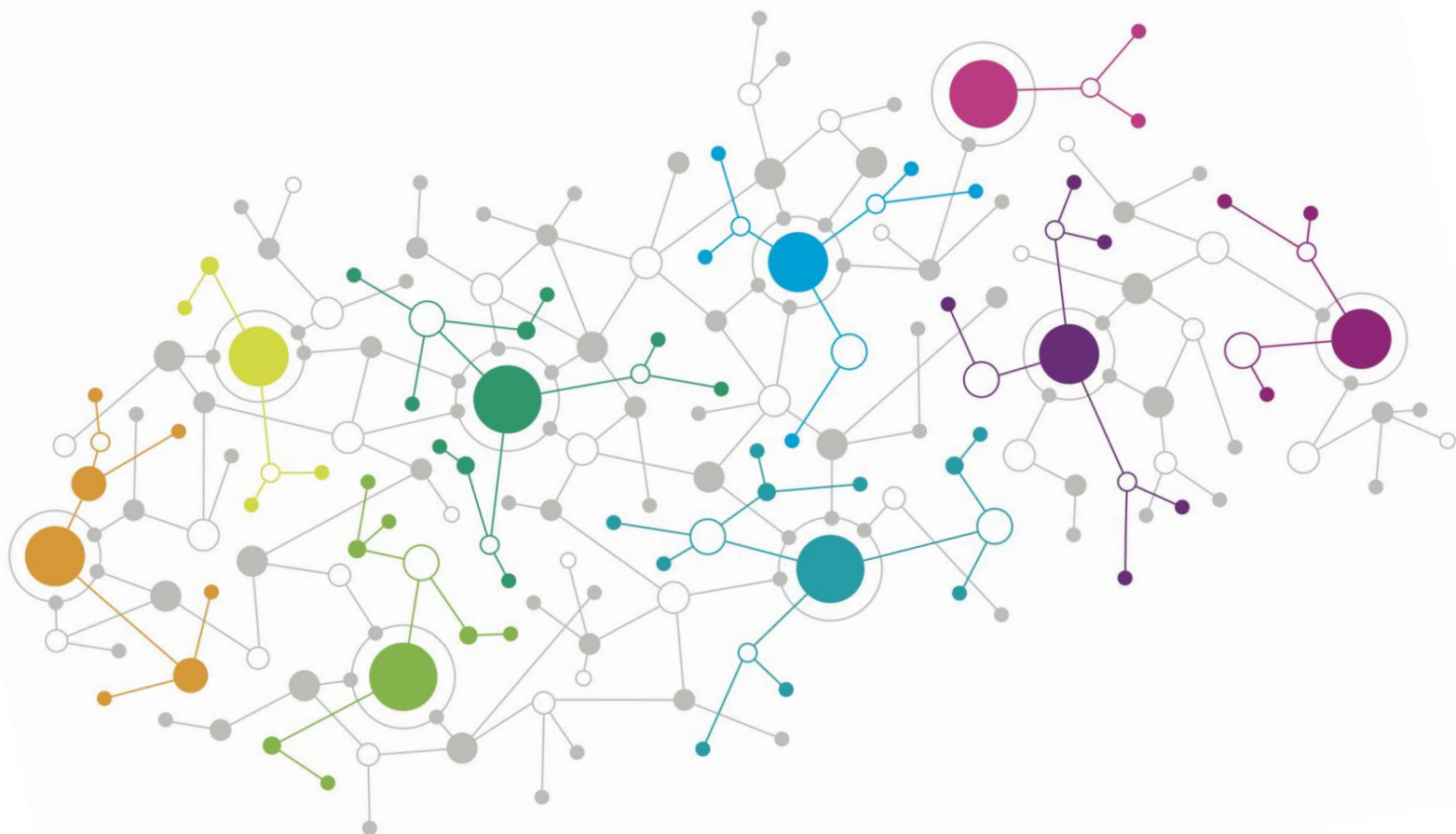


# ENTREPRENEURSHIP ECOSYSTEM IN BHUTAN

*A network analysis of institutions supporting entrepreneurship*



ITC is the joint agency of the World Trade Organization and the United Nations.

The views expressed herein do not reflect the official opinion of ITC. Mention of firms, products and product brands does not imply the endorsement of ITC.

This document has not been formally edited by ITC.

## CONTENTS

EXECUTIVE SUMMARY .....	4
INTRODUCTION.....	7
1. ECOSYSTEM MAPPING .....	9
2. NETWORK ANALYSIS .....	16
3. USER EXPERIENCE ANALYSIS .....	27
4. RECOMMENDATIONS .....	29
REFERENCES.....	35
ANNEX I: INSTITUTIONS MAPPED.....	36
ANNEX II: ADDITIONAL NETWORK DATA .....	40
ANNEX III: TECHNICAL ANNEX .....	41

## LIST OF FIGURES AND TABLES

Figure 1: Ecosystem actors by category and business stage .....	10
Figure 2: Bhutan’s Ecosystem Network.....	19
Table 1: Raking by betweenness centrality .....	20
Table 2: Raking by degree centrality .....	20
Figure 3: Network by type of institution.....	21
Figure 4: Regional presence of institutions supporting entrepreneurs in Bhutan .....	22
Figure 5: Network by information exchanges .....	23
Figure 6: Network by service provision collaborations .....	24
Figure 7: Network by funding collaborations .....	26
Figure 8: Framework of private sector development components.....	30

## EXECUTIVE SUMMARY

Entrepreneurship support institutions are facing challenges in the way they provide assistance to entrepreneurs. Many are not able to meet the growing expectations and needs of entrepreneurs. Navigating through an ecosystem of unconnected organizations can be complex and discouraging. In the long run, it is likely to take multiple institutions to achieve start-up success: from idea to growth to internationalization. Building skills, cultivating entrepreneurial behaviour, providing funding support and access to networks are some of the core components for start-up success and cannot be provided by one institution alone.

Entrepreneurial ecosystems emerge as the result of a multitude of entities and actors interacting in highly complex and idiosyncratic ways. Implementing and accelerating entrepreneurship ecosystems is central to unleashing the potential of young entrepreneurs.

Ecosystems can be studied through a variety of approaches. This report uses ITC's methodology to capture the characteristics and connections of the institutions active in the entrepreneurship ecosystem in Bhutan. The objective of this report is to provide an accurate description of Bhutan's entrepreneurship ecosystem of institutions, identify gaps, overlaps and provide recommendations.

This is achieved through a comprehensive analysis, which starts with an initial mapping of the overall ecosystem and aims to gauge the types of support provided by institutions to entrepreneurs at different stages of the business lifecycle. Secondly, delving deeper, a network analysis is conducted to observe the types of linkages or collaborations that occur between various organizations in the entrepreneurship ecosystem. This 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 are asked to share their insights.

### Current ecosystem

While entrepreneurship is gaining momentum in Bhutan due to the emergence of incubators, co-working spaces and start-up competitions, encouraging youth to consider entrepreneurship as a rewarding career option remains a challenge. Low level of perception of entrepreneurship as a serious career path, a mind-set further propagated within a traditional family environment, has largely yet to evolve with the push for entrepreneurship in the country.

This report finds that training and coaching opportunities to build skills and knowledge of entrepreneurs are widely available at idea and early growth stages. However, a limited offering is available to support start-ups to grow and mature into small and medium-sized enterprises (SMEs). Knowledge in areas such as packaging, meeting standards and quality requirements, marketing and branding are crucial when approaching international buyers.

When looking at particular training opportunities, the report highlights the absence of training related to information and communication technology (ICT). The existing school and university curricula offer only limited, and often outdated, content on ICTs, which has led to a significant gap in entrepreneurs' skills-set, availability of tech start-ups, and overall level of innovation in Bhutan.

Looking at other key services in the country, mentoring emerges as a central support service for Bhutanese entrepreneurs. It ensures knowledge and experience transfers from one person to another through personal interaction over time. Most entrepreneurship support programmes currently active in Bhutan lack access to mentoring networks, and those with a pool of mentors tend to encounter limitations in pairing relevant and committed mentors with aspiring entrepreneurs. This gap is partly due to the nascent private sector in the country, resulting in a limited number of local business leaders and industry experts.

In regards to financial support, Bhutan is lacking investors and targeted packages from financial institutions that can provide capital to entrepreneurs. Funding remains one of the biggest challenges at all stages of development, from starting a business to driving growth and expanding existing businesses.

Overall, there is still a large gap in the services offered in its entrepreneurship support landscape to grow a business beyond the domestic market and attract foreign buyers and investors.

The network analysis reveals a loose ecosystem, where despite some information sharing, connections do not translate into effective partnerships between actors. Exchanges relate to updates on events and specific initiatives but do not focus on finding ways to work together to deliver value. In some cases, the lack of clarity on the offerings is an obstacle to collaboration. Ambiguities arising from a lack of formal definitions of training curricula and socialization among actors, lead to overlapping training packages. Funding connections between institutions are also not numerous. Entrepreneurship ecosystems might not be predestined to follow a single development path, however financial collaborations are a key indicator of connectedness and trust among those actors.

Furthermore, this report also examines the current user experience of entrepreneurs seeking support from the ecosystem. In general, it is difficult to access information about the different support institutions in the ecosystem. Entrepreneurs approach institutions based on recommendations from family and friends, without previous knowledge of the institutions' specific offer. This also relates to the lack of diversification and specialization found in the ecosystem, which makes it difficult for entrepreneurs to distinguish among the services provided by different institutions.

According to the entrepreneurs, they have built their skills and knowledge to pursue the entrepreneurship path through online and face-to-face training programmes. However, some entrepreneurs regretted that the trainings were not sector-specific and did not develop the participants' technical skills.

Most entrepreneurs highlighted the importance and benefits of participating in events to develop skills, improve knowledge and build connections. Yet, most events currently on offer are not sector- or topic-specific, and they do not usually involve international experts who can share their experience and bring new ideas.

The lack of follow-up after the events to consolidate the skills and knowledge acquired was identified as a bigger constraint than access to trainings. Nevertheless, access to finance remains a key obstacle given the difficulty in meeting the collateral requirements and high interest rates charged by traditional financial service providers.

## Next steps for the ecosystem

Bhutan's ecosystem is at a critical stage of development. Institutions should continue growing and informing themselves about the needs of Bhutanese entrepreneurs to shape their curricula. Based on the findings of this report, the ecosystem needs to find a coordinating actor who drives the ecosystem from the entrepreneur's perspective. Part of these coordination efforts should be to strengthen the current early-stage support to avoid overlaps, build new support at the growth stage, and expand the ecosystem reach to all Dzongkhags, sectors and regional and international initiatives. Incubators, accelerators, tech hubs and IT focused institutions are currently missing, or have a low presence in the ecosystem.

Strengthening current institutions and guiding new ones will require further clarity on the role and unique value proposition of each institution in the ecosystem. Clarifying roles will also require more consistency from institutions in the way they offer support to entrepreneurs: standardized trainings supported by experts and training materials continuously refreshed to include trends and provide space for innovation.

Support efforts need to come hand in hand with continuous awareness raising on the benefits of entrepreneurship and showcasing success and failure as part of the entrepreneurial journey.

Finally, coordination should include measurement to verify the direction and quality of the services provided. This will allow actors to refine and improve services, and also to inform entrepreneurs on the ongoing efforts to support entrepreneurship in the country.

## Limitations of the analysis

The analysis provided in this report reflects 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. In addition, this report has focused only on Bhutanese support institutions. Therefore, support initiatives from ITC and other international development agencies have not been captured. 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 represents, via a focus group approach, a small subset of the ecosystem's entrepreneurs and therefore further analysis might be needed to provide a statistically significant assessment of the entrepreneur's journey. This report is a snapshot of the situation in 2019 and therefore might not be representative of past or future interactions.

## INTRODUCTION

There is a positive feedback loop among innovation, entrepreneurship, and economic development. New and growing businesses represent the primary sources of job creation and innovative activity in an economy, two factors that generally result in improved standards of living for all.

However, it is important to understand that the potential impact of entrepreneurship and innovation depends on their level of accessibility. For entrepreneurs to bring new ideas to life, they need access to education and a level playing field on which to compete. In this regard, the role of support institutions is to create conditions that allow more entrepreneurs to start businesses by building skills, generating access to finance as well as to international markets and networks, so that businesses can grow. Economic growth suffers when entrepreneurial activity is unevenly spread across socio-economical, demographic, and/or geographic dimensions. Under the right conditions, entrepreneurs have an incredible power: they help regional areas prosper economically, and they serve society through engineering innovative solutions to problems and challenges.

Bhutan has experienced sustained and strong economic growth in the recent years. According to the World Bank, the country had an annual average economic growth of 7.6 % between 2007 and 2017, helping to reduce the national poverty headcount ratio from 12 % in 2012 to 8 % in 2017 and to increase the overall standard of living. Bhutan is the only country in the world to have adopted the wellbeing and happiness of the people as an official measure and a goal to be pursued through the Gross National Happiness (GNH) index. The GNH goes beyond the classical GDP approach and includes values relating to culture, spirituality, psychological wellbeing, harmony with the environment, political and social stability. It is premised on four pillars: sustainable economic development, the preservation and promotion of culture and tradition, the conservation of environment, and good governance.

While the government has a strong will and is very committed to improve the well-being of its people, Bhutan continues to face several economic challenges, including youth unemployment and still limited development of the private sector, which must overcome numerous obstacles to thrive. Indeed, the public sector still plays a preponderant role in the economic life of Bhutan and the private sector struggles to have enough space to grow and become the engine of development and economic growth.

Over 95 % of the Bhutanese private sector consists of cottage and small industries (CSI), which are usually an engine of economic and youth employment growth. Yet, youth unemployment remains high, especially among educated youth, as many graduates cannot find work after college. Agricultural activities still accounts for nearly 60 % of employment in the country, with a majority working as family worker.

While the overall unemployment rate remained stable between 2 % and 3 % from 2015 to 2018, the youth unemployment rate increased from 10.7 % in 2015 to 15.7 % in 2018. With a young population - 50 % of the Bhutanese population is under the age of 27 - and an increasing number of job seekers entering the labour market annually, youth unemployment is one of the country's main concern. The Royal Government of Bhutan (RGoB) has recently launched several development plans and strategies, including the Bhutan Vision 2020, the 12<sup>th</sup> Five Year Plan (FYP) 2018-2023 and the Economic Development Policy (EDP) 2016 that identify youth unemployment as a major issue for sustainable development in the country and emphasize the need to create decent job opportunities for the Bhutanese youth.

Given the predominance of an increasingly educated young population in Bhutan, the development of entrepreneurship and the creation of start-ups can play a key role in the economy, as a driver of economic growth, employment, diversification and transformation. The RGoB has increasingly recognized the vital role of entrepreneurship for the country's economic development, to foster economic opportunities, support young people and address the unemployment issue. For instance, the National Youth Policy of Bhutan launched in 2011 explicitly recognizes the need to promote entrepreneurship capacity in all young people.

In recent years, the government has embarked on an ambitious programme to promote and develop entrepreneurship and the private sector through supportive policies targeting youth primarily and dealing with fiscal incentives, intellectual property and entrepreneurship culture. These efforts have contributed to improving the business environment in the country: in the World Bank's Doing Business 2019 report, Bhutan ranks 89<sup>th</sup> (classified as "easy") out of 190 economies in the world, up from 125<sup>th</sup> in 2015.

In addition, an increasing number of agencies providing business support services have been created. Business support institutions are catalysts for job creation and economic growth when performing in a conducive ecosystem of support institutions. Institutions are collectively accountable for exponentially increasing job and economic opportunities for youth.

Despite this progress, there are still obstacles to entrepreneurship development and start-up creation, among them: strong preference towards public/government sector jobs, lack of confidence in business, lack of access to finance, low levels of awareness about available business support services and lack of coordination and partnership among institutions providing those services.

To overcome these obstacles, Bhutan needs to implement a series of actions and changes that require the participation of all actors in the ecosystem. First, at the government level, entrepreneurship should be supported by enabling policy and regulatory environment. The RGoB and support institutions can also play a key role in promoting an entrepreneurial culture in the country and changing mind-sets of the population towards entrepreneurship. In addition, fostering entrepreneurship development in Bhutan will require an improved offer on training, mentoring and financial support to entrepreneurs to enable them to gain access to regional and international markets. More emphasis should also be placed on promoting the tech sector and setting up IT focused institutions to provide specialized support. Other important actions include raising awareness of existing structures and services provided by support institutions and improving the accessibility of entrepreneurship to graduates entering the labour market. These actions will contribute to stimulating entrepreneurship, building and growing innovative SMEs and meaningfully responding to the country's youth unemployment challenge.

To support Bhutan's efforts in improving entrepreneurship and creating an environment in which start-ups can thrive, this report provides an analysis of the Bhutanese entrepreneurship ecosystem with a specific focus on the interaction among ecosystem actors and gaps in services in supporting entrepreneurs. This analysis is presented in three perspectives:

**Perspective 1:** Service mapping and gap analysis. Key findings regarding the services offered in the ecosystem based on the interviews conducted with relevant local institutions.

**Perspective 2:** Network analysis. Assessment of how the institutions within the entrepreneurship ecosystem in Bhutan interact using network analysis techniques.

**Perspective 3:** User experience analysis. Insights from entrepreneurs in terms of navigating the entrepreneurship ecosystem.

Finally, the report provides key recommendations for the improvement of the ecosystem.

# 1. ECOSYSTEM MAPPING

## Defining entrepreneurship support ecosystems

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.

## Bhutan's entrepreneurship support ecosystem

The Bhutanese government is increasingly aware of the importance of entrepreneurship as a key driver of economic development. Therefore, the promotion of business support policies and organizations has been on its agenda in recent years.

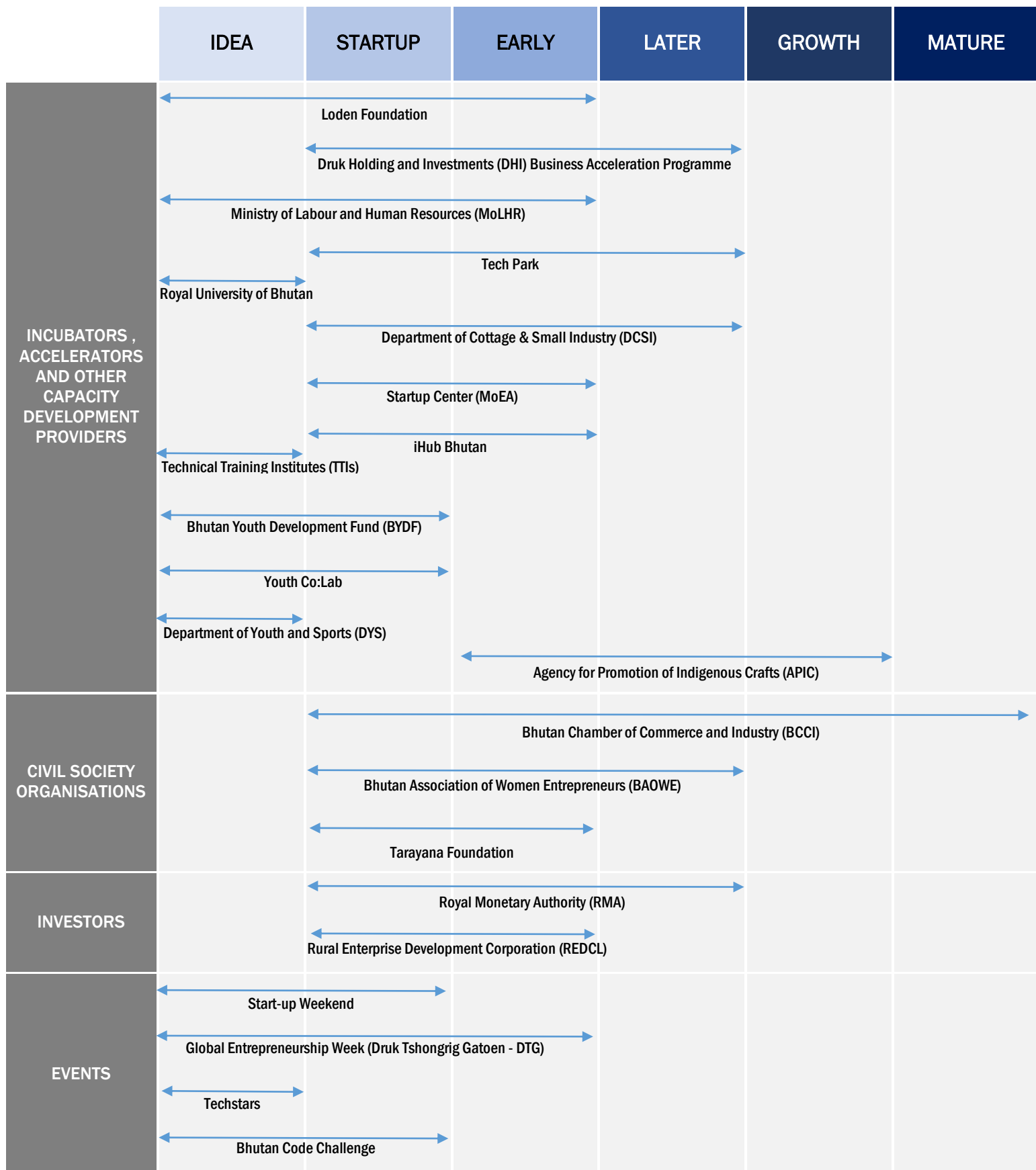
As a result, the number of institutions supporting entrepreneurs in Bhutan is growing. Entrepreneurship is seen as a key area for the country's development and it has entered the agenda of many business support organizations. Government and institutions are reacting to the need to support youth through entrepreneurship and to create an enabling environment in Bhutan for start-ups to thrive.

The entrepreneurship ecosystem in Bhutan is largely concentrated in providing services to idea to early stage entrepreneurs. Ecosystem actors focus primarily on inculcating entrepreneurship drive and culture, providing trainings and developing business skills. However, the offering is not structured enough and presents some inefficiencies due to lack of coordination. Entrepreneurship promotion and support is still a relatively new concept in Bhutan and ecosystem actors are not yet accustomed to sharing information and implementing plans and programmes in partnership.

The public sector is the main driver of the initiatives supporting entrepreneurship since the government has become aware of its importance to boost economic growth and youth employment. There is a lack of initiatives from the private sector, which remains limited and too dependent on government actions.

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

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.

## IDENTIFIED GAPS

### Networks of mentors and local business leaders

Mentoring ensures that knowledge, experience, and hard-won insight transfers from one person to another through personal interaction over time. Most entrepreneurship support programmes currently active in Bhutan lack access to mentoring networks, and those with a pool of mentors tend to encounter limitations in pairing relevant and committed mentors with aspiring entrepreneurs. This gap in mentoring services in the ecosystem is partly due to the nascent private sector in the country resulting in only a handful of local business leaders and industry experts.

Practical advice from experienced entrepreneurs or industry experts can have a direct, positive impact on the growth of new businesses. Given the limitations at present to find a large pool of business mentors and local business leaders, the entrepreneurship support institutions in Bhutan will need to tap into international mentoring networks and programmes. This can be achieved through collaborations with incubators and accelerators in other countries in the region or beyond. For example, South Asia Connect programme from Nexus Startup Hub in India provides access to international mentors. Moreover, Bhutanese entrepreneurs can seek mentoring support through web-based programmes such as MicroMentor, an online mentoring platform that connects entrepreneurs with skilled business mentors around the globe.

### Mentoring in Entrepreneurship Ecosystems

Mentoring has become an essential factor in entrepreneurial success because mentors can help entrepreneurs overcome setbacks they commonly face in the early stages of their entrepreneurial ventures.

However, whether these one-to-one linkages are valuable for a young entrepreneur depends particularly on the mentor's experience and his or her capacity to coach and support the mentee. Therefore, well-designed formal mentoring programmes provide mentoring guidelines to assist the mentor and the mentee in their collaboration, monitor and evaluate the relationship and also provide mentor training.

#### Practical tips for implementation

- Place emphasis on a rigorous mentor recruitment process. Ensure to build a network of mentors with real-life business experience and/or industry knowledge.
- Set guidelines for both mentors and mentees to assure quality and ensure that expectations are clear.
- Provide training to mentors periodically to update their mentoring capacities.
- Deliberate matching of mentors and mentees is critical to have meaningful results.
- Show recognition to mentors through networking events and other activities of the institution to keep them motivated and engaged.
- Allocate appropriate human resources from the institution to manage the mentoring intervention.

In the context of Bhutan, where there is a shortage of quality local mentors, the following options can be considered:

- Engage local business leaders and communities in the mentoring initiative
- Facilitate peer mentoring for entrepreneurs to exchange and learn from each other's challenges
- Recruit successful mentees and alumni of the institution as mentors
- Switch to a "cluster mentoring" approach, where a group of mentees have common business needs
- Use technology to supplement face-to-face time in harder-to-reach communities
- Collaborate with regional and international mentoring initiatives

Source: Youth Business International (2016) "Supporting Young Entrepreneurs: What Works? An Evidence and Learning Review from the YBI Network".

### Access to international markets and investment

Bhutan is gradually embracing trade and investment as drivers of sustainable development. Exports, beyond hydroelectricity to India, remain minimal and of low value at present. More support is required to not only to boost the country's export sales but also to diversify its product base. There is still a large gap in the services offered in its entrepreneurship support landscape to grow a business beyond the domestic market and attract foreign buyers and investors. Given Bhutan's small economy it is imperative to tap into the regional and international markets, in order for new start-ups to sustain and mature into SMEs.

Institutions interviewed have a strong focus on basic entrepreneurship training, advisory support and financial assistance for idea, start-up and early stage entrepreneurs. Training and coaching to these new entrepreneurs to build their skillset and knowledge on export market requirements and procedures are particularly missing in Bhutan's ecosystem. Moreover start-ups require opportunities to showcase their products to target markets in the Asia region and beyond to attract international buyers and investors.

Some support to access international markets is offered by the Bhutan Chamber of Commerce and Industry (BCCI) and various departments under the Ministry of Economic Affairs (MOEA) including the Department of Trade (DOT) and the Department of Industry (DOI). However, they offer these services to a broad range of businesses from entrepreneurs to larger enterprises, thereby having limited alignment with specific needs of young entrepreneurs and their new start-ups. Most support is ad-hoc and not part of a tailored enterprise growth plan.

### Skills development on packaging, quality compliance, marketing and branding

Training and coaching opportunities to build skills and knowledge on packaging, meeting standards and quality requirements, marketing and branding is limited in the current entrepreneurship support offer in Bhutan. Knowledge on such areas is crucial especially when approaching international buyers. Furthermore given the significant presence of agriculture and in particular food processing related start-ups, these skills are highly relevant.

Government institutions such as the Bhutan Standards Bureau (BSB) and the Bhutan Agriculture and Food Regulatory Authority (BAFRA) offer some guidance and resources in this regard. However, new start-ups led by young people tend to lack awareness about the services offered by these institutions.

### Financial support

Bhutan is lacking investors and financial institutions that can provide capital to entrepreneurs. Funding remains one of the biggest challenges at all stages of development, from starting a business to driving growth and expanding existing businesses.

Some capacity development providers such as Loden Foundation and Druk Holding and Investments (DHI) Business Acceleration Programme offer seed funding and collateral free loans to help new entrepreneurs implement their idea and set up a business. Recently the Royal Monetary Authority (RMA) of Bhutan has introduced several new financial instruments aimed at start-ups, which offer a more sustainable approach than traditional grants. These include the Priority Sector Lending (PSL) programme active in all 20 Dzongkhags with a strong focus on Cottage and Small Industry (CSI) sector and Jabchor, which is an angel investor network, set up by RMA in 2018. The Royal Securities Exchange of Bhutan (RSEB) together with RMA also introduced in 2019 the Bhutan Crowdfunding portal to solicit funding through a web-based platform for a specific project, business venture or social cause. While new initiatives are emerging, family and relatives remain the main source of financial support for aspiring entrepreneurs. Moreover, there is a clear gap in access to capital and credit customized to entrepreneur needs by traditional financial institutions such as banks. Other innovative finance products such as peer-to-peer lending and loan guarantees remain to be further explored in Bhutan.

As part of the multitude of entrepreneurship events and competitions held in Bhutan, seed funding appears as a common prize given to entrepreneurs. However, these programmes often lack post-funding support such as mentoring or training to follow-up with entrepreneurs and ensure productive use of funding received.

Barriers to access to finance are not only of market nature, but also involve limited understanding of the credit market (e.g. loan application process, interest rates, time value of money, etc.). Supply-side

interventions should be integrated to upgrade the financial literacy skills of young entrepreneurs. Financial education must be practice-oriented and is most likely to have an impact if its provision is integrated with the supply of finance.

### **Early entrepreneurship education**

Instilling the entrepreneurial spirit from an early age, especially at school level, contributes to the growth of creative individuals. In Bhutan, entrepreneurship is often introduced at the tertiary education level or at a later stage in life by entrepreneurship support institutions such as incubators and co-working spaces. As a result, entrepreneurship tends to be viewed only as the capacity to start companies and its full potential to assist individuals to think creatively and ambitiously remains untapped. Introducing entrepreneurship at an early age and embedding it within the school curriculum can help to build a young population that is equipped to think outside the box. Entrepreneurship education is a lifelong learning process, starting as early as elementary school and progressing through all levels of education.

The interviews highlight the importance given recently by technical training institutes (TTIs) in Bhutan to include entrepreneurship as part of technical and vocational education programmes. While this is a step forward in entrepreneurship education, a gap remains in Bhutan's formal education system particularly at primary school level to contribute to building the entrepreneurship mind-set. Early entrepreneurship education can also contribute to changing the future career choices of Bhutanese youth and minimize their dependence on public sector employment.

### **Availability of new technologies and tech skills**

Current entrepreneurship support programmes in Bhutan lack training opportunities related to information and communication technology (ICT). Further the existing school and university curricula offer only limited and often out-dated content on ICTs. This has led to a context where there are only a few tech start-ups and those tech entrepreneurs can only build their knowledge through online resources publicly available on the Internet. A training programme called "Code for Bhutan" was recently introduced by a Bhutanese female tech entrepreneur to build coding skills among potential entrepreneurs.

The lack of maturity and limited global out reach of the domestic private sector and the low levels of foreign direct investment (FDI) inflows do not allow Bhutan to seize the opportunities and benefits of the advances made in technologies, innovative business models, and more particularly Internet of Things, Big data, Blockchain, Fintech, Artificial Intelligence, robotics, Industry 4.0, and e-commerce, to attract and retain internationally renowned businesses to Bhutan, who can make a significant contribution to technology and knowledge transfer to aspiring young entrepreneurs.

### **Entrepreneurship culture aligned to Gross National Happiness (GNH) values**

While entrepreneurship is gaining momentum in Bhutan due to the emergence of incubators, co-working spaces and start-up competitions, there still remains a tendency among young people to opt for entrepreneurship as a last resort given the unemployment situation in the country. Encouraging youth to consider entrepreneurship as a rewarding career option relies significantly on the culture and mind-set of their communities and family environment. Traditionally, economic activity in Bhutan centred on farming and basic trading, where concepts of entrepreneurship and innovation were absent. It is now the role of support institutions to build awareness on entrepreneurship not only among young people but also at the village, community and family levels. Events such as Druk Tshongrig Gatoen, Bhutan's entrepreneurship festival initially organized by Loden Foundation and recently undertaken by the new Bhutan Entrepreneurs Association, is moving towards strengthening the entrepreneurship culture in the country.

The philosophy of GNH, which guides the country's economic development agenda, can also contribute to promoting an entrepreneurship culture that is committed to positive social and environmental impact. The scope of GNH includes psychological wellbeing, health, time use and balance, education, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience and living standard.

## IDENTIFIED OVERLAPS

### Entrepreneurship training programmes

According to the interviewed sample of institutions and entrepreneurs, there are duplications in training supply. The particular focus on training in the ecosystem and the lack of specialization of its actors has led to inefficiencies in regards to the training offer. The main issues can be summarized as follows:

1. Entrepreneurs get trained on the same topic by several institutions. This is due to the lack of data sharing between the institutions. There is no common database to know which entrepreneurs have been trained under which institution or domain. If institutions were to put structured incubator programmes in place, there would be lower rotation of entrepreneurs seeking support from multiple institutions.
2. Training quality and curricula are not standardized. Therefore, training quality varies within the same subject. Role clarity of institutions in the ecosystem and further specialization of institutions in certain domains would contribute to increased training quality.
3. Majority of entrepreneurship support programmes in Bhutan are implemented by various Ministries and Departments in line with their own Ministry-specific strategies and plans further deepening the silos in entrepreneurship support. The public sector plays a preponderant role in the economic life of Bhutan, with heavy State engagements, investment and outreach in every sphere of economic activity. This creates an uneven playing field for the private sector driven entrepreneurship support programmes. Moreover, as per the interviews conducted civil society organizations (CSOs) in Bhutan lack information on Government-led entrepreneurship support initiatives.

### Presence of several capacity development providers at the idea and early stage

Several actors fall into the category of "Capacity Development Providers". They offer entrepreneurship support programs, including training, funding, mentoring and monitoring to aspiring and new entrepreneurs. Given the Bhutanese context, it is legitimate to prioritize idea and early stage support interventions. The pipeline of start-ups is still low when compared to its potential and therefore, efforts to recruit entrepreneurs and build business skills are critical at this stage.

However, this growth needs to be balanced with a gradual increase in programmes to support start-up growth. Institutions interviewed invest most of their efforts in early stage support, leaving advanced entrepreneurs unsupported.

### Events and competitions

Entrepreneurship events and business competitions are gaining popularity in Bhutan with several support institutions involved. According to the interviews conducted, Startup Weekend event for instance has been organized three times by three different institutions leading to overlaps in the Bhutanese ecosystem.

Events, festivals, competitions, meet-ups, conferences are all different terms common in start-up communities. These are indeed important for entrepreneurs to network with peers and industry leaders, build their knowledge and exchange experiences. Yet duplication of similar events can be counterproductive for the ecosystem and entrepreneurs themselves. Participating in too many events and competitions can take away valuable time from entrepreneurs from building their business.

## ***Best practices for Events and competitions***

### **Diversify the Judging Panel**

Start-ups will likely pitch to diverse groups throughout their journey. That's why it is important to convene judges representing a variety of segments: funders seeking a well-aligned investment opportunity, potential business partners looking for a start-up to help them solve a problem, possible customers of the product or service, technical leads who can question and support the science. The multi-audience pitch model teaches teams to strategically explain their company's value proposition to a mix of critical players they will encounter throughout their start-up process.

### **Allocate Prizes Wisely**

Cash prizes are valuable for start-ups. However, it is good practice to align awards with key start-up milestones, creating criteria for how the money and resources will be deployed - for example, paying rent for laboratory tests. Designing awards to offer multiple facets of support is beneficial for both the innovators and the award provider.

### **Provide Value for Everyone Involved**

It is important to build in pre-competition networking events for key players involved with the event – and in the ecosystem. This allows the group to engage with different people who may not always have the opportunity to connect. This is positive for attendees who feel like they receive a value-add for their time commitment to the competition. In addition, pitch competitions can be used as a learning opportunity. For example, when inviting entrepreneurs who secured funding to share their “behind the scenes” experience.

### **Follow up**

Many start-ups may leave a pitch competition thinking “Now what?”. That question has more urgency among teams who did not win a prize. Organizers can help teams to develop a post pitch competition action plan. This includes coaching start-ups to put requests in their pitch that go beyond money and provide regular progress reports to be shared with the ecosystem. Success stories spark interest from a potential business partners or investors, even if the team does not make it to the podium.

## 2. NETWORK ANALYSIS

The following section summarizes the findings of the network analysis as well as the conclusions drawn about the community within Bhutan entrepreneurial ecosystem. The analysis provides insights on density, betweenness centrality and three types of network connections: information sharing, funding and, service provision collaborations.

### 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.

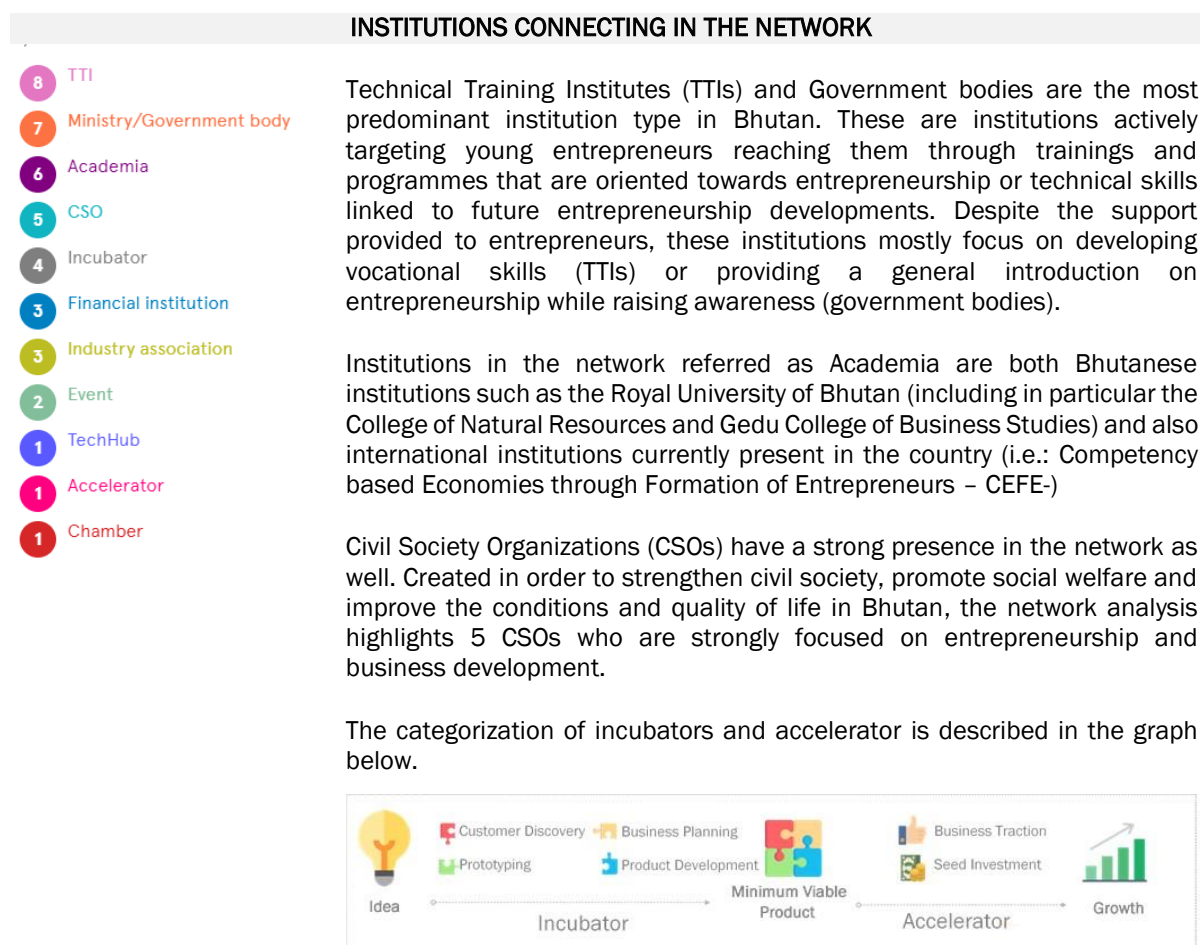
In order to represent and visually capture the interactions and linkages among the interviewed institutions, this section of the report provides qualitative and quantitative insights supported by a network analysis software.

The following section provides answers to two key questions:

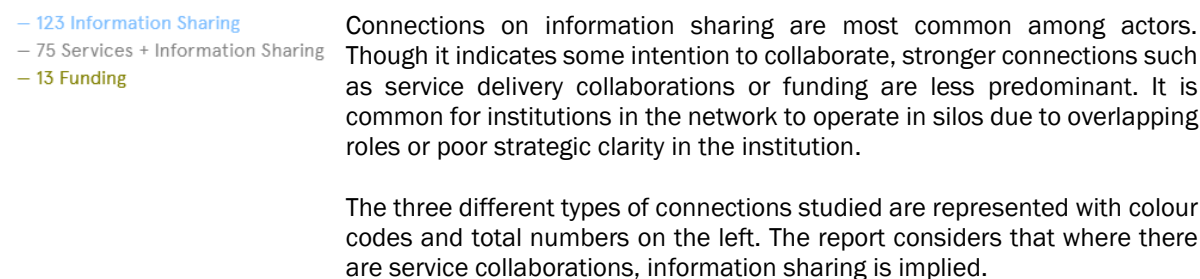
1. **What are the main connections in the network?** The analysis explores how the landscape of institutions interact with each other, which are the most connected institutions, with who are they connecting and why are they connecting. The aim of this analysis is to understand what stimulates collaboration or what might be preventing it and therefore, what can be done to continue strengthening the ecosystem.
2. **What are the different types of connections?** To respond to this question, ITC's network analysis focuses on three key factors of collaboration: information, funding collaborations and service delivery. In the case of information exchanges, the analysis looks into aspects such as sharing of 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.

## ECOSYSTEM NETWORK ANALYSIS

The information below summarizes key features of the network:



### CONNECTIONS IN THE NETWORK



## NETWORK DENSITY

Measured using the ties between actors, which represent interactions within the ecosystem, the study establishes that connections within the ecosystem are not at their full potential. On average, edges cater for only 2.5 relationships. As a result, network density is extremely low. Comparing the number of actual connections to the number of potential connections, Bhutan remains at the lowest end, scoring 0.251 (‘1’ being the highest possible density number, and ‘0’ the lowest). Looking at ‘well’ connected actors (defined as catering for more than five connections), the network remains loose. It can be noted that despite the high

level of effort that is geared towards the development of entrepreneurship in Bhutan, in practice, most of the actors and their beneficiaries still operate in isolation. This lack of interaction leads to three challenges.

1. **Early stage focus:** For entrepreneurs to thrive, it is necessary to provide a stimulating environment by ensuring access to support services throughout all the stages of growth and development of a young business. Most of the players focus mainly on training, coaching, mentoring, and community building, often across different industries. There are few institutions offering a unique expertise so entrepreneurs can differentiate between institutions (and chose the one that fits better their business) but also so actors in the ecosystem can refer entrepreneurs to.
2. **Limited specialization:** Specialization and the subsequent emergence of specialized clusters are seen as a maturity indicator for ecosystems. Clusters might be tailored to specific industries (e.g. health, agriculture, and education), technologies (e.g. biotech, AI) or areas of interest (e.g. art, social entrepreneurship).
3. **Growth ceiling:** As a result of the lack of specialization and focus on early stage support. Entrepreneurs are lacking guidance to take their start-ups to the next level. Services such as support to leverage on technology to scale up, access to markets, certifications and international standards are currently missing.

## INSTITUTION CENTRALITY

Institution nodes are ranked according to betweenness centrality. This type of centrality measures 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, it 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.

This report has also evaluated degree centrality, defined as the number of links upon a node (i.e., the number of ties that a node has). This indicates which institutions have built a bigger network for themselves but does not provide insights on their work as ecosystem builders.

Figure 2 shows the overall network of institutions supporting entrepreneurs in Bhutan. The size of the nodes (institutions) correspond to their betweenness centrality score (the higher the node, the higher the betweenness centrality).

## Overall Network

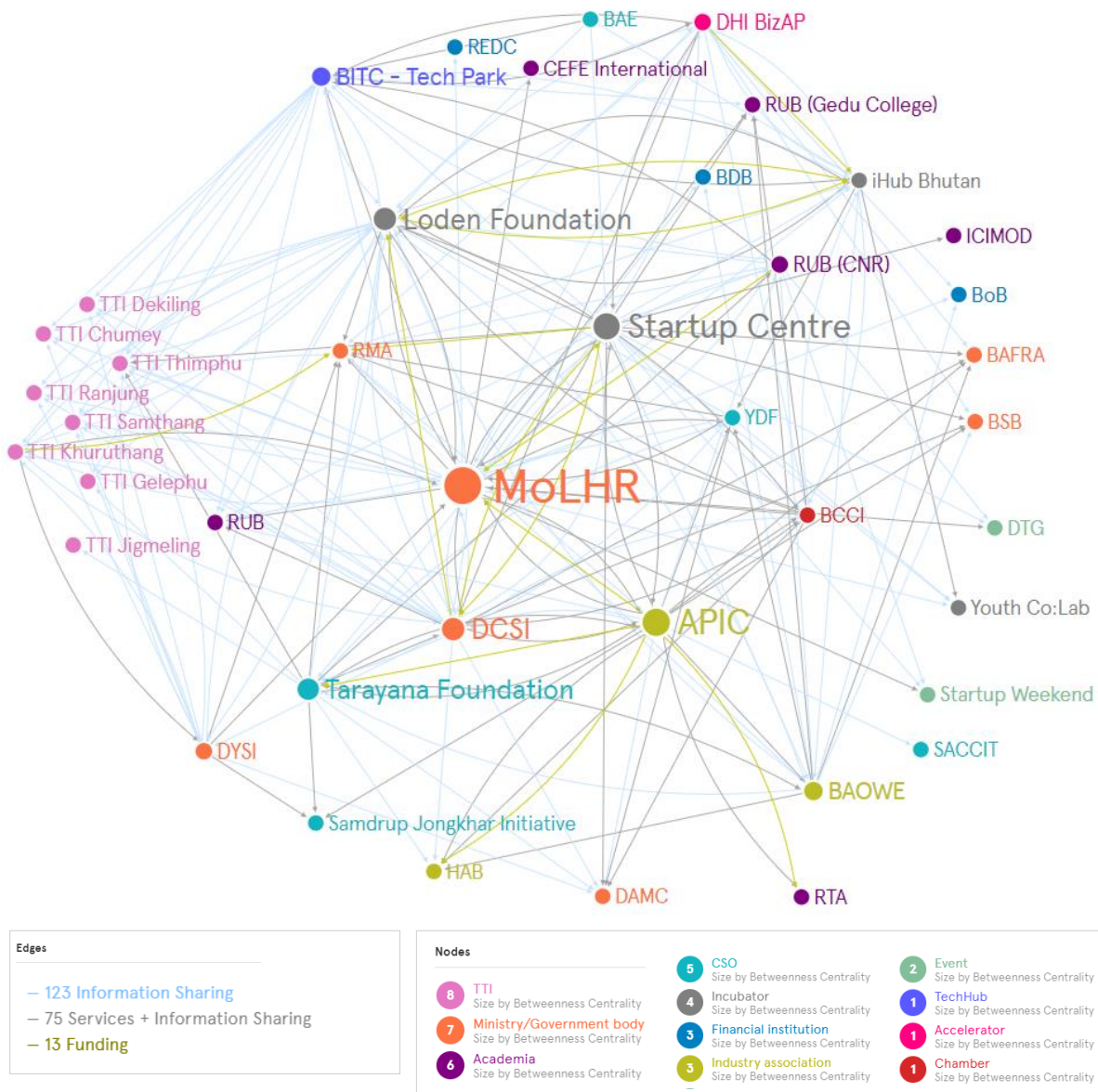


Figure 2: Bhutan's Ecosystem Network

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 follows:

### Potential connections

Table 1 provides an overview of institutions with higher betweenness centrality figures. This indicates that when connecting to these institutions, actors will potentially improve their reach to less connected actors in the ecosystem. If a new or existing actor connects and collaborates with MoLHR, APIC, Startup Centre or Loden Foundation, connections to small scale or recent actors in the ecosystem have the potential to improve.

Table 2 provides a ranked list of institutions with a strong individual network (degree centrality). These institutions have a large network as a result of a successful positioning. When connecting with them, actors might be able to increase visibility and access new opportunities. However, when compared to Table 1 they might not necessarily provide support to reach new or emerging actors (less connected) in the ecosystem.

<b>Overview of Actors by Betweenness Centrality</b>	<i>(High bridging capabilities)</i>
MoLHR	208.53
APIC	116.89
Startup Centre	111.72
Loden Foundation	69.67

Table 1: Raking by betweenness centrality

<b>Overview of Actors by Degree Centrality</b>	<i>(Strong individual network)</i>
MoLHR	36
Loden Foundation	35
DCSI	30
Sartup Centre	29

Table 2: Raking by degree centrality

In addition, when looking at the distribution of the results (see Annex II) only a few institutions are ecosystem connectors (high betweenness centrality) and there is a considerable gap between the top most connected institutions and the rest. This indicates that a small set of institutions leads the support and connectivity of the entrepreneurs through the ecosystem. Institutions who are not part of this small set, have the potential to increase its presence in the ecosystem by:

- Increasing the overall number of connections by sharing information with other actors, proposing collaborations to deliver joint services and supporting other institutions to deliver on their mandate.
- Identifying key partnerships to play a bigger role in the ecosystem. Look for actors not yet included in the network (national and international) and bring them in through collaborations and information sharing.

This can only be achieved if institutions offer a unique value to entrepreneurs and institutions and move from the current services overlapping situation.

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



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

## Underrepresented private sector

Private sector in Bhutan represents less than 20% of the actors in the entrepreneurship support ecosystem. In particular, there are many government led initiatives that have emerged or focused its attention in entrepreneurship. This underrepresentation of the private sector indicates two main characteristics:

1. There is a recognition from the government to support entrepreneurship and to include it as a policy instrument. Bhutan's government is currently working to set up a comprehensive entrepreneurship policy framework. This includes several initiatives in progress to formulate a national entrepreneurship strategy, optimize the regulatory environment, enhance entrepreneurship education and skills development, facilitate technology exchange and innovation, improve access to finance and promote awareness and networking.
2. The low presence of private-led oriented institutions is an identified gap in the ecosystem. The lack of private initiatives hinders the ecosystem's potential to develop dynamic programmes and embrace fast-paced innovation.

Figure 3 supports the comments on the previous sections. Incubators, accelerators and Tech-oriented institutions are not present and strong enough in the ecosystem.

Figure 3: Network by type of institution

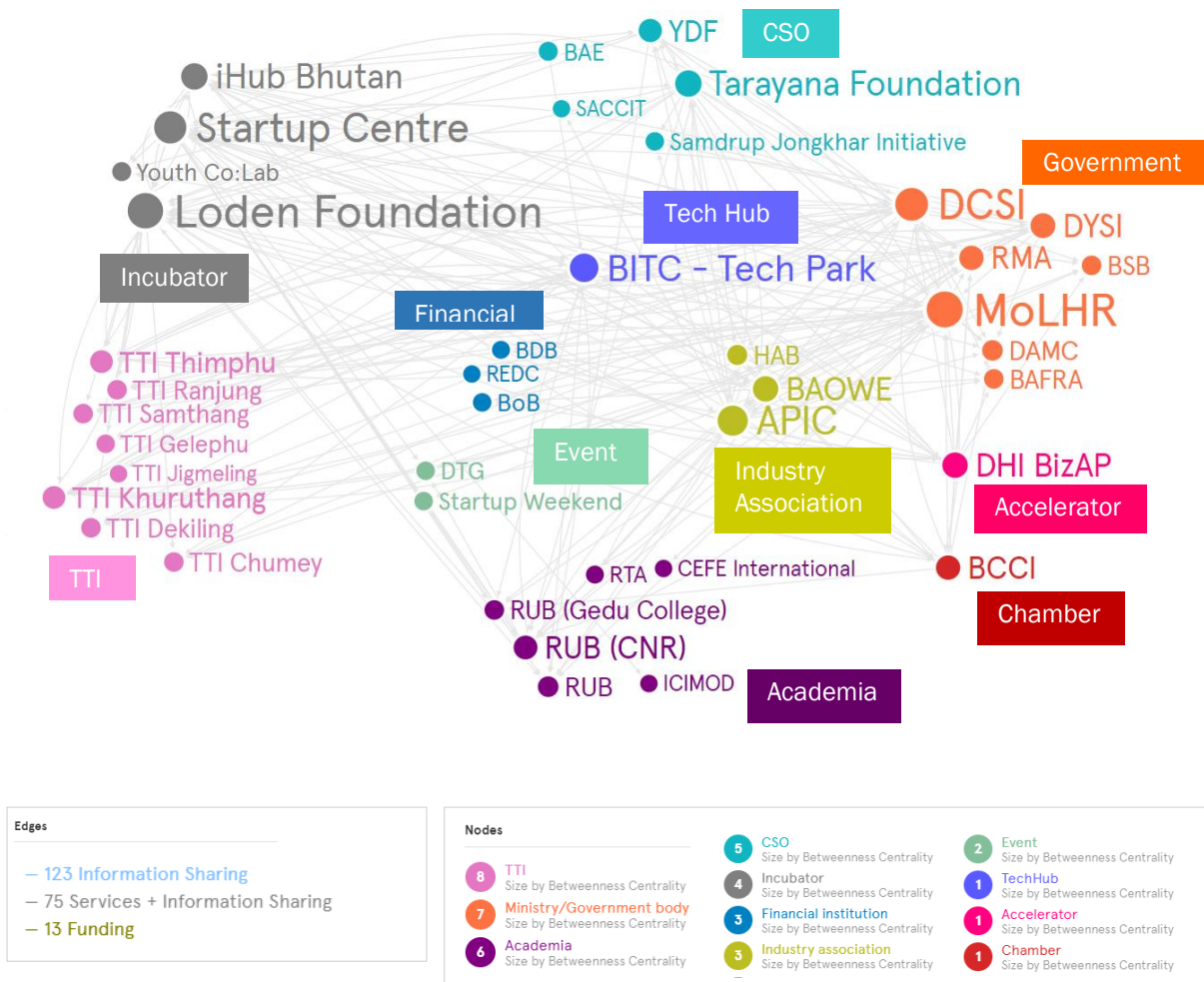
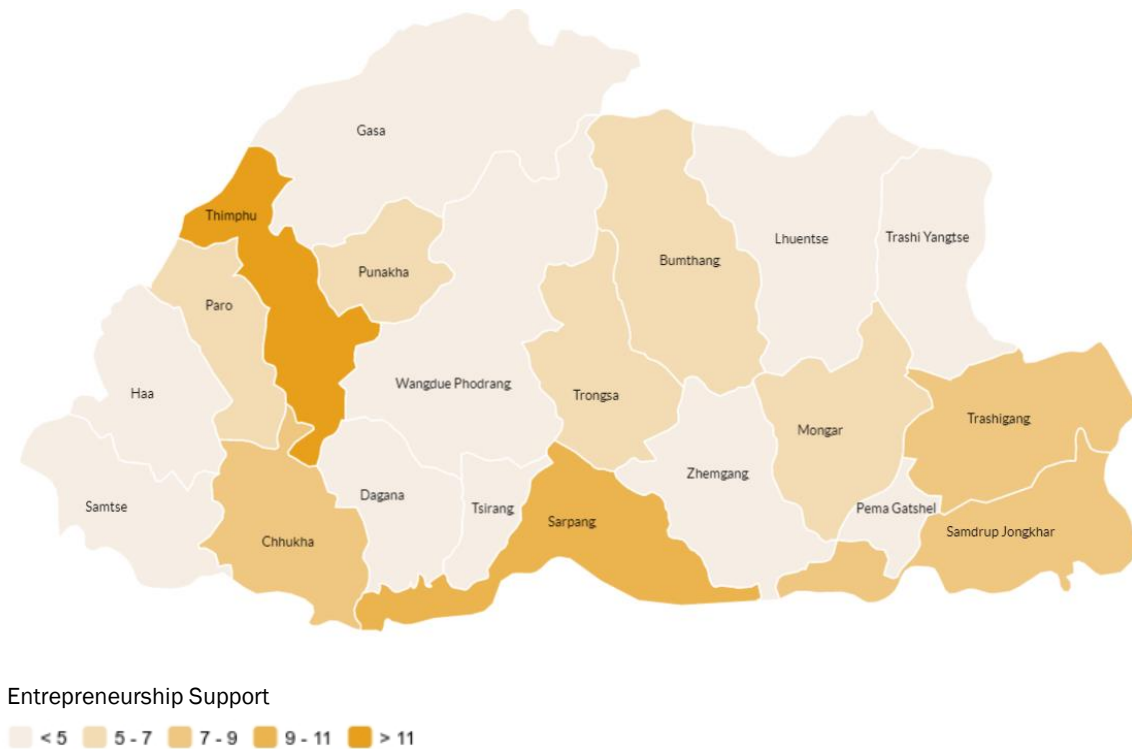


Figure 4: Regional presence of institutions supporting entrepreneurs in Bhutan



Despite some initiatives to reach rural entrepreneurs through virtual incubation or mentorship initiatives, online solutions remain a challenge due to network connectivity and lack of engagement. Expansion to the regions is mainly done through regional representatives or community leaders rather than an established physical office. See *recommendations on Section 3 on how to increase regional reach*.

## 2. What are the different types of connections?

The following analysis looks at the characteristics of the linkages (edges) connecting each institution (node). This report has looked at three key interactions between institutions:

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

## Information Exchanges

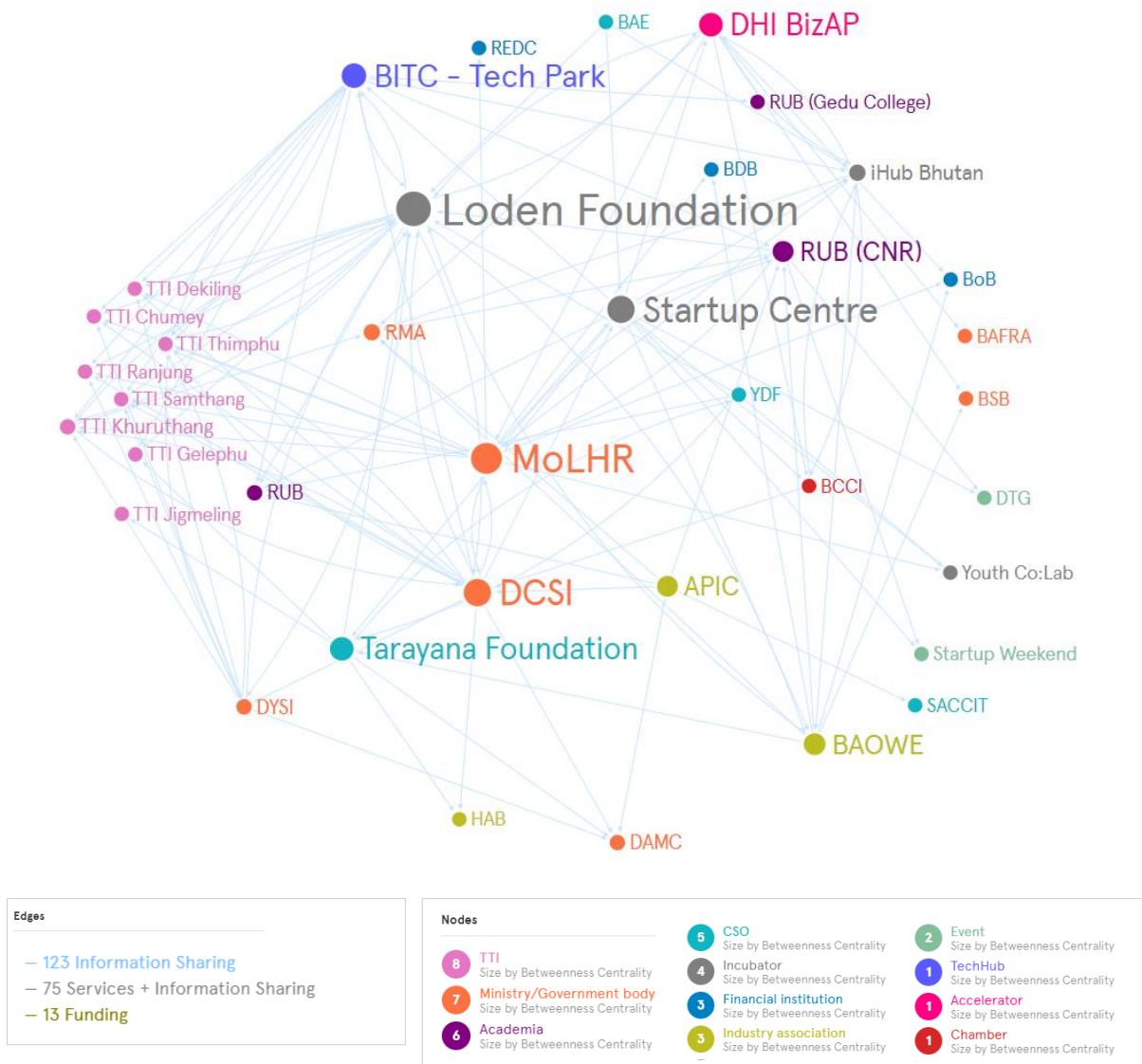


Figure 5: Network by information exchanges

### Information silos

Information sharing has been captured in the report as one of the main linkages between actors. However, when compared to the number of connections on service delivery, it is evident that most information connections do not translate into effective partnerships. Exchanges relate to updates on events and specific initiatives but not so much on working together to deliver value. The analysis indicates that out of the 221 connections captured, 50% related only to information sharing and 34% to value creation through service delivery collaborations.

Despite information exchanges happening, there are no formal objectives for collaboration on, for example, sharing database of entrepreneurs, training beneficiaries or supported ventures. This leads to inconsistencies between journeys of different entrepreneurs (presenting the same needs and getting different support) and inefficiencies related to resources (human and financial) spent.

Having a coordinating entity to enforce information sharing and dialogue between actors is not only needed in the ecosystem but also an expressed need from actors in the network. In some ecosystems, leadership

from the entrepreneurs themselves can be a unique opportunity to ensure an entrepreneur-centric overview of the ecosystem.

The BAE has the potential to become the coordinating actor of such ecosystem given its recent arrival to the ecosystem and its unique positioning as the voice of entrepreneurs.

A well-working example of an entrepreneur-led ecosystem is the case of the city of Bangalore in India. In Bangalore, the most influential actors tend to be entrepreneurs. Bangalore’s entrepreneurship community illustrates a common principle observed in network systems commonly referred to as “like-attracts-like”. According to this principle, network members tend to build relationships with people who share common characteristics.

Many of the most influential network members in Bangalore are companies and investment firms run by individuals with experience leading entrepreneurial companies that have reached the scale of 100 or more employees. The high levels of influence coming from these network members are likely to attract new entrepreneurs who aspire to build companies that reach scale. These influencers also implicitly communicate messages to other community members, in particular support institutions, about what is valued in the network through their attributes and actions. Youths in the city who wish to succeed are given signals from the community that building a large and successful company is the best way to reach this goal.

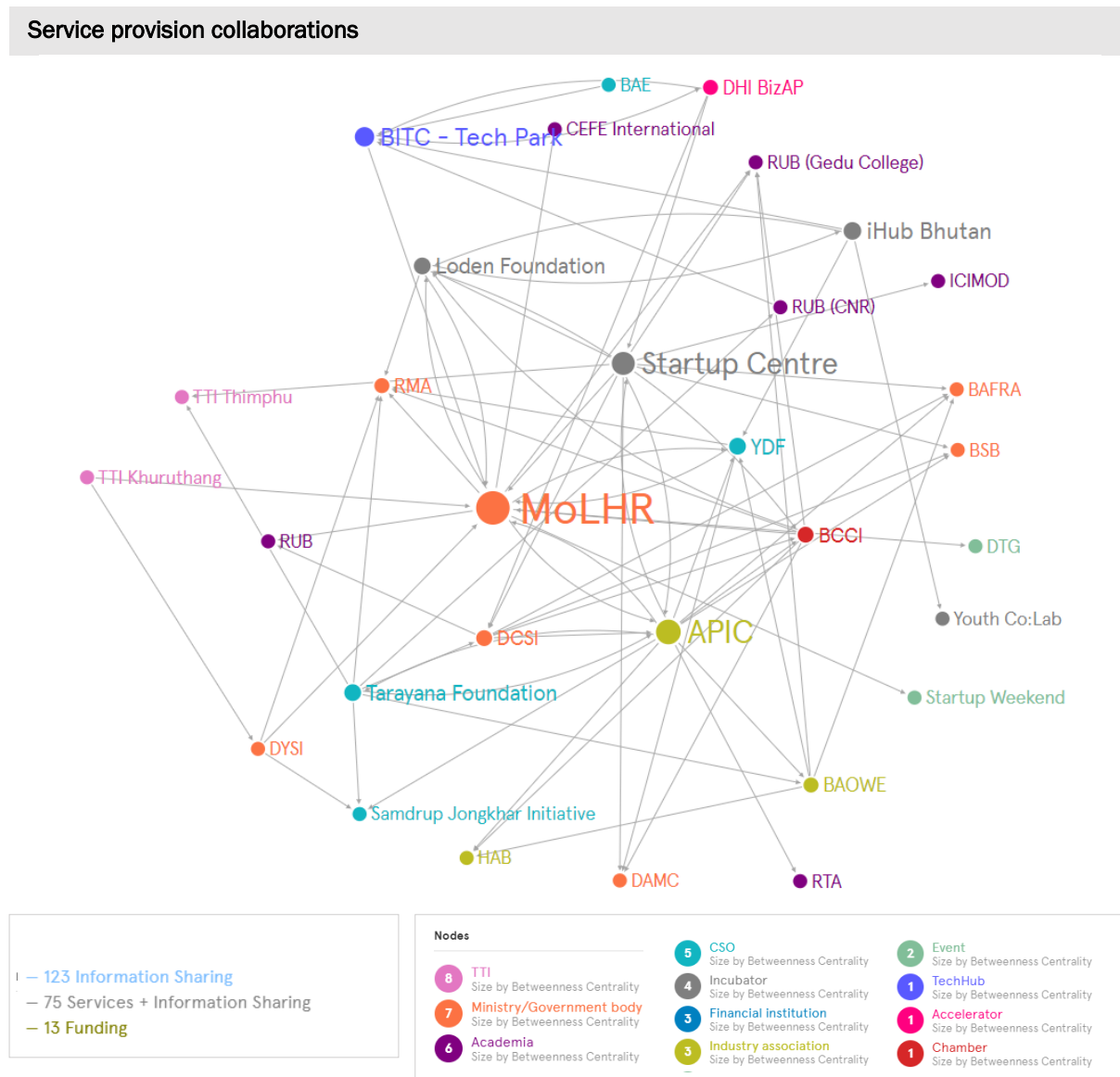


Figure 6: Network by service provision collaborations

### Events driving collaboration

Both formal and informal collaborations among institutions can be linked to events coordination. A good example is the organization of the DTG, for which, in 2019, ecosystem actors coordinated by BAE, came together to design and deliver the event.

However, events can also be a source of overlaps. For example, the organization of the Start-up weekend relies on three organizations who organize separate competitions: iHub, Tech Park and MOIC.

### Training curricula not formalised

In some cases, collaboration does not arise due to lack of clarity in offering. Several training packages offered are overlapping but the lack of formal definitions of training curricula and specialization among actors leads to opacity on service offering.

## Financial collaboration between institutions

Funding collaborations are not numerous in Bhutan. This is a common factor in early stage ecosystems. When ecosystems are mature, institutions have identified their core expertise and are more willing to support other organizations (financially and non-financially) to implement projects on their behalf.

Entrepreneurship ecosystems might not be predestined to follow a single development path, however financial collaborations between actors indicate connectedness and trust among those actors.

In the case of Bhutan, few institutions are keen to engage through collaborative funding schemes. Cases are quite diverse and most collaborations respond to engagement with government or donor funding.

Low collaborations in this area can be explained by the fact that the network is mostly composed by institutions with low resources.

## Donor led funding

Most financial support for support institutions is led by donors. This might represent a risk for the ecosystem given Bhutan's scheduled graduation from the Least Developed Country (LDC) category in 2023 which may lead to reduced Official Development Assistance (ODA).

Discussing new forms of collaboration such as reaching out to different actors to provide services and diversifying the offer might contribute to increase the financial collaborations among actors.

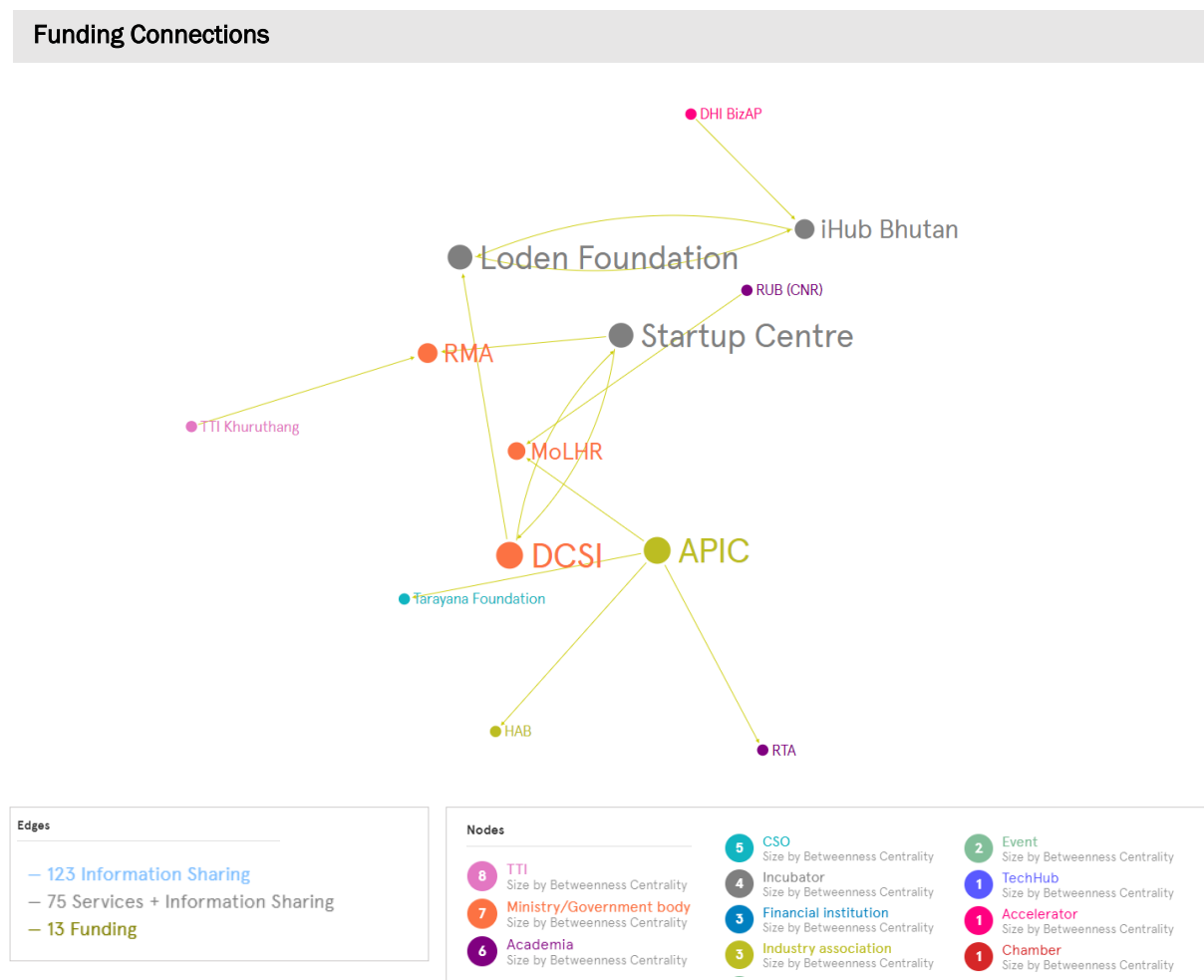
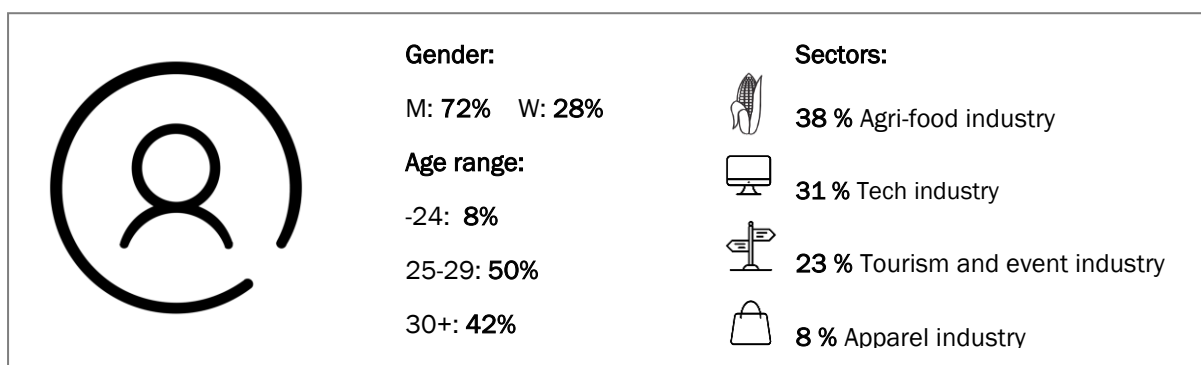


Figure 7: Network by funding collaborations

### 3. 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 group 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.

The following box presents the profile of the young entrepreneurs interviewed.



Based on the insights gathered from the entrepreneur interviews, the following key trends can be outlined regarding the user experience in the Bhutan entrepreneurship ecosystem.

#### Knowledge of actors in the ecosystem is still limited

The large majority of entrepreneurs interviewed are primarily familiar with government institutions (MoLHR, DCSI, DYSI, APIC) and BCCI (92 % of them indicated they knew these institutions), while some important actors of the ecosystem, such as Loden Foundation (50 %), Startup Centre (42 %) and Druk Holding (33 %), remain little known.

Moreover, entrepreneurs were not aware of the specific services most of them offer. In general, it is difficult to access information, and entrepreneurs would approach institutions based on recommendations from

family and friends, without previous knowledge of their specific offer. This relates to the lack of diversification and specialization found in the ecosystem, which makes it difficult for entrepreneurs to distinguish among the services provided by different institutions.

#### Training and financing offer as key decision factors

When asked what were the key decision factors to engage with an institution, young entrepreneurs mentioned the offer of training, mentoring and advanced entrepreneurship workshop provided respectively by Startup Centre, Loden Foundation and iHub. They also mentioned the free or low interest and collateral offered by Loden Foundation and Druk Holding. Some of the entrepreneurs indicated that ease of access, friendliness and one-on-one interactions with institutions such as Loden Foundation and iHub were also key decision factors.

#### Building knowledge through training and mentorship programmes

According to the entrepreneurs, building their skills and knowledge to pursue the entrepreneurship path was facilitated through online and on field training programmes organized by institutions such as MoLHR, DCSI and BITC. However, some entrepreneurs regretted that the trainings were not sector-specific and that technical skills were not further developed. They also pointed out the lack of training focused on IT and innovation. Currently, young entrepreneurs use their own initiative to gain knowledge on technology issues through online platforms such as YouTube and W3Schools. TTIs provide only sporadic support on these issues while the support provided by FabLab remains limited at the school level. Business support institutions lack IT associations, which have disappeared of the ecosystem, to provide appropriate support on technology and innovation matters.

As well as training, entrepreneurs were able to take advantage of mentorship programmes offered by institutions such as iHub to build their entrepreneurial knowledge. However, as with training, they identified shortcomings in the delivery of these programmes. Some of the entrepreneurs indicated that mentorship programmes were not standardized due to the lack of a mentoring guide. They further highlighted the lack of skilled mentors, who are generally not certified, not specialized in a sector and are mostly local and based on peer-to-peer learning. Therefore, the need for international mentors with relevant experience was emphasized. Finally, they deplored the lack of communication on successful Bhutanese entrepreneurs who could act as role models and give ideas to young and aspiring entrepreneurs.

In addition to training and mentorship programmes, entrepreneurs valued co-working spaces offered up to 6 months by BITC and iHub.

### **Several events for kick-starting entrepreneurship and building connections**

Most entrepreneurs highlighted the importance and benefits of participating in events such as Start-up Weekend, Global Entrepreneurship Week, Druk Tshongrig Gatoen and Druk Hackathon to name a few. They indicated that Start-up Weekend is a key event to kick-start entrepreneurship while all the events are useful for developing skills, improving knowledge and building important connections between actors in the ecosystem.

However, according to the entrepreneurs, events should be more diversified by including specific topics and involving international experts who can share their experience and bring new ideas. In addition, some of the entrepreneurs pointed out the lack of follow-up after the events to consolidate the skills and knowledge acquired and develop their ideas. They expressed the need for training and business development support following the financial support obtained through these events.

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

Young entrepreneurs identified access to finance as one of the main obstacles they face on the entrepreneurship path. They indicated that given the difficulty in meeting the collateral requirements and high interest rates charged 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 Bhutan, the primary source of funding for most entrepreneurs are still personal savings and funds from family and friends.

However, some of the entrepreneurs highlighted the funding support available through incubator and accelerator programmes such as Loden Foundation and Druk Holding.

### **Market access and advocacy support remain a limited offer**

Young entrepreneurs indicated that they find it difficult to connect to buyers and access relevant market information. Market access support remains a very limited offer in the ecosystem.

For most entrepreneurs interviewed, expanding beyond national borders is not in their immediate plans given the small size of their businesses. When they want to devise a strategy for internationalisation, entrepreneurs have indicated BCCI as the institution they would seek support from, as BCCI is one of the few that offers support service to companies for attending international exhibitions.

In addition, entrepreneurs highlighted the negative effects of policy changes that are hindering their growth and deplored the lack of institutional support for advocacy. They indicated that the advocacy from institutions representing entrepreneurs and leading the ecosystem, such as BCCI, is not sufficiently focused on their interests and they wished for a better representation to make their voice heard. To this end, young entrepreneurs expressed hope that the new Bhutan Association of Entrepreneurs (BAE) will have the capacity to defend their interests effectively.

## 4. RECOMMENDATIONS

### Enabling policy and regulatory environment for entrepreneurship

Promoting entrepreneurship requires an environment that enables the entrepreneur to create, operate, and if necessary, close a business within a context where compliance with the rule of law governing licensing and registration procedures, protection of physical and intellectual property, and disclosure is guaranteed.

In recent years, the RGoB has been placing increasing emphasis on entrepreneurship development through overarching national-level policy plans and frameworks including the 12<sup>th</sup> FYP (2018-2023), Economic Development Policy 2016, National Human Resource Development Policy 2010 of the MoLHR, and the forthcoming Cottage and Small Industry and Start-up Flagship Programme (2019-2023). These ambitious policies are in the right direction in creating the space for the private sector to grow, particularly the CSI category.

In order to further improve the environment for new entrepreneurs and start-ups, the RGoB should:

- Foster inter-ministerial coordination in the implementation of the CSI and entrepreneurship related policies, especially with the MOEA and the MoLHR, to avoid a multiplicity of programs
- Reduce the time and costs of business procedures and simplify business registrations.
- Introduce subsidies for electricity, telecommunication and other utilities for incubators, co-working spaces, accelerators, and other entrepreneurship support institutions
- Promote fiscal incentives such as tax holidays and exemption of duties on equipment and raw material for start-ups
- Encourage matchmaking between foreign direct investment and local start-ups

#### Example policies and initiatives to minimize regulatory barriers for entrepreneurship

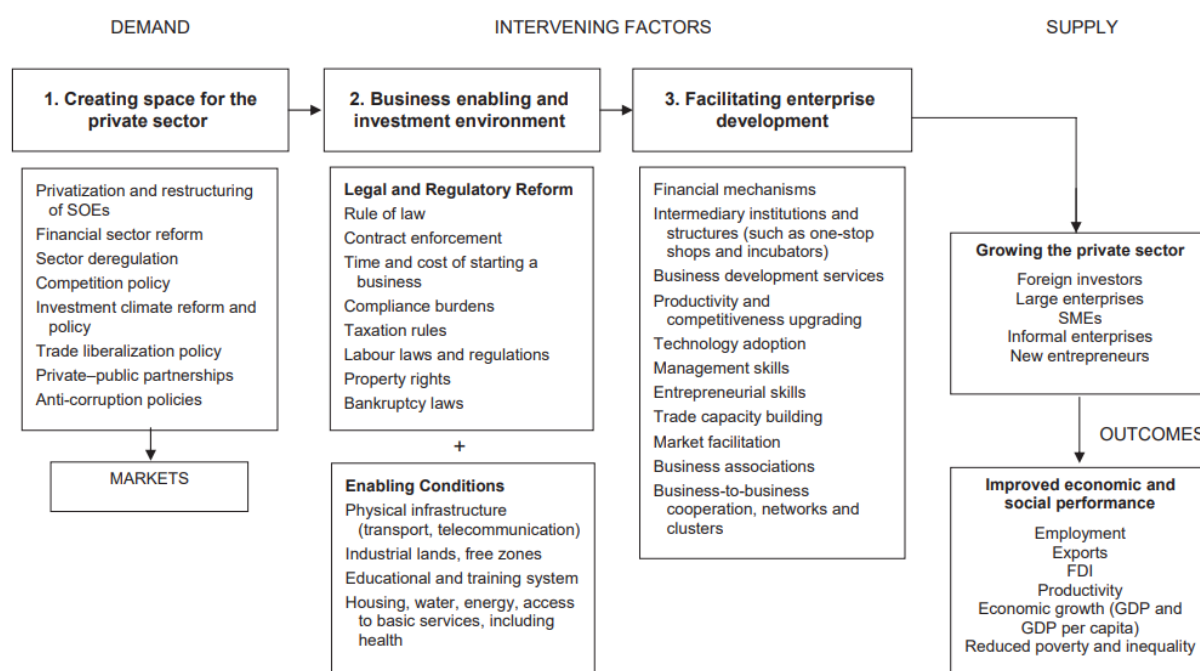
**Indonesia:** In 2006, as part of the national investment climate reform strategy, with support from international donors, the Government of Indonesia introduced the One Stop Shop (OSS) service centres for business registration and licensing. These centres helped to simplify the licensing process so that enterprises no longer needed to visit several different local agencies to obtain permits.

**Republic of Korea:** In 2010, the Government made starting a business easier and less costly through an online system, Start-Biz Online, which is managed by the Small & Medium Business Administration. Entrepreneurs can use the system to conduct name searches, register a company, pay local taxes and corporate registration tax, and more.

Source: UNCTAD Inventory, [www.unctad.org/epf](http://www.unctad.org/epf)

Policy and regulatory environment and, entrepreneurship development are key components of private sector development. The major components of private sector development are captured in Figure 8. Under the heading of 'facilitating enterprise development' are included access to intermediary institutions (such as one-stop shops, incubators, business resource centres and business associations); commercial services (such as business advice, information, consultancy and technical assistance); training and skills development opportunities to improve entrepreneurial and management skills; productivity and competitiveness upgrading services; technology; and financial mechanisms (such as microfinance, guarantee funds, leasing, venture capital, savings facilities and insurance). This reflects the critical linkages between enabling policy and environment for entrepreneurship and facilitating access to the ecosystem of institutions supporting and promoting entrepreneurship.

Figure 8: Framework of private sector development components



Source: OECD framework for Private Sector Development.

### Focus on accessing regional and international markets

Given Bhutan's small economy, it is critical for start-ups to think beyond the domestic market and be prepared from the outset to approach neighbouring countries and beyond to sustain and grow their business. The entrepreneurship ecosystem in Bhutan need to step up in providing support services including training on export market requirements, advisory and mentoring on international markets, initiatives to showcase products and services to foreign buyers and investors, and financial support. Bhutan's export base is heavily concentrated on hydropower to Indian market. Start-ups and young entrepreneurs can be an avenue for the country to diversify its exports and promote innovative products in new markets.

Targeted training and capacity building on standards, quality compliance, branding and packaging is critical as most of the Bhutanese start-ups are in agriculture and manufacturing sectors. Resources on these topics are accessible through Government agencies such as BSB and BAFRA.

When supporting young entrepreneurs to target international markets, having access to market information is critical. In this regard, entrepreneurship support institutions should leverage trade and market related information available at the DOT as well as tap into publicly available online resources from International Organizations such as ITC, UNCTAD and WTO.

Entrepreneurship related institutions could also collaborate with the DOT to support start-ups to align with the Brand Bhutan criteria and guidelines, which can assist in positioning their products in the international markets.

BCCI and DOT together with entrepreneurship support institutions should also further facilitate the participation of start-ups in regional and international trade shows and business-to-business meetings to showcase their products and find new buyers.

### Promoting an entrepreneurial culture and changing mind-sets

Policy, regulatory and institutional level reforms to support start-ups will be less than optimal if young people, their families, and communities in Bhutan do not consider entrepreneurship as a viable and rewarding option. For young people to take up the entrepreneurship path and thrive, the general attitudes and values of Bhutanese entrepreneurship culture is important. This can take the form of having a high tolerance of risk, rewards for success but also acceptance of failure, space for creativity and recognition of persistence.

In order to highlight the value of entrepreneurship to society and address any negative socio-cultural biases, the support institutions can invest in outreach and awareness campaigns at national as well as Dzongkhag levels, celebrate successful entrepreneurs, and share lessons learned from failed start-ups to normalize failure that goes hand in hand with entrepreneurial ventures. A good starting point to change mind-sets and promote an entrepreneurial spirit is also to integrate entrepreneurship education in the school curriculum.

A unique aspect of Bhutanese culture is the GNH philosophy. This is not only aligned to country's plans and strategies but also embedded in the daily life and values of the society. These values can be leveraged to foster a more holistic and sustainable form of entrepreneurship relevant to the Bhutanese context specifically. GNH values promote an understanding of entrepreneurship more closely connected to maintaining cultural and ecological integrity. Social entrepreneurship that can bring positive impact for the society and the environment can be the very core of entrepreneurship in Bhutan.

### **Empowering the Bhutanese Association of Entrepreneurs to lead the ecosystem**

Supporting and promoting entrepreneurship requires not only the action of business support institutions and public authorities, but also the initiatives of entrepreneurs themselves. When empowered, associations of entrepreneurs can play a key role in promoting a supportive business environment and leading initiative that contribute to developing entrepreneurship. They have the capacity to create value for the ecosystem that no single business or support institution could generate alone.

Entrepreneur-led ecosystems have potential to empower entrepreneurship communities to be more productive by promoting the sharing of knowledge, capital and other resources among established, new and aspiring entrepreneurs. Empowering entrepreneurs to lead the ecosystem requires adopting a "bottom-up" approach where entrepreneurs interact and consult with each other to make decisions together and initiate actions to support entrepreneurship community.

The entrepreneurship ecosystem in Bhutan needs a strong and effective association of entrepreneurs to support the development of the private sector in the country, defend and promote their interests, implement support initiatives and guide new and upcoming entrepreneurs on the path to scale.

The recent establishment of the Bhutanese Association of Entrepreneurs (BAE) is a first step towards the empowerment of Bhutanese entrepreneurs to take ownership of the management and development of entrepreneurship in the country. However, more resources and efforts should be put into this association to improve its influence and credibility and enable it to set and pursue actively objectives for the development of the entrepreneurship community.

#### **Example of an entrepreneur-led ecosystem: The Chilean Entrepreneurs Association**

In 2011, 40 Chilean entrepreneurs joined forces to create a private association, the Asociación de Emprendedores de Chile (ASECH) that aims at bringing the Chilean entrepreneurial community together and giving entrepreneurs a voice in government. Only 8 months after its creation, the association already gathered more than 1000 entrepreneurs.

Nowadays, ASECH brings together 36'000 entrepreneurs and plays a key role in the Chilean ecosystem. The association is recognized as the voice of Chilean entrepreneurs and ensures the promotion and defence of entrepreneurship in the country. Through its influence, it participates in the development of pro-entrepreneurship initiatives with its public and private partners and pushes for reforms improving the environment for entrepreneurial success.

As one of its main achievement, ASECH pushed in 2013 the approval of the Law of Companies in a Day, which enables Chilean entrepreneurs to start a business in just one day at no cost. ASECH has also supported several initiatives to facilitate the opening of bank accounts for entrepreneurs and pushed a tax reform in favour of businesses.

In addition to its advocacy role, ASECH provides critical support to entrepreneurs through several services, including information, advisory, networking and training.

Source: UNCTAD Inventory, [www.unctad.org/epf](http://www.unctad.org/epf)

## Building technical skills

Demand for vocational and technical education continues to rise in Bhutan. Despite having a good coverage of vocational skills through the TTIs, technical education (including STEM skills) is still a gap.

Investing in technical skills would not only bring a new skillset for entrepreneurs to create new ideas and scale up current initiatives but would also contribute to build skills such as: critical thinking, fast iteration, fast-fail-fast-improve-win model and being data-driven. These would contribute to speed the growth of entrepreneurship development in Bhutan.

In order to strengthen the technical training offer for entrepreneurs Bhutanese institutions can introduce new programmes based on best practices:

**Prioritize collaboration and time management:** Programs often centre on group projects in which students develop an app together. While students usually acknowledge the benefits of teamwork, they need (a) encouragement to collaborate with others and (b) strategies for developing teamwork skills and managing their time.

**Implement a flexible computer science curriculum:** Students enter programs with vastly different levels of computer science knowledge. While all youth can learn computer science, a one-size-fits-all technical curriculum moves too fast for novices and too slow for experienced students. A flexible curriculum that includes additional support (e.g., links to tutorials, sample code) and optional activities can provide space for both the overwhelmed and underwhelmed students to learn. Also, the computer science curriculum should focus on more than just programming. Students can benefit from an explicit focus on debugging and logical thinking, as these problem-solving skills are needed when working on tech problems.

**Set realistic expectations:** Some teams want to create the next Facebook, Yelp, or YouTube. This leads some groups to pursue a project they cannot realistically complete within a few weeks. At the same time, interest in these ideas motivates them to persist. To overcome this tension, students need guidance on defining the scope of their projects. Reviewing past student projects and gathering feedback during each stage of the design process can help teams set achievable goals and adjust expectations along the way.

**Managing Volunteers:** The level of involvement for volunteers in tech entrepreneurship programs can range from one hour of coaching at an evening workshop, to fifty hours spent encouraging teams, to a full-time job delivering lessons and reviewing student work. Whether they are tech professionals, recent college graduates, or secondary educators, there is likely some component of the program that will be new to them. Given the amount of time volunteers already commit, organizations can be creative about the ways they provide volunteers with support in these new areas.

**Build international links or partnerships to strengthen the training offer:** engaging with other countries in the region to partner for exchange programmes, sharing best practices or organizing study tours.

**Identifying experts and role models:** mentoring support in technical aspects is also critical for the development of tech entrepreneurship. Matching entrepreneurs with experts in the field can support the development and pivoting of products and services and can be key to ensure traction with entrepreneurs.

**Standardize curricula:** ensure quality and consistency in the training provided. This will support partnerships and will bring clarity to entrepreneurs looking for support.

Building effective and sustainable tech entrepreneurship education programs requires dedication, and investing in evaluation can help organizations identify what works well and what needs to be improved so they can better serve entrepreneurs.

#### **Example of creating social change by leveraging the principles of tech entrepreneurship**

Middle East Entrepreneurs of Tomorrow (MEET) is a non-profit supported by the Massachusetts Institute of Technology (MIT), that for the past 14 years has brought together Palestinian and Israeli high schoolers to learn, imagine and build technology together.

The MEET model comprises two stages: the Student Program, which runs parallel to high school over the course of three years; and the Alumni Program, which fosters ongoing bi-national networking, professional enrichment and venture creation for graduates. MEET's Student Program is a 3-year educational program comprised of two complementary components: three summer intensives held at the Hebrew University in Jerusalem and taught by MIT instructors, and two yearlong programs conducted simultaneously at the meet hubs in Jerusalem and Nazareth. The curriculum is 40% computer science, 40% entrepreneurship, and 20% deeper understanding and leadership. All students are required to commit to three years totalling 600 academic hours.

MEET has created a strong network hundreds of alumni who have gone on to study, work and lead in the global tech industry, as well as in NGOs and government roles.

Source: MEET programme, [www.meet.mit.edu](http://www.meet.mit.edu)

#### **Developing alternative financing solutions**

A thriving entrepreneurial ecosystem requires easy and widespread access to financial support for entrepreneurs. For young entrepreneurs to realise the true potential of their business ideas and thrive, it is very important to set up financial institutions and mechanisms that can provide them with capital to support their project and activities. Funding by traditional financial institutions such as banks remains essential, but alternative financing solutions can also play a key role in promoting and supporting entrepreneurship.

In recent years, new financial instruments have been introduced to help entrepreneurs set up and grow a business, including the Priority Sector Lending (PSL) programme, the angel investor network Jabchor and the Bhutan Crowdfunding portal. Bhutan needs now to capitalize on these alternative financing solutions to improve access to financing for entrepreneurs and enable them to grow and reach scale. Jabchor and the Bhutan Crowdfunding portal are financing platforms that should be extended to increase available funding amount and thus improve support to entrepreneurs. Efforts should be made to identify new investors and encourage them to join the Jabchor network to make more impactful investments. Another alternative financing solution for entrepreneurs is equity financing. Young entrepreneurs could seek to obtain financing through selling shares of their start-up to investors and financial institutions such as banks. The advantage of this solution is that the entrepreneur doesn't get into debt to finance the growth of the start-up. On public authorities' side, the government should put in place initiatives that facilitate the attraction of foreign investors willing to provide financial support to entrepreneurs. Some public and international organizations also provide financing opportunities for entrepreneurs. This includes among others the Green Climate Fund (GCF), which provides funds and financial instruments for green projects that are scalable under the Private Sector Facility (PSF).

In addition to the lack of alternative financing solutions, young entrepreneurs are also facing a gap in access to capital and affordable credit provided by traditional financial institutions. One way to close this gap would be for financial institutions to issue friendly loans to start-ups and small businesses.

Finally, all these initiatives should be accompanied by financial literacy training for entrepreneurs. This refers to the education and understanding of various financial areas including topics related to managing personal finance, money and investing. This training should focus on the ability to manage personal finance in an efficient manner, and include the knowledge of making appropriate decisions about personal finance such as investing, insurance, real estate, budgeting, retirement and tax planning. Financial literacy helps entrepreneurs to become more self-sufficient so that they can achieve financial stability. It changes the behaviours and attitudes of entrepreneurs about money. Training should also be provided to improve the knowledge of young entrepreneurs on legal aspects of business. Start-ups and companies operate within a legal framework set up by the government. It is essential for entrepreneurs to understand how this framework works in order to be able to deal with legal issues related to their business, such as workplace safety, product quality, insurance, and intellectual property rights, to name a few.

#### **Alternative types of funding support in India**

**Angel Investment Networks:** India has more than 15 angel investment networks supporting entrepreneurs in the country. In 2016, Indian angel investors funded 159 deals. The largest network, Indian Angel Network (IAN), has 478 members across 10 countries, including corporate executives, lawyers and former entrepreneurs who had sold their ventures. IAN invests in multiple sectors and targets scalable start-ups with a differentiated value proposition. The network supports companies from deal generation to supervision of the performance of individual investee enterprises. In addition to funding, IAN provides entrepreneurs with access to mentors and networks.

**Crowdfunding:** With the rise of start-ups in India, crowdfunding platforms for business are multiplying to finance new entrepreneurs at the seed or idea stage. While previously most crowdfunding platforms focused on medical expenses and charitable causes, crowdfunding in India is now increasingly grounded in the entrepreneurial arena. For example, the platform MesoTown focuses solely on financing Indian start-ups with crowdfunding based on reward.

**Start-up Business Loans:** The Indian government and several private banks such as Bank of Baroda and Yes Bank have set up lending mechanisms in recent years to support the growth of start-ups and small businesses. The Government of India has devised various schemes and offers to enable easier access to credit. Government support is provided through the Small Industries Development Bank of India (SIDBI), which offers to fund start-ups and MSMEs directly with friendly loans instead of channelizing through private banks.

## REFERENCES

- Bhutan Chamber of Commerce and Industry (2014). "Private Sector Development: The Way Forward".
- Endeavor Insight (2018). "Fostering Productive Entrepreneurship Communities: Key Lessons on Generating Jobs, Economic Growth and Innovation"
- Gross National Happiness Commission, Royal Government of Bhutan (2019). 12th Five-Year Plan (2018-2023).
- Lhaden T., World Bank (2018). "An update on Bhutan's economy".
- Lhaden T., World Bank (2018). "Has Bhutan's growth been jobless?"
- Ministry of Labour and Human Resources, Royal Government of Bhutan (2019). National HRD Advisory 2019.
- Ministry of Labour and Human Resources, Royal Government of Bhutan (2017). National HRD Advisory 2017.
- Ministry of Labour and Human Resources, Royal Government of Bhutan (2015). National Entrepreneurship Strategy.
- National Statistics Bureau, Royal Government of Bhutan (2018). Labour Force Survey Report 2018.
- OECD (2019), Regions in Industrial Transition: Policies for People and Places, OECD Publishing, Paris, <https://doi.org/10.1787/c76ec2a1-en>.
- Royal Government of Bhutan (2016). Economic Development Policy 2016.
- Sabarinathan G. (2019). "Angel Investments in India – Trends, Prospects and Issues", IIMB Management Review, vol. 31, p. 200-214.
- World Bank (2019). "Doing Business 2019: Training for Reform".
- World Bank (2018). "Bhutan Development Update: Accelerating Reform Momentum".

## ANNEX I: INSTITUTIONS MAPPED

### Incubators, accelerators and other capacity development providers

#### **Loden Foundation**

The Loden Foundation is a registered civil society organization dedicated to fostering an enlightened and happy society through promotion of social entrepreneurship, education and Bhutan's culture and tradition across the Bhutanese society.

Created in 2000, Loden Foundation provides different types of entrepreneurial support services among which entrepreneurship awareness, financing, mentoring and monitoring. The Loden Entrepreneurship Program started in 2008.

<http://loden.org/>

#### **Startup Center (MoEA)**

The Startup Center was established in 2018 under the Ministry of Economic Affairs with funding support from the Government of India under project-tied assistance.

Located in Thimphu, the Startup Center provides physical space with required amenities to the selected business ideas to develop and grow their business. The center focuses on supporting production and manufacturing businesses, and it accommodates around 28 incubates. The center provides weekly training on bookkeeping, marketing, packaging and other business development programs. The center also provides regular coaching and mentoring programs to the incubatees.

#### **iHub Bhutan**

Established in 2017, iHub Bhutan is a private incubation space started by a young entrepreneur to help support and nurture raw ideas of the aspiring entrepreneurs. The incubation hub is equipped with space having basic office amenities. The incubation space provides trainings, mentoring and linkages with international training centers on entrepreneurship to early stage start-ups and scale-ups.

<http://www.ihub.bt/>

#### **Tech Park**

ThimphuTech Park Limited (TTPL) was operational since 2012. The TTPL houses an incubation unit which provides following entrepreneurship development services: Business Incubator, Shared Technology Centre, Overseas Expert Program (OEP) and Business Idea Competition of Bhutan (BICOB).

The Tech Park is the country's first IT Park – promoted by the Department of Information Technology & Telecom, Ministry of Information & Communications, Royal Government of Bhutan, and supported by the World Bank.

<http://thimphutechpark.com/>

#### **DHI Business Acceleration Programme**

Druk Holding Investment (DHI) was established in 2007 upon issuance of Royal Charter in 2007 "to hold and manage the existing and future investments of the Royal Government for the long term benefit of the people of Bhutan".

The Business Acceleration Programme was initiated in 2018 as part of DHI's mandate to Promote and encourage entrepreneurship and business through venture capital and other institutional support. This

programme consists of high-level structured business training, funding, mentoring, and monitoring and evaluation.

<http://www.dhi.bt/dhiBizAP>

### ***Department of Cottage & Small Industry (DCSI)***

The Department of Cottage and Small Industry (DCSI) was established in 2010 under the Ministry of Economic Affairs to spearhead development of Cottage and Small Industries (CSI) in the country. According to the DCSI Annual Report 2018, more than 95 percent of industries in the country are small and cottage scale. The principal function of the DCSI is to facilitate the promotion of CSI by creating an enabling environment through the formulation of relevant policies, conducting market analysis and identifying business opportunities, and developing and implementing programs and services to support CSIs. The DCSI disseminates important information to the stakeholders, provides skills development training and acts as an intermediate between Governments, CSIs, and the private sector.

[https://www.moea.gov.bt/?page\\_id=592](https://www.moea.gov.bt/?page_id=592)

### ***Ministry of Labour and Human Resources (MoLHR)***

The Ministry of Labour and Human Resources (MoLHR) was established on June 13, 2003 upon merging of the erstwhile National Technical Training Authority (NTTA) and the Department of Employment and Labour. The Ministry of Labour and Human Resources works towards the vision for a nation where all its citizens have the opportunity for a gainful and quality employment characterized by harmonious and productive relationships in the workplace and the broader community. The vision is promoted through its engagement in the formulation and implementation of policies related to employment, human resources development, and labour, which are directed towards improving the working and living standards for all people engaged in the world of work.

<https://www.molhr.gov.bt/molhr/>

### ***Department of Youth and Sports (DYS)***

The Department of Youth and Sports provides youth health and development programmes to nurture and empower youth with necessary values and skills to enable them to cope with emerging challenges and provide avenues for their positive growth.

<https://www.dys.gov.bt/>

### ***Agency for Promotion of Indigenous Crafts (APIC)***

The APIC is a government agency responsible to facilitate the growth of the craft sector by encouraging craftspeople to produce quality products and build economically viable and sustainable craft enterprises. APIC supports raw material banks in villages and provides trainings in production techniques and design. The APIC had 23 Craft Clusters and nine established raw materials banks as of September 2018.

<https://www.apic.org.bt/>

### ***Technical Training Institutes (TTIs)***

The Technical Training Institutes (TTIs) are six TVET institutions under the Department of Technical Education (DTE).

### ***Bhutan Youth Development Fund (BYDF)***

With a special focus on disadvantaged youth, the Bhutan Youth Development Fund (BYDF) enables Bhutanese youth to realize their full potential as productive citizens and leaders. The Bhutan Youth

Development Fund is a senior member of civil society, founded in 1999 by His Majesty the Fourth King Jigme Singye Wangchuck.

The Bhutan Youth Development Fund is working to ensure that all youth have equal access to education, meaningful employment and opportunities to develop their potential.

<https://www.bhutanyouth.org/>

### **Youth Co:Lab**

Co-created in 2017 by the United Nations Development Programme (UNDP) and the Citi Foundation, Youth Co:Lab aims to establish a common agenda for countries in the Asia-Pacific region to empower and invest in youth, so that they can accelerate the implementation of the Sustainable Development Goals (SDGs) through leadership, social innovation and entrepreneurship.

In addition to supporting youth entrepreneurship, Youth Co:Lab also works closely with multiple stakeholders, including governments, civil society and the private sector, to strengthen the entrepreneurship ecosystem and to promote policies that will support and enable young people to take the lead in finding and developing new solutions for social and environmental problems in their communities.

<https://youthcolab.org/>

### **Royal University of Bhutan (RUB)**

The Royal University of Bhutan was launched on 2nd June 2003 to provide tertiary education in Bhutan. RUB is the national university system of Bhutan. The Royal Charter and the Statutes provide the legal instruments for the University.

The overall rationale of the University as set out in the Royal Charter and Statutes is the "dissemination of knowledge and the advancement of learning through a balanced, well regulated and sound tertiary education system for the economic and cultural development of the Kingdom of Bhutan and to promote the cultural enrichment, personal development and well being of our people".

<http://www.rub.edu.bt/index.php/en/>

## **Civil Society Organizations**

### **Bhutan Chamber of Commerce and Industry (BCCI)**

BCCI is a non-profit organization and the apex body of the private sector in Bhutan. It represents 12 sectors associations (incl. the Exporter Association, the sectoral association dealing with agri-food products) and has 5 regional offices. The General Body of the BCCI is the apex forum that comprises of business representatives from 20 Dzongkhags.

BCCI is engaged in business advocacy, conducts market research, provides trainings and advisory support to its members, and organizes the participation in international and national fairs in partnership with relevant ministries including MoEA. BCCI has established partnership agreements with private sector chambers and organizations in 20 countries, including EU countries.

<http://www.bcci.org.bt/>

### **Bhutan Association of Women Entrepreneurs (BAOWE)**

BAOWE is one of the CSOs that aims to reach out to the marginalized members of the society, mainly single mothers, farmers, people with disability, disadvantaged and unemployed. BAOWE strives to contribute in poverty reduction, self-reliance and to achieve the economic empowerment of women by promoting women entrepreneurs at the grassroots level. BAOWE provides a platform where the needs, concerns and aspirations of women entrepreneurs are collectively and effectively advocated, voiced and addressed by

facilitating discussions with relevant stakeholders and key partners. Beside rural areas, BAOWE also provide its services and supports to disadvantaged youths and women in the urban areas.

<http://www.baowe.org/>

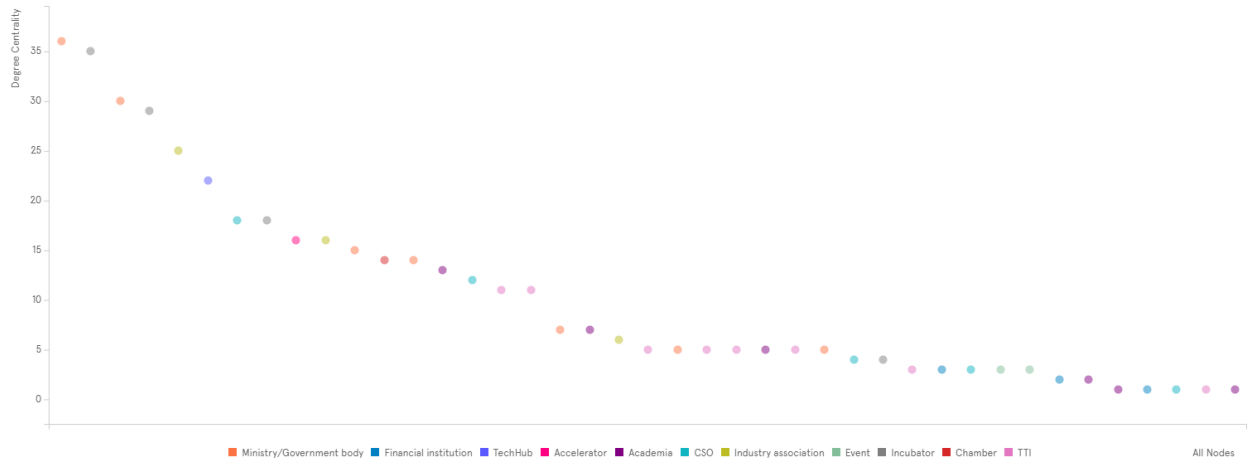
### ***Tarayana Foundation***

Tarayana Foundation is a Public Benefit Organization, registered with the Civil Society Organization Authority of Bhutan. Tarayana's interventions are categorized into 4 main areas, namely: (1) Community mobilization, (2) Enhancing access to basic needs and services, (3) Increasing opportunities for education, and (4) Enhancing livelihood prospects through income-generating activities, facilitating micro-credit for establishing micro-enterprises, and marketing of artisans' products. The Foundation works in remote, rural villages and focuses on social mobilization, capacity building and empowerment processes. Tarayana strives to improve rural livelihoods by promoting participation in mainstream development initiatives and enhancing income generating activities

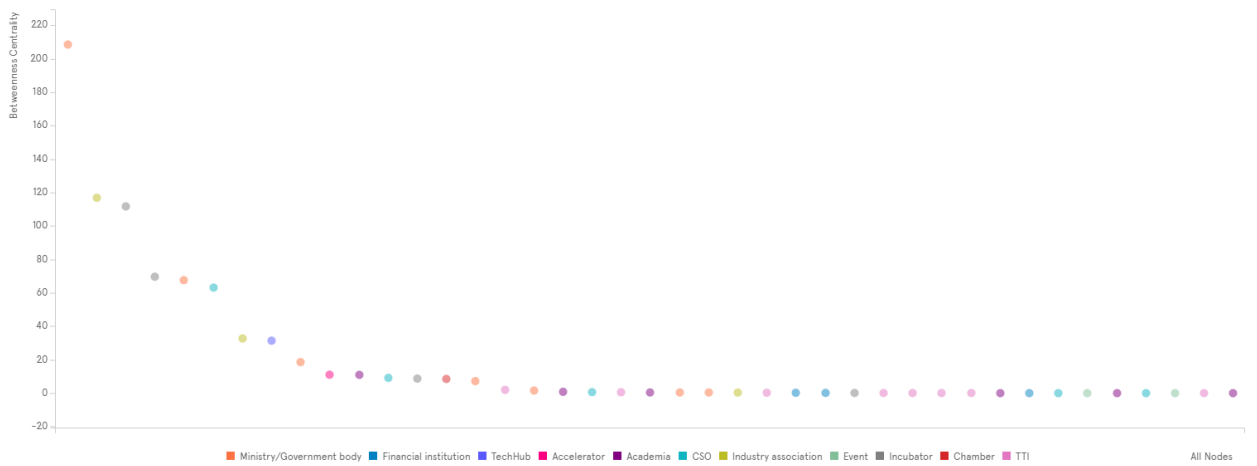
<https://www.tarayanafoundation.org/>

## ANNEX II: ADDITIONAL NETWORK DATA

Distribution of nodes by Degree Centrality:



Distribution of nodes by Betweenness Centrality:



## ANNEX III: 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.

#### Civil Society Organizations

- The Civil Society Organizations aim to strengthen civil society, promote social welfare and improve the conditions and quality of life in Bhutan. Under the directives received from the government, the Ministry of Home and Cultural Affairs spearheaded the formation of the CSO Authority on 20th March 2009 as an appropriate regulatory agency to implement the CSO Act.

## 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 lies 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?

