grow and produce success stories. Successful founders will then reinvest valuable resources into the ecosystem and thereby accelerate support for new start-ups, which in turn have the ability to foster local innovation. It also helps to establish and maintain credibility and recognition externally. This can stimulate the global exposure and visibility of the Sri Lankan entrepreneurship ecosystem. Such a context can facilitate the creation of collaborative international partnerships, which are critical for the future growth of the ecosystem. Moreover, attracting not only international talent and expertise, but also international capital will become feasible.

This in turn would accelerate the support for entrepreneurs and produce higher quality start-ups who contribute to success stories and the positive overall image and visibility of the ecosystem.

Overall, the Sri Lankan ecosystem is growing but key challenges will remain until its maturity. Attending to and mitigating coordination risks, identifying, understanding and incentivizing relevant players as well as strengthening project execution capabilities, collaboration capabilities and long-term planning will be key to the ecosystem success.

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## TECHNICAL ANNEX

### Defining the institutions within the entrepreneurship ecosystem

#### Incubators

- Primarily focuses on helping early stage start-ups become viable and scalable
- Provides an array of support services and infrastructure through a systematic process
- Quality controlled intake of start-ups with regular time bound exits
- Program duration generally between 1 year and 3 years

#### Accelerators

- Can support early and growth stage start-ups
- Often invests financially in the start-ups
- Fixed-term, cohort-based program that catalyses start-up growth through intensive mentoring, networking, and educational services
- Quality controlled, often highly competitive, intake of start-ups with regular time bound exits
- Program duration generally between 1 week and 6 months

#### Young entrepreneur associations

- Volunteer-driven non-profit organizations promoting youth entrepreneurship
- Provides networking and peer-to-peer exchange opportunities
- Lobbying and providing recommendations to policymakers on issues related to youth entrepreneurship

#### Youth chambers of commerce

- Membership organization for young entrepreneurs to have a voice and address specific concerns of youth-owned enterprises
- Often provides business development services to young entrepreneurs

#### Co-working spaces

- A business services provision model that involves individuals working independently or collaboratively in shared office space

#### Venture capitalists

- A venture capitalist is an investor who either provides capital to start-up ventures or supports small companies that wish to expand but do not have access to equities markets.

#### Angel investors

- Angel investors are also called informal investors, angel funders, private investors, seed investors or business angels. These are affluent individuals who inject capital for start-ups in exchange for ownership equity or convertible debt.

#### Events and business competition organizers

- Pitching competition, bootcamps, business plan competitions, hackathons, B2B events, fairs and exhibitions are all different types of events and competitions for young entrepreneurs to ideate and scale up. Example events/competitions include Startup Weekend and Seedstars.

## Defining the stages of entrepreneurship

### Idea Stage

The business idea requires testing and research is conducted to determine whether it is worth pursuing.

### Start-up Stage

The business entity is established legally and the focus is on developing the products/services, adjusting the business model and understanding the customer's expectations.

### Early Stage

The business is generating revenue and adding new customers, with a focus on reaching breakeven cash flow and further fine-tuning the business model.

### Later

The business has demonstrated viability, with a well-known product/service and strong market presence.

### Growth

The business is thriving and established in the industry and focuses on expansion, particularly into new markets.

### Mature

The business is on top of its industry, often with two choices, either push for further expansion or exit the business.

## ITC Network Analysis Methodology

### Questions to Institutions

#### Ecosystem roles and linkages

1. What sort of business do you offer services to?
2. Do you have a specific focus on young entrepreneurs, aged 18-35 years old?
3. What's the average age of the entrepreneurs your organization support?
4. Which business lifecycle stage does your organization target (e.g. incubation support, business acceleration support, export support)?
5. How many businesses are you working with?
6. What services do you offer?
7. What sectors do you cover?
8. What geographic regions inside your country do you work with?
9. Where are your office locations?
10. Do you have a focus on international markets? Who do you partner with for delivery?
11. What is your current budget and staff numbers?
12. Who provides your funding? Do entrepreneurs/clients need to pay a fee for their services?
13. Who do you have to ask for permission to change your strategy?
14. Who is your biggest competitor?
15. Of the following organisations, who do you have formal connections with?
16. Of the following organisations, who do you give (funding) to?
17. Of the following organisations, who do you give (information) to?
18. Of the following organisations, who are your (service delivery partners) and in what areas?

19. Considering this list, is there any other organisations that you give funding, information or coordinate for service delivery that is not on this list?
20. Considering the network as a whole, do you sense any overall trends in the way it operates? (should be free text but if prompting necessary: eg more or less silos with groups of institutions becoming more or less apparent, more or less concentration of power in a single institution etc)

#### Ecosystem Actors

21. From your perspective, which are the most relevant actors in the local entrepreneurial ecosystem in terms of influencing entrepreneurial success in a significant way? What do they do?
22. Do you think there are important players or services missing in the entrepreneurial ecosystem?
23. In your experience, which are the main barriers to effective interaction between actors in the local entrepreneurship ecosystem?
24. How would you rate the local entrepreneurial ecosystem's international connectedness?

#### Policy and regulatory environment

25. How would you assess the general regulatory environment for entrepreneurs (government effectiveness, etc.)? What would you like to change?
26. Does your government have a policy in place/ government plan/strategy to support young entrepreneurs? How did your institution participate/contribute to that?

### Questions to Entrepreneurs

Out of the following institutions (entrepreneurship support organizations in the sample):

1. Which ones have you heard of?
2. Which ones do you contact weekly / several times per year / annually?
3. What is the nature of the connection? What do you receive from them? What do you give in return?
4. Which 3 have the most impact on the success of your business? Why?
5. Which 5 would you consider the most trustworthy and efficient? Why?

Of even more value is an informal discussion about the ways in which the network supports and constrains business. To get the conversation started you could pose a business challenge, and ask the network user:

- who they would approach for help
- how they would interact with the support network to resolve the problem.

Examples of possible business challenges are:

1. You have a new business idea and want to test its viability. What are the steps involved in moving from idea stage to start-up stage? How do you test the viability of your business idea? How and from whom do you attract initial funding to turn your idea into reality?
2. You are beginning to receive enquiries from potential customers from around the world and you would like to internationalize your business activities. What would be your internationalization strategy? Who can support you in following this strategy?
3. You would like to build your knowledge about latest technologies relevant to your business sector. How do you ensure that your business is keeping up with current trends and technologies? Where do you get this information and access training opportunities?

