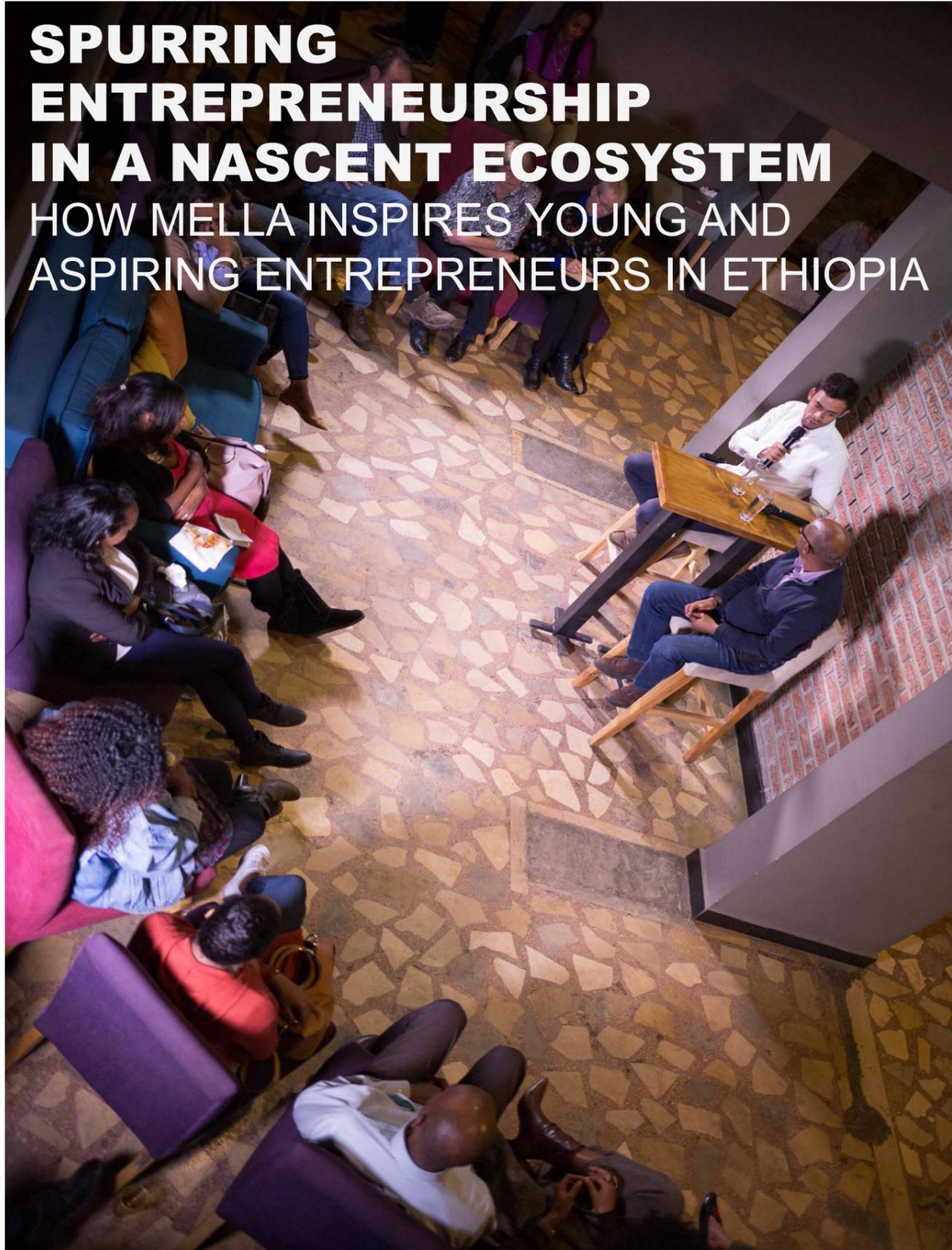




SPURRING ENTREPRENEURSHIP IN A NASCENT ECOSYSTEM

HOW MELLA INSPIRES YOUNG AND ASPIRING ENTREPRENEURS IN ETHIOPIA



Mella is an entrepreneurship program in Ethiopia, launched by **Novastar Ventures**, an Africa-based venture capital firm focusing on investment in Ethiopia, Kenya, and Nigeria, with the support of the **Dutch Good Growth Fund – Financing Local SMEs**, an investment fund of the Dutch government focusing on entrepreneurship in low- and middle-income countries. The Mella program centers on regular events held in Ethiopia’s capital city, Addis Ababa, where young and aspiring entrepreneurs meet up to learn from each other and to expand their networks. This paper describes Mella as an effective and cost-efficient way to encourage entrepreneurship in a nascent entrepreneurial ecosystem.

At each Mella event, a successful entrepreneur or other high-profile role model is invited to share lessons and experiences, and to inspire a young audience in their ambitions of starting or growing their businesses. Mella also uses Facebook, Instagram and a website to communicate content, including videos of the Mella events, to their followers. This paper provides an overview of the Mella program and discusses its main success factors. We conclude with what can be learned from Mella and how Mella can serve as an example to be replicated in other countries or regions.

Building an entrepreneurial culture...

Ethiopia has a population of 105 million people, 75% of whom depend on small-scale farming for their livelihoods. While Ethiopia has the lowest level of income inequality in Africa, its per capital GDP has hovered just above USD 2,000 for the past several years. In recent years the percentage of unemployed university graduates has been rising. Multinational corporations and NGOs typically employ the majority of the best qualified talent in a country in dire need of indigenous private sector growth and job creation.

These socio-economic characteristics make it clear that Ethiopia needs to develop its formal economy by significantly accelerating the rate of new business creation. This is only likely to happen through the building of a greater entrepreneurial

culture, combined with the development of a stronger entrepreneurial ecosystem that includes entrepreneurs, financiers, service providers, and support within the government and the existing business sector.

In 2016, with the support of DGGF, Novastar Ventures launched Mella to encourage the development of an entrepreneurial eco-system through a combination of broad networking events, targeted training events and the use of television and web-based media.

Mella, in Amharic, means “solution”. But it also carries connotations of finding a solution together, or help to a friend, or even “street-smarts”. Therefore, Mella is a particularly suitable name for a program aimed at creating and building a culture of entrepreneurship. Or as Niraj Varia of Novastar put it, “to build a groundswell of entrepreneurial energy over the coming years” in Ethiopia.

Novastar was also interested in Mella’s potential to identify businesses in which Novastar might invest. However, early in its implementation, Novastar found that deal-flow was harder to source than expected. The entrepreneurial ecosystem was even more underdeveloped than Novastar had thought. Many young and talented individuals were not considering entrepreneurship as a realistic or attractive option. According to Novastar, a wider public discussion was needed about the benefits and opportunities enterprise can bring to society.

In order to address this, Novastar refocused their efforts on leveraging the power of social and traditional media and face-to-face events to simply bring potential and active entrepreneurs together with one another and with individuals whose success stories could inspire them. At this point Novastar engaged Rala Media, an Addis-based firm specializing in advertising, video production and content generation Rala which was led by Caleb Meakins, a Ethiopian/British entrepreneur who returned to Ethiopia after many years in London, to create and maintain Mella as a broad ranged national media platform.



... Takes a whole ecosystem

The table below describes the main stakeholder groups and their roles within the Mella program and the ecosystem:

Type	Description	Interaction with Mella
Potential / Aspiring Entrepreneurs	Individuals, including students, who want to be introduced to and/or better understand entrepreneurship or are interested in becoming entrepreneurs, but are not yet active in creating or growing a business.	These people represent the “base of the pyramid” of the nascent entrepreneurial culture of Ethiopia. They comprise the vast majority of visitors to Mella’s Facebook and Instagram pages and website. Even if they do not choose to participate in the Mella events, many of them will engage others in conversations about entrepreneurship which may have not taken place without Mella.
Established / Active Entrepreneurs	Entrepreneurs who have begun the process of establishing a business or are actively engaged in operating and growing one.	These are the principal stakeholders in the entrepreneurial ecosystem that Mella addresses. Their interests are furthered through exposure to successful entrepreneurs, stakeholders in the ecosystem, and to each other, from whom they will most often derive encouragement, information, and the energy typically generated by a growing entrepreneurial culture. They are the majority of attendees to the events organized by Mella.
Financiers / Investors	Officers of financial intermediaries including banks; potential or active private/angel investors; and other businesses considering joint ventures, mergers or acquisitions, or other forms of business finance, particularly at the SME level.	In a nascent entrepreneurial culture, providers of risk capital appropriate to growth entrepreneurs (venture capital, private equity and other non-bank financiers) are initially slow to participate in activities such as the Mella program. However, the implementors of Mella are targeting key leaders in the financial sector and potential individual investors to speak at Mella events. More importantly, Mella provides gatherings through which potential investors and entrepreneurs can meet and share content in all components. These gatherings promote mutual understanding.
Business Leaders	Established commercial leaders with a personal or business interest in promoting entrepreneurship or participating in the ecosystem in other ways.	Widely known business leaders from diverse industries are key to drawing interest and participation among the other stakeholders in the ecosystem. As speakers or interviewees at Mella events and in media outreach they not only draw attention to Mella’s events and online resources, but also provide inspiration, valuable insights, and implicit endorsement of Mella and its objectives.
Service Providers	Lawyers, accountants, consultants and staff of business assistance organizations and programs who are actively or potentially engaged in providing services to entrepreneurs, particularly at the start-up, early, or growth stages.	In any developed entrepreneurial ecosystem, service providers are key to the expansion of the number and size of entrepreneurial businesses. Mella, in the mutual interest of entrepreneurs and services providers, encourages attendance of services providers to face-to-face events and promote their awareness of the growing number of stakeholders within the ecosystem.
Government Officials	Parliamentarians and officials of government agencies capable of influencing government policy which promotes enterprise creation and growth.	While opportunities for affecting changes in laws are limited in most developing markets, Mella can nonetheless make the government aware of the importance and potential of increased awareness and conduct of entrepreneurship.

What achievements can be expected, and which remaining challenges have to be faced?

The table below provides an overview of the principal means through which Mella has developed a greater awareness and understanding of what it is to be an entrepreneur. It also points out the significant numbers of persons reached and engaged as well as key challenges Mella has faced:

Core components			
Type	Function of the component	Quantitative achievements	Challenges
Mella monthly events	Face-to-face events to physically bring together current and potential stakeholders from across the entrepreneurial ecosystem. Events provide content for videos and various media used by other core Components.	<ul style="list-style-type: none"> Number of events held over 26 months: 24 Total attendance: 3,306 (incl. repeat visitors) Average number of attendees per event: 137 	<ul style="list-style-type: none"> Cancellation by speakers on short notice Postponements necessitated by political unrest Weather-related traffic jams reduce attendance Many successful businesspersons reluctant to share information/stories
Website	Landing page to introduce potential stakeholders to Mella and to allow visitors to the Facebook page to sign up for Mella Monthly events.	<ul style="list-style-type: none"> Total visitors over 26 months: 38,000 Average number of visitors per month: 1,460 	<ul style="list-style-type: none"> Unreliable network connection Internet/data is slow and expensive in Ethiopia
Facebook	Capacity to reach the largest and most diverse audience of any available source with a variety of content media, both live and produced. Promotion of upcoming Mella Monthly events with event pages for past events and directing visitors to Mella Website for event sign-up.	<ul style="list-style-type: none"> Total persons whom content collectively reached over 26 months: 1.2 million Total “likes” received over 26 months: 9,411 Most popular video watched 88,000 times and shared 3,000 times Percentage of audience in Ethiopia: 76% 	<ul style="list-style-type: none"> Unreliable network connection Facebook video size/duration limitations forced break-up of videos into 3-4 parts. Cultural biases against filming on streets Internet/data is slow expensive Amharic font requires application download
Instagram	Frequent source of first awareness of Mella, tool for additional engagement on the part of users of other components, and mode of directing visitors to Mella’s Facebook page.	<ul style="list-style-type: none"> Total followers after 26 months: 8,301 Total posts: 341 Total Likes: 28,007 Percentage followers outside Ethiopia: 45% 	<ul style="list-style-type: none"> Unreliable network connection Internet/data is expensive in Ethiopia Primarily a smartphone application, and smartphone penetration is low in Ethiopia Until IGTV is launched, videos limited to 1 minute

Secondary components	
YouTube	Mella has posted videos on its YouTube channel but has found that audiences prefer to view videos on Facebook due to YouTube’s greater consumption of costly data.
Twitter	Mella’s initial use of Twitter was also less successful than its use of Facebook or Instagram. However, Twitter is becoming an increasingly popular tool for public conversation and communication between the government and the public.
National Graduate Career day	Mella conducted several workshops of 50 to 100 people each during a 2-day career fair which had total attendance of 30,000 graduates. Mella found workshop attendance to be lower than expected and students were generally reluctant to participate interactively, revealing the need for a separate Mella approach to inculcate an entrepreneurial culture at the university level.



What Mella has meant for local (aspiring) entrepreneurs

While Mella had not set upfront KPIs, the quantitative achievements show that the combination of the Mella events with the online content has been tremendously effective: Mella has been very successful in reaching thousands of young and aspiring entrepreneurs across Ethiopia. Participants mentioned that Mella has shown them the opportunities that successful entrepreneurs were able to create for themselves...

"A lot of people are inspired by Richard Branson. But such examples are relatively scarce in the Ethiopian context. Mella has been able to put the spotlights both local and international role models."

...but also to better understand the challenges they needed to overcome. As one participant put it:

"The main thing I learned from all these successful entrepreneurs at the events is that their success has never come easily. Entrepreneurship is all about problem solving and taking initiative. And behind every success there is a lot of perseverance and hard work, which makes it even more rewarding to eventually succeed."

Through the Mella events and online resources, Mella has been able to give a strong boost to the entrepreneurial culture in Addis Ababa and Ethiopia:

"The Mella events have become the best place for networking with ambitious entrepreneurs in Ethiopia. In learning how to deal with challenges, I learned most from talking to other entrepreneurs who dealt with similar issues before."

Clear evidence of the success and growing profile of Mella is how Mella is increasingly able to attract speakers of very high international caliber at its events.

"It's amazing how Mella has become a platform where all these people who made it in life come to present at the Mella events to inspire entrepreneurs in Ethiopia. The profile of the people coming here is incredible. For example, recently Jack Dorsey, CEO of Twitter, came to present at a Mella event. We feel that we as young entrepreneurs in Ethiopia are really being taken seriously."

Although there is still a long way to go, Addis Ababa is slowly emerging as an entrepreneurial ecosystem, and participants confirmed that Mella has played an important role in better understanding the benefits and opportunities enterprise can bring to society.

How could Mella be replicated elsewhere?

The initiators of Mella see a future in which "Mella Africa" is a pan-African TEDx-like platform that connects African countries through stories. The most important overall lesson to be learned from Mella, as it has been implemented in Ethiopia, is how a relatively low-cost program focused on entrepreneurship can have a very significant reach and impact in a nascent entrepreneurial ecosystem by making smart use of media and partners.

This poses the question: to what extent should the Mella approach be replicated to other countries or regions. Based on discussions with the program's initiators, funders and participants, a couple of key learnings should be used to optimally achieve this.

Lesson 1

Plan for continuous and structural refinement of approach

Since its first years in existence, Mella has learned many valuable practical lessons on how to run its operations. Similar to the startups that form part of Mella's audience, Mella itself has continually made tweaks and refinements to its approach. Things like finding the optimal pricing for ticket for its events (4 - 5 USD), anticipating attendance of events, finding the optimal location and format for the events (interview of 45 minutes with several pieces of contents, and saving the main guest for last), making optimal use of the various media platforms given slow internet in many areas, all required testing different approaches and continuous adjustments to find out what works best. It has taken much time to figure out the details of an optimal model. Any new program should build in enough time to learn and optimize, while managing improvements structurally by monitoring performance against KPIs and using tools such as event surveys to qualitatively evaluate performance.

Lesson 2

Apply lessons learned elsewhere, but adjust to the specific context

Niraj Varia of Novastar emphasizes that, when setting up a Mella-like program in another region, it is critical to focus on a specific ecosystem. It is key to really understand that specific ecosystem and adapt the content to it. For example, a program focused on Kenya would focus on Nairobi, and possibly even focus on a specific entrepreneurial ecosystem within the city. The next step is to critically look at what is really



needed. For example, a country like Nigeria would require less base education with respect to entrepreneurship than would Ethiopia. An entrepreneurship program in a more developed environment could focus more on business skills required for scaling companies, or on specific subjects such as social entrepreneurship.

Lesson 3

Determine, prior to launch, modes of becoming self-sustaining, moving from grant sources to revenue-generating activities

The costs of operating Mella in Addis Ababa are relatively modest. Prorated to a 12-month period during the time of its full implementation as described above, the total annual operating costs covering such items as a program manager, media coordinator, event expenses, media, and partnerships with other organizations were roughly USD 75,000. The bulk of the initial funding was provided by the Dutch Good Growth Fund. In addition, Mella obtained a grant of around USD 43,000 from the Australian Embassy for the period of November 2018 to May 2019. Mella was able to generate a modest income from attendance fees (in Ethiopian birr, less than the equivalent USD 2 per attendee), but also received significant in-kind contributions of event space and volunteered services. Closing partnerships with the right partners, such as TV stations and in-kind service providers, is critical. One of the lessons of Mella is that any new program should carefully look at how it can better benefit financially from the opportunities it is creating. For example, by making content more suitable to be rebranded across media could generate revenue or shifting to a membership-based structure. Mella considered a fee-based membership structure but realized this was too early and would likely reduce attendance and engagement, therefore, it would be in conflict with Mella's purpose.

Lastly, securing enough grant support for the initial years of a newly setup program is crucial. It appears unlikely that any model like Mella would have any significant sources other than grant support for its first 18 to 36 months, depending on the location of the program. However, once the approach of Mella becomes better known and its benefits recognized, this approach could begin to incrementally cover operations with revenue generating activities such as fee-based memberships workshops in business creation and acceleration, advisory services, the sale of polished, focused "products" such as instruction videos, toolkits, and research.



Action steps for new Mella-like models in other countries or regions

Below is a simple graphic illustrating steps toward establishing a Mella-like model in another country or region, based not only on how Mella came into being but also on lessons learned by Mella. Each step is labeled by its principal focus but includes activities from the preceding Steps.

Step	1	2	3	4
Year of Operation	0	1 – 2	2 – 3	2 – 4
Duration in Months	12 – 18	16 – 18	6 – 18	12 – 24
	Conception and Fundraising	Setup and Media Presence	Growth and Branding	Provision of Services
	<ul style="list-style-type: none"> Research locale Prepare proposal Approach sources, such as: <ul style="list-style-type: none"> – bilateral development agencies – foundations – MNCs with business Locale Hold pilot events to obtain learnings at a low cost 	<ul style="list-style-type: none"> Hire local media firm Create network to identify sources of invitation lists Establish accounts <ul style="list-style-type: none"> – Facebook – Instagram – Twitter Launch website Hold initial face-to-face event 	<ul style="list-style-type: none"> Expand the amount and variety of media content Cultivate greater endorsement and participation by leaders Bring in social entrepreneurship and impact investment advocates Introduce membership, advisory, training and other revenue generation activities 	<ul style="list-style-type: none"> Establish pan-regional and cross-border partnerships Launch a regularly scheduled TV program Develop new “products” to generate revenue Organize regular periodic meet-ups between entrepreneurs and financiers
Annual Budget (USD)	75K – 100K	85K – 125K	100K – 200K	175K – 250K
Funding Mix				

The above timelines are highly dependent on the specific country or region where the program is being set up. When Mella began operations in Ethiopia, there was virtually no cohesive entrepreneurial “culture” in the country. Step 2, “Setup and Media Presence”, required 2 years to be fully functional and recognized. In another country such as Rwanda, for example, the entrepreneurial culture ecosystem may be more

developed, and step 2 may be achieved by the end of Year 1. In a country such as Ghana, the process of establishing a wide media presence and recognition among potential and active Stakeholders (Step 1, “Setup and Branding”) might be accomplished in Year 1 and while Steps 3 and 4 might be fully operational by the end of Year 2.



This paper is dedicated to Caleb Meakins, who sadly passed away as the result of a car accident before this was completed.

Caleb was a major driving force behind the Mella initiative and the development of the entrepreneurial ecosystem in Ethiopia. He features as the interviewer in the photos in this paper. He was and continues to be a role model to many young Ethiopians.

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