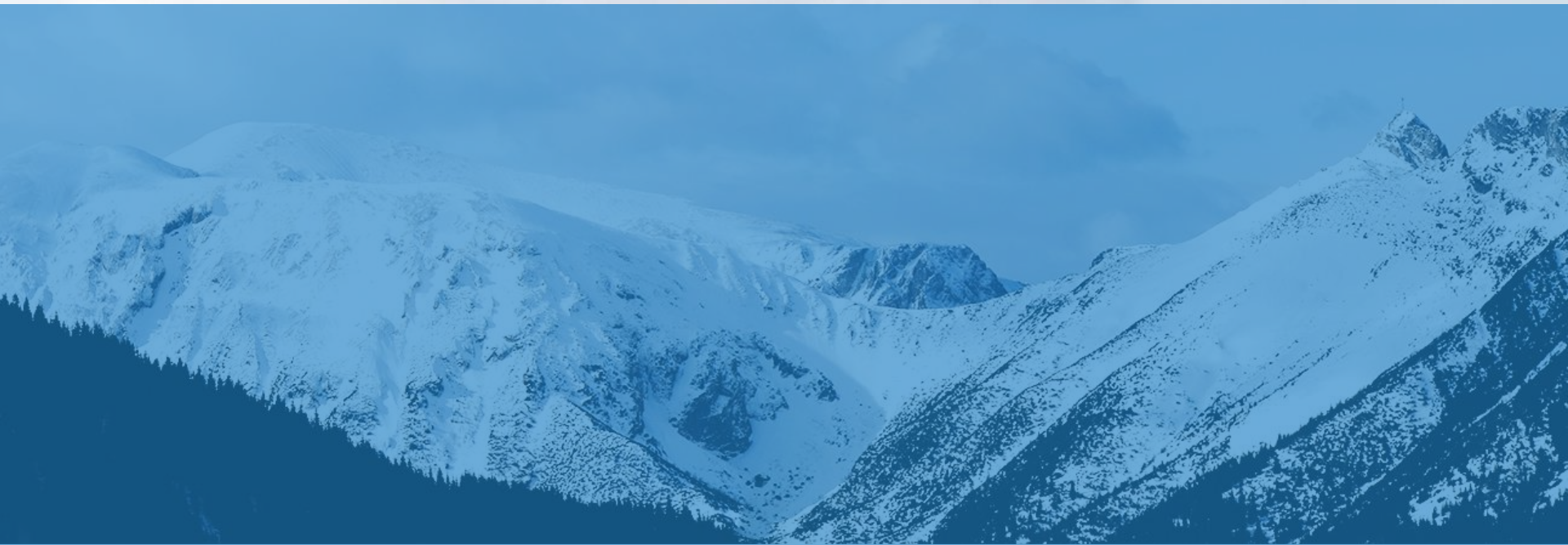
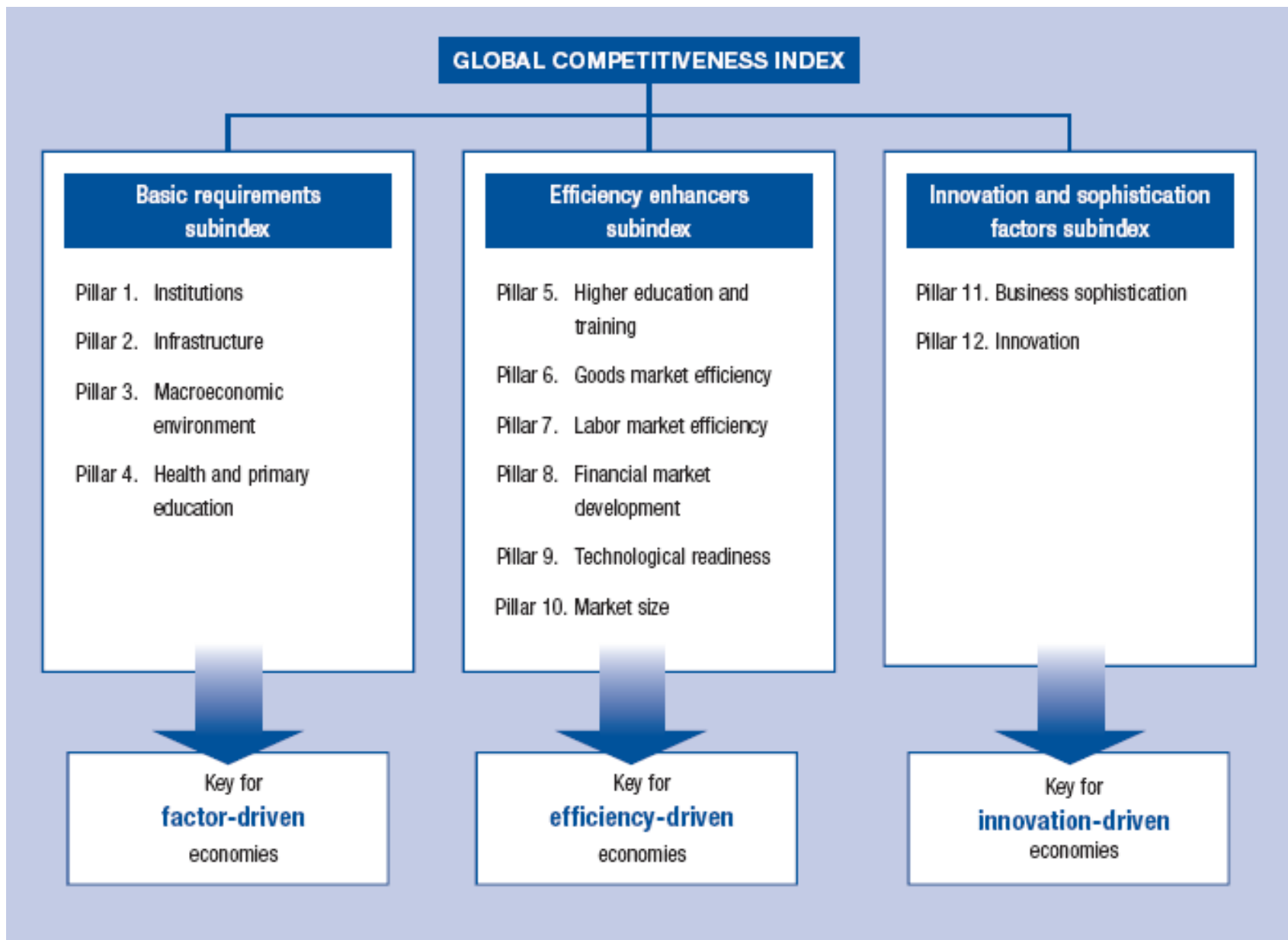


Climbing the Competitiveness Rank: An Innovation Ecosystem



Dr. Ahmed M. Darwish



The Currency of Knowledge

Currency of the 20th Century corporation was **physical goods**,
Currency of the 21st Century corporation will be **ideas**.

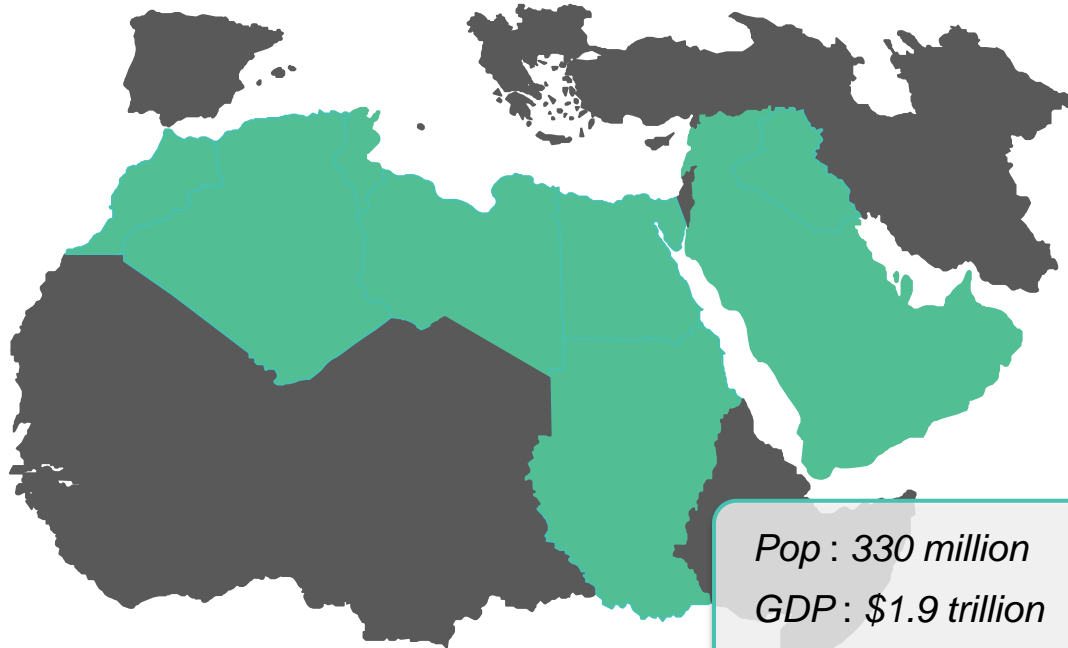


Economy is rapidly giving way to the **Creative Economy**.

Competitive advantages once enjoyed by **big companies** are now available to **start-ups** thanks to plentiful **capital** and the **power of the Web**.

By 2020, 80% of business profit and market value will come from that part of the enterprise that is built around info-business (Stan Davis and Bill Davidson)

Middle East and North Africa (MENA)



*Pop : 330 million
GDP : \$1.9 trillion
\$6,000 per Capita*



Brazil

*Pop : 190 million
GDP : \$1.6 trillion
\$8,300 per Capita*



Russia

*Pop : 142 million
GDP : \$1.7 trillion
\$11,800 per Capita*



India

*Pop : 1.2 billion
GDP : \$1.2 trillion
\$1,000 per Capita*



China

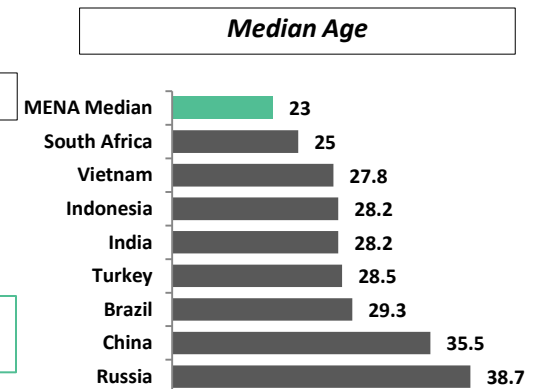
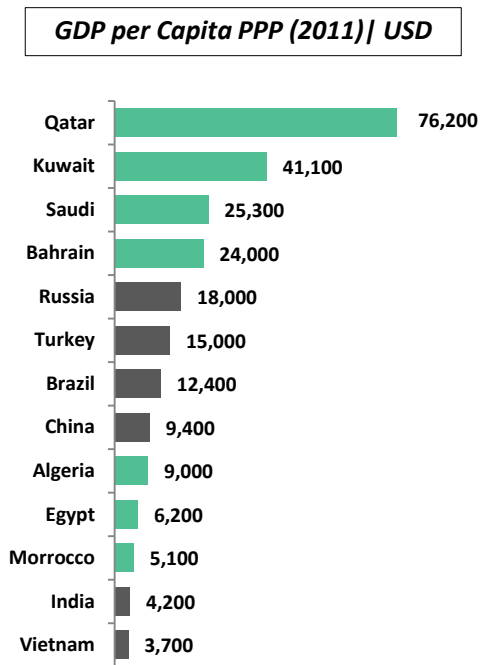
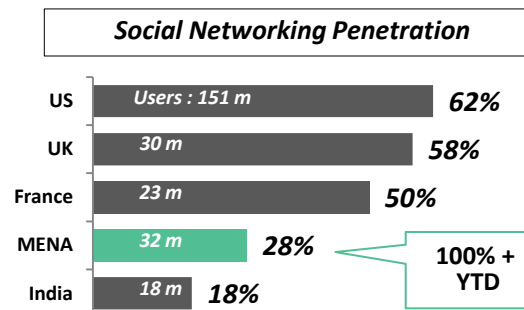
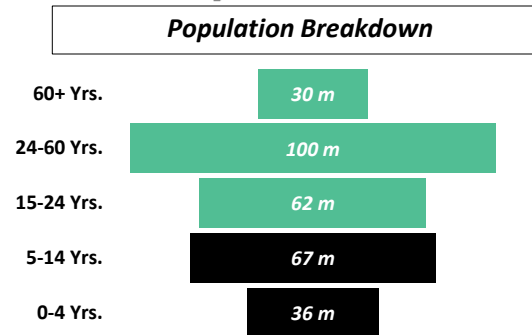
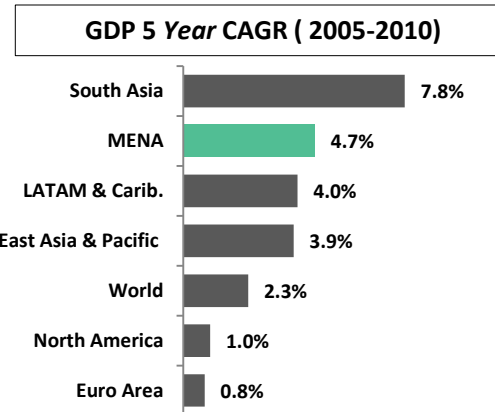
*Pop : 1.3 billion
GDP : \$4.3 trillion
\$3,300 per Capita*

- One Region : common language & culture
- Robust economic growth as a result of structural reforms and the adoption of market-based economic policies
- Strategic location with proximity to Europe and South Asia

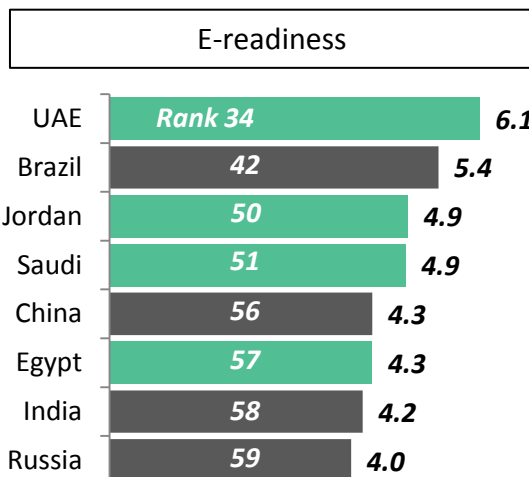
Sources : International Monetary Fund & UN Population Databases

Growth Economies With a Young Population, Growing Spending Capacity That is Keen for Technology Products

- **MENA has enjoyed one of the highest global economic growth rates during the past 5 years driven by**
 - Market based economic reforms
 - Diversification and strong growth in non-oil industries
- **With the potential for a huge demographic dividend..**
 - Youngest population globally with a median age of 23
 - Workforce and active consumer population likely to increase by 100+ million over the coming decade
- **Coupled with a growing spending capacity..**
 - Mixture of high income and middle income countries
 - Expanding middle class across the region, with a growing spending capacity
- **..and an increasing appetite for TMT services**
 - Internet, mobile and IT consumption growth amongst the highest in the world+
 - Latest TMT services are taking root at an accelerating rate

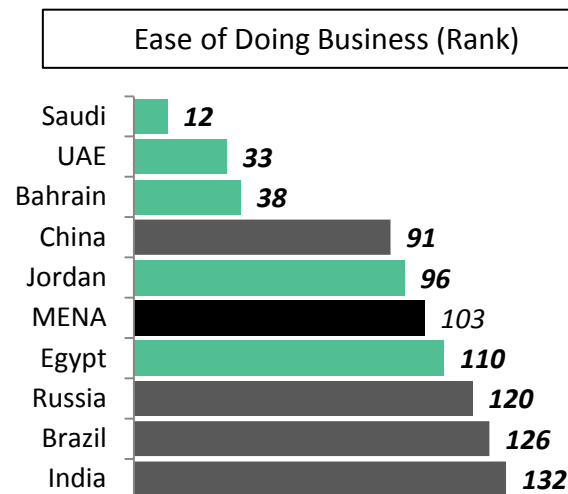


MENA Enjoys a Favorable Technology & Business Environment



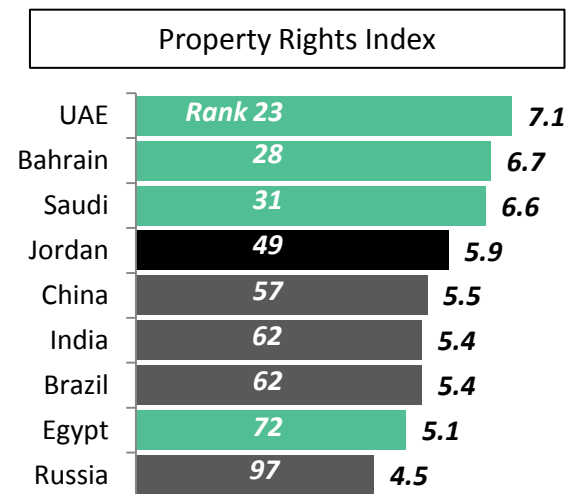
Criteria

(i) Connectivity & Infrastructure (ii) Business environment (iii) Social & cultural environment (iv) Legal environment (v) Government policy and vision (vi) Consumer & business adoption



Criteria:

(i) Starting & closing a business (ii) Construction permits (iii) Employing workers (iv) Property registration (v) Ease of credit & freedom of external trade (vi) Investor protection (vii) Paying taxes (viii) Enforcing contracts

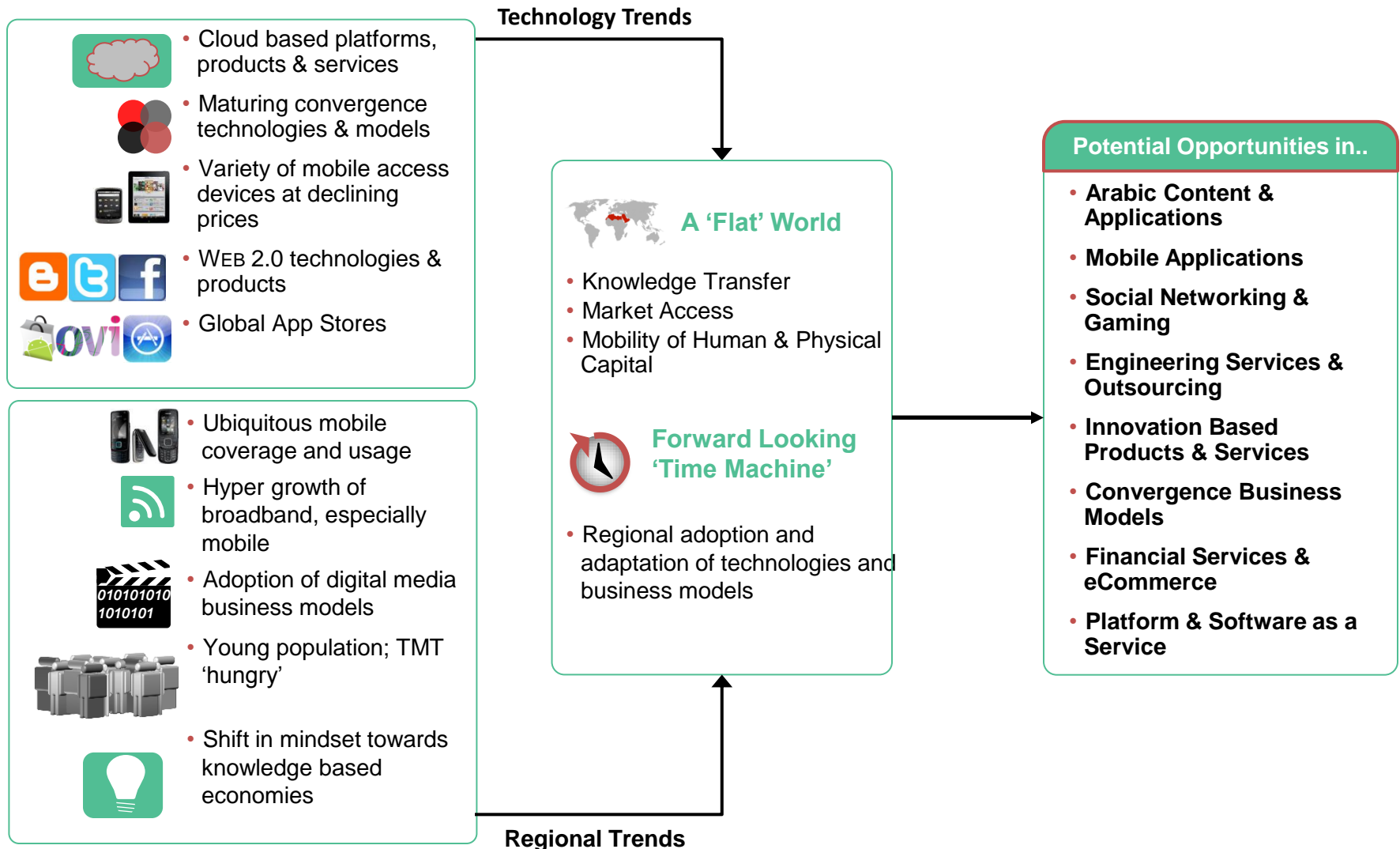


Criteria

(i) Judicial independence (ii) Rule of law (iii) Control of corruption (iv) Political stability (v) Property rights (vi) IP protection & piracy rates (vii) Patent Protection

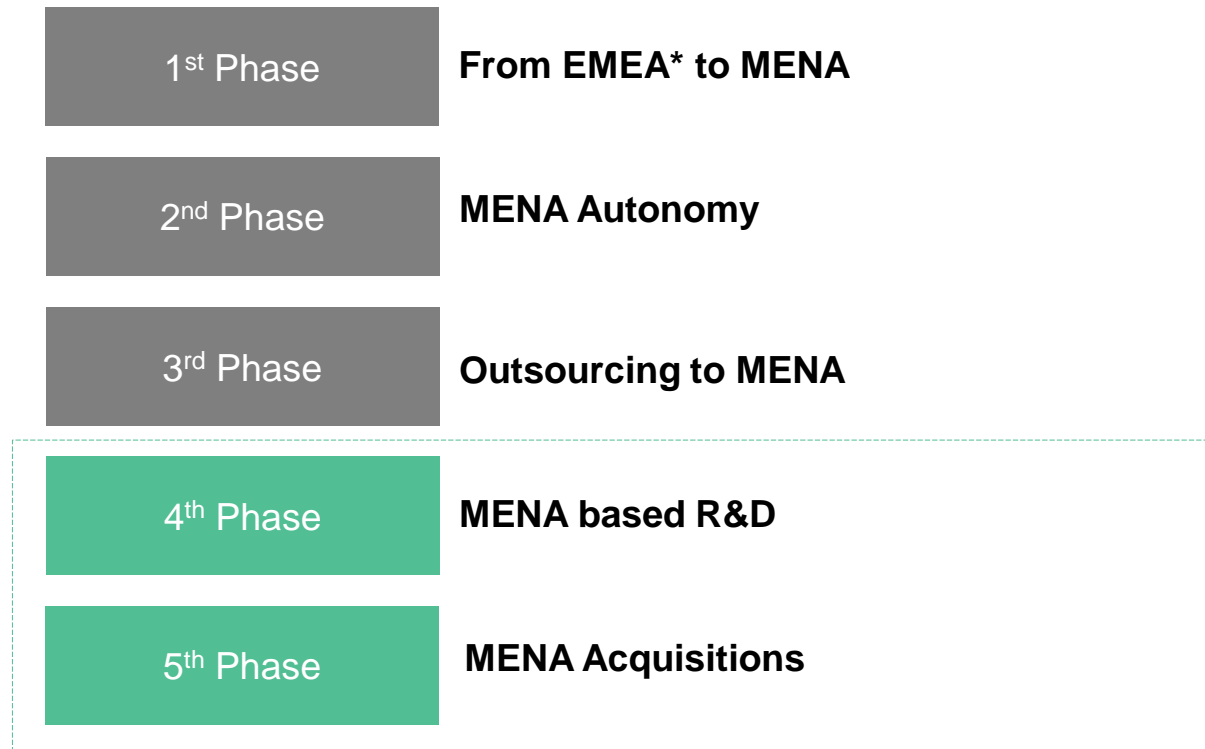
- The leading MENA countries compare favorably with BRICs as measured by the E-readiness index (a proxy for the overall TMT environment)
- Doing business in MENA is easier than BRICs (with the exception of China). Furthermore, MENA is one of the top reforming regions globally
- MENA countries fare better than BRICs in property rights protection

MENA is Set to Benefit From Global & Regional Trends, Creating an Unprecedented Set of Investment Opportunities



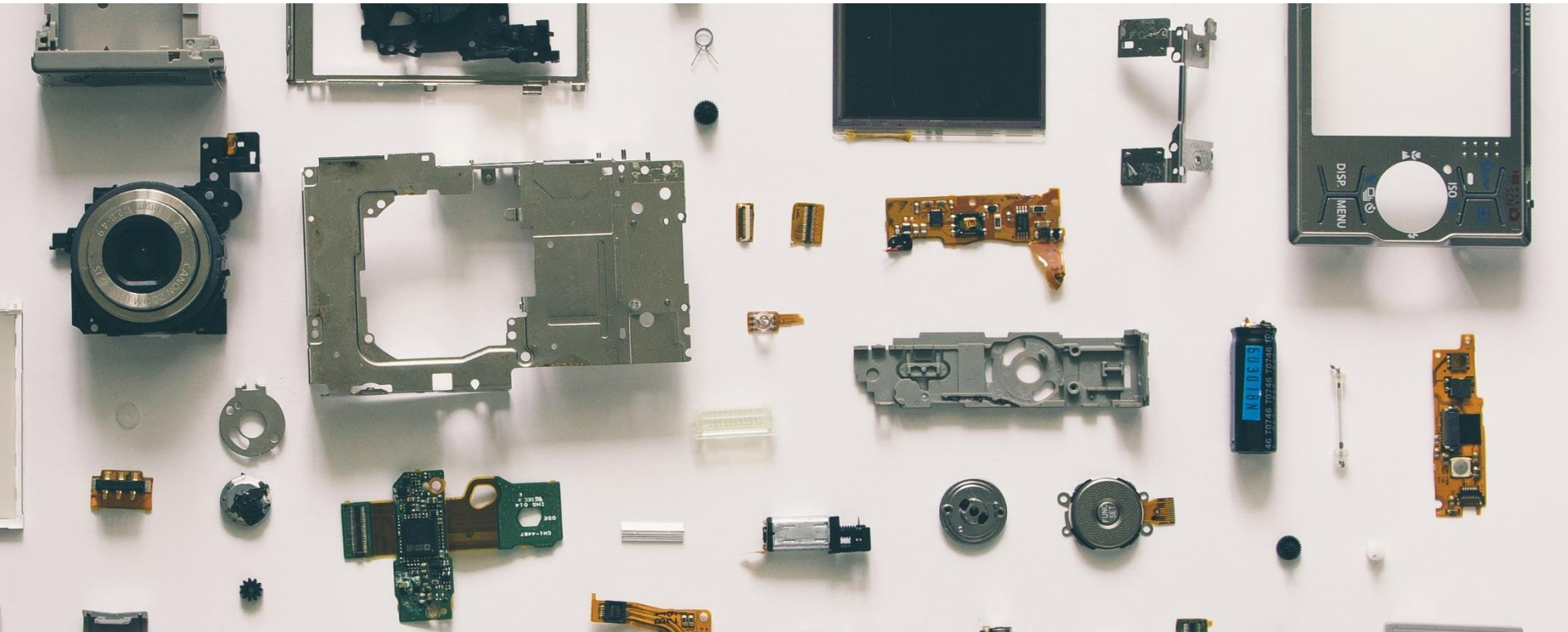
Phases of Growth

MENA represents a large segment of the global Technology, Media and Telecommunications Industry's “**Next Billion Customers**”



Innovation

Is believed to be the fundamental source of significant wealth generation within an economy





In this talk we investigate the relation between innovation and economy growth and the steps towards moving from a classic product economy to a more advanced knowledge economy

towards a futuristic innovation economy.

Observations show that most countries have the basic ingredient, namely **bright youth**.

The problem is that either they were never told that they have wings and can fly or the ecosystem does not allow the cycle to complete to translate innovative ideas into cash;

So those who discover they can fly, fall after a very short flight!!



Innovators **vs** Entrepreneurs

Innovators

- Dreamers

Entrepreneurs

- Recognize that If they don't build their dream, someone will hire you to help build theirs.
- Understand that there is little difference between obstacle and opportunity ... and are able to turn both to there advantage.
- Willing to work 80 hours a week to avoid working 40 hours a week.

Hurdles to Over Come

- **Financial** (banking sector does not have the right tools to deal with this phenomena)
- **Non-financial services**
 - How to establish a company (suitable legal structure)
 - Marketing surveys
 - Business models
 - Cash flow
 - Technical support
 - How to turn an idea into a prototype
 - How to productize a prototype
 - How to market .. Where to advertise an sell

Ecosystem

a complex network or interconnected system.



- Ecosystem is working when is at equilibrium or stable / sustainable
- Example One: Body .. burning energy .. becoming fat
- Example Two: Government queue: Coming in at a higher rate than going out

In this context, the actors would include:

- **The Material Resources:**
 - Funds, equipment, facilities, ...
- **The Human Capital:**
 - Students, faculty, staff, industry researchers, industry representatives, ...
- **The Institutional Entities**
 - The universities, colleges of engineering, business schools, business firms, venture capitalists (VC), industry-university research institutes, federal or industrial supported Centers of Excellence, and state and/or local economic development and business assistance organizations, funding agencies, policy makers, ...

The Innovation ecosystem comprises two distinct,
but largely separated economies:

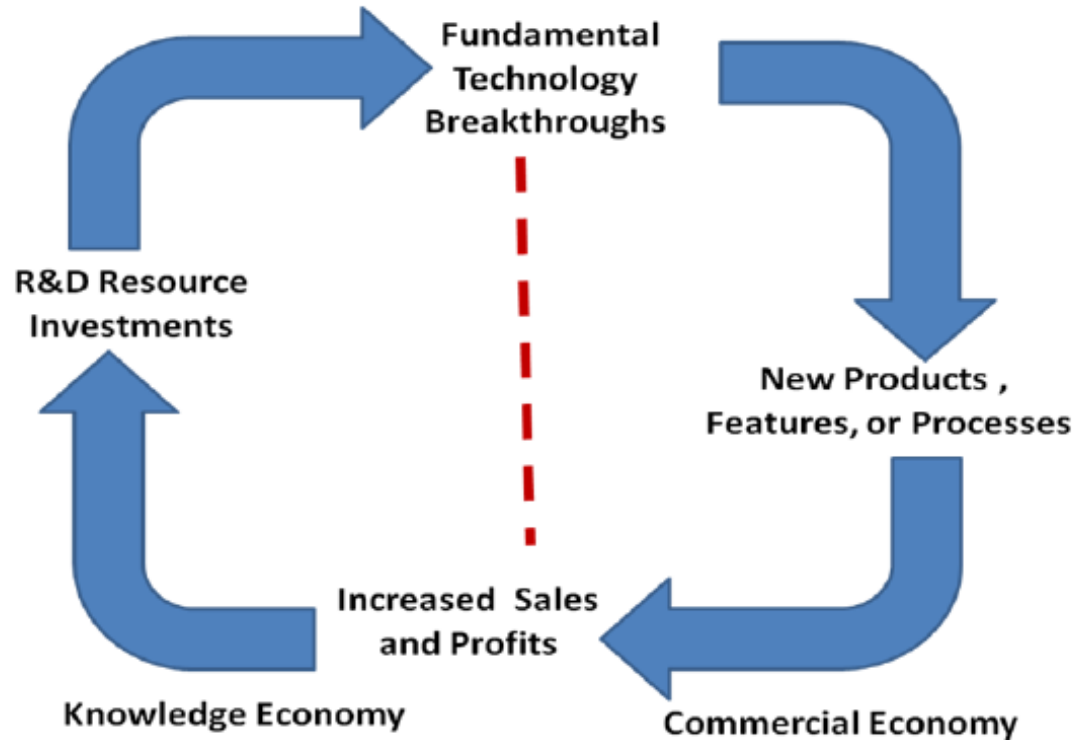
The Knowledge Economy;
which is driven by fundamental research.

The Commercial Economy;
which is driven by the marketplace.



The two economies are weakly coupled because the resources invested in the knowledge economy are derived from the commercial sector; this includes government research and development (R&D) investments which are ultimately derived from tax revenues.

The Innovation Ecosystem Loop



Ecosystem Features

- An important feature of an innovation ecosystem is that the resources available to the knowledge economy are coupled to the resources generated by the commercial economy, usually as some fraction of the profits in the commercial economy.
- Another feature is that the ecosystem is usually strategically developed around a specific technology.

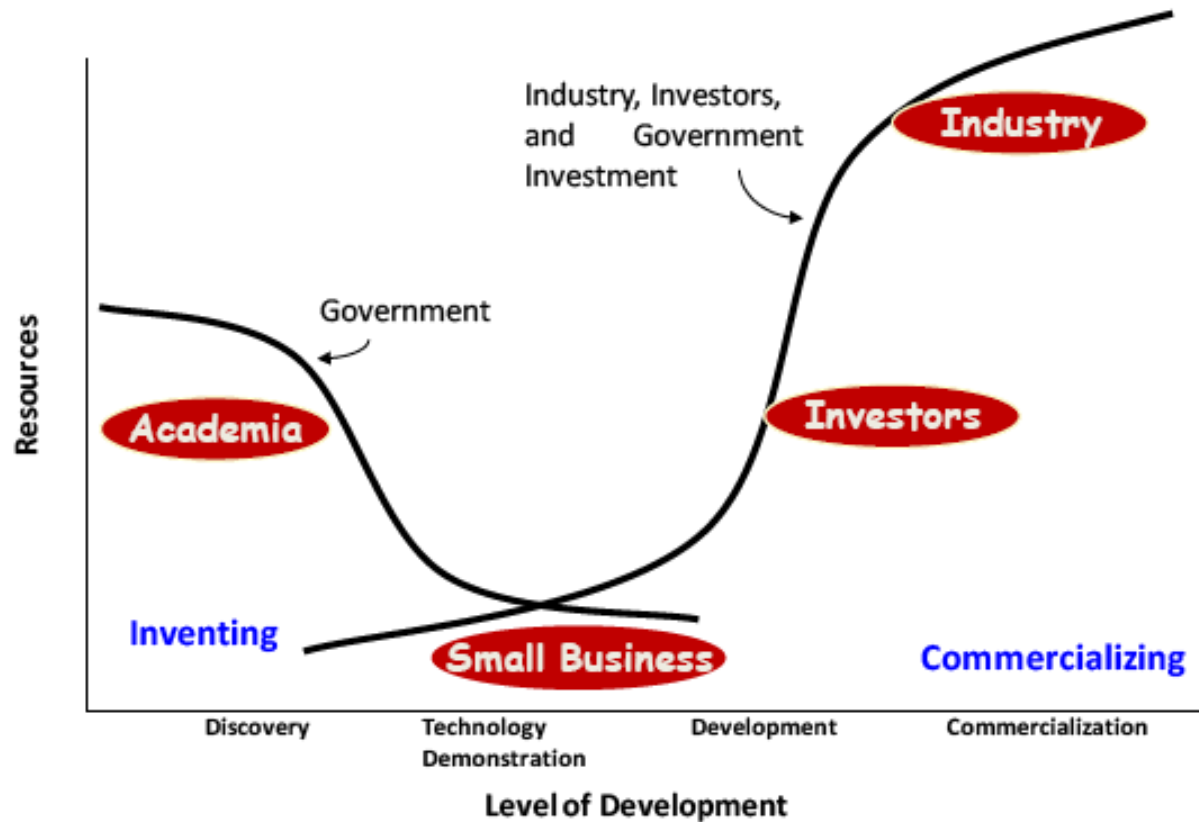


Transforming Knowledge into Product & Services

An innovation ecosystem is said to be thriving and healthy when the resources invested in the knowledge economy (either through private, government, or direct business investment) are subsequently replenished by innovation induced profit increases in the commercial economy.

At that point, the two economies (knowledge and commercial) exist in balanced equilibrium and the innovation ecosystem is deemed to be healthy.

Valley of Death



Statistically, for every 10 enterprises

50% Fail

30% are marginal in that they don't fail, but also don't experience growth

10% grow at a rate of about 20%

10% grow significantly faster, providing returns up to 1000%

Venture Capitals **VS** Angel Investors

- Will want some control (voting, board, veto)
- Will want to own 20-30%
- Very actively engaged (they get paid to do this!)
- Can add tremendous value and be great business partners
- Can be total disasters
- Typically rational actors, commercially-driven, but if inexperienced...

- Will want no control (“send me an annual email”)
- Will want to own 1-10%
- Maybe engaged or not (often a hobby, sometimes a personal mission)
- Can add tremendous value and be great business partners
- Can be total disasters
- Typically rational, but if unsophisticated: naïve irrational, emotional

Main Actors in Fundraising

1) General Partners (managers)

- Venture Capitalists
- Contribute 1%-5% of the funds they manage
- Share maybe in various forms other than Cash
- Ownership share shows commitment to fund

2) Limited Partners (owners of the money)

- HNWI
- Corporate Companies
- Pension Funds
- Insurance Companies



Some well established, some want to invest but don't know where and who with hence end up going to large PE's that have track record, making it the barrier to new small PE's

Intermediaries

1. Investment advisors (gatekeepers)

- Firms that give advisory services to some clients
- May have discretionary control over their clients money (e.g. Portfolio managers, family offices)
- For small clients can bundle these into one to invest (SPV's or Fund of Funds)

2. Consulting firms

- Monitor performance of PE's to recommend to clients (i.e. the LP's)
- Do not manage funds themselves

3. Placement Agents

- Represent groups that are interested in being LP's in PE firms
- Can play role of broker from one PE to the other or sell but subject to GP approvals
- Varying fee structure and usually on actual funds raised

Challenges for First Time Funds

Track Record

Track Record

Track Record

If it does not exist:

- Attract investors not purely motivated by financial returns
- Align with existing institutions
- Recruit a lead investor (s)
- In all these cases lower fees are paid to the GP and the lead investor
- Even less than the other LP's that come in.

Examples from Egypt

Government:
TIEC

Private Sector:
Sawari Ventures
Flat6Labs
Greek Campus
138 Pyramids

NGO:
EED

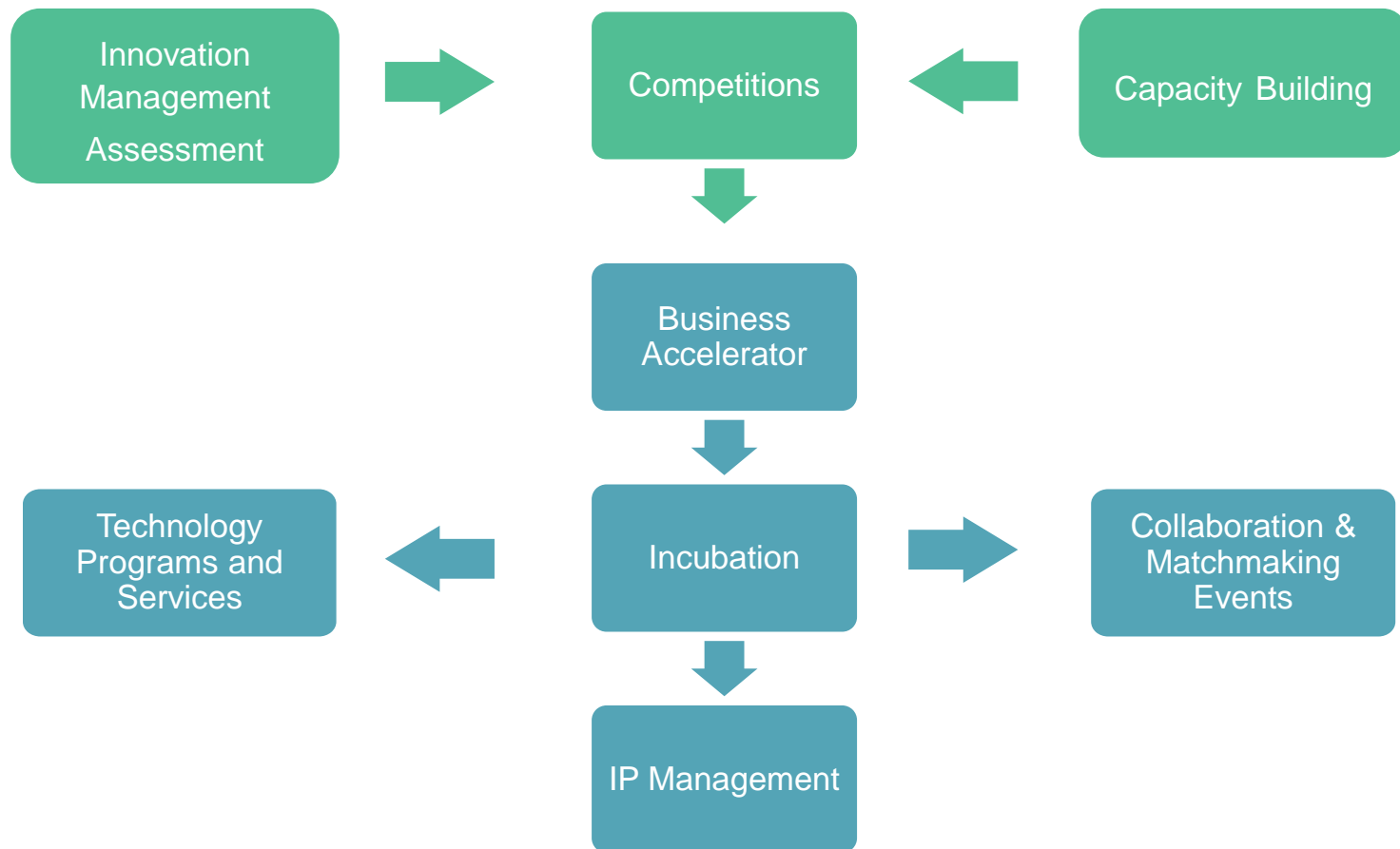


Technology Innovation & Entrepreneurship Center

EgyptInnovate[®]



Service Portfolio



Sawari Ventures

- 12+ year track record of early & growth stage investing in Egypt & MENA
- Experience as entrepreneurs, investors, operating executives in MENA & US
- In-depth knowledge of regional TMT markets and ecosystem
- Highly regarded within the regional entrepreneurship community as value add investors and mentors
- Access to top entrepreneurial talent
- Long-standing relationships & networks
 - Local/Regional TMT community
 - US/Regional Business, Government, Technology
 - Non-Resident Arabs; investors, executives, technology
- Vision for the market opportunity
- From and in the region



Flat6Labs: Sawari Ventures' Startup Accelerator

Flat6Labs is a startup accelerator for seed-stage investments, acting as a feeder for quality proprietary deal flow, launched in Cairo in 2011 by Sawari Ventures. Flat6Labs is now positioned as regional startup accelerator that fosters and invests in bright and passionate entrepreneurs with cutting-edge ideas.

Flat6Labs seed funding, strategic mentorship, a creative workspace, a multitude of perks, entrepreneurship-focused business training, and directly support startups through an expansive network of partners and numerous entrepreneurial activities.

Fulfilling its mission of creating more entrepreneurial hubs in vibrant ecosystems, Flat6Labs is currently operating in Cairo and Jeddah, with plans to expand to several locations in the MENA region.



Founded By



In Conjunction With



Founded BY

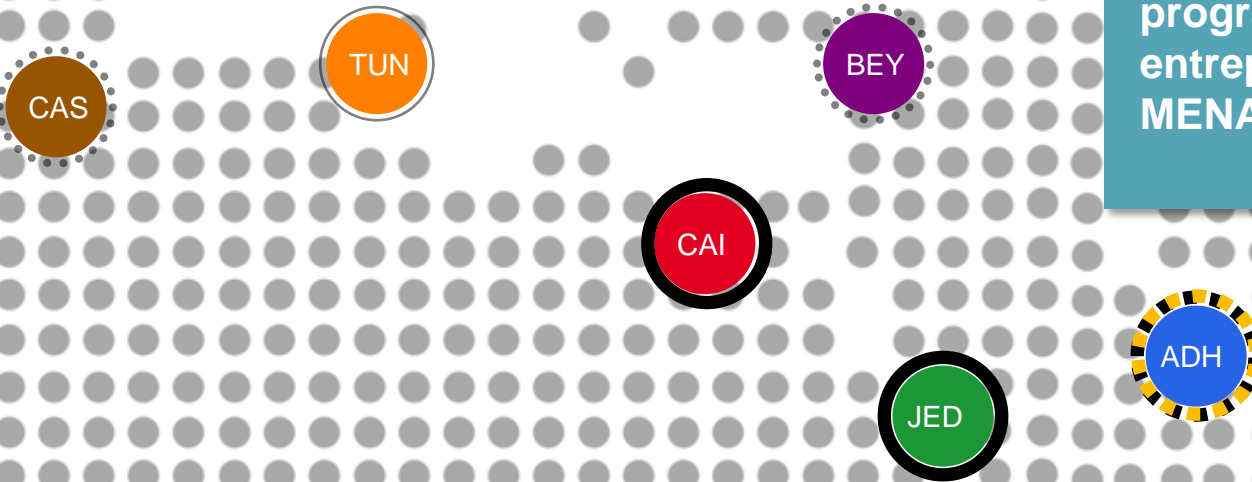


Founding Sponsors



Flat6Labs Expansion; Near Term Objective

To activate a wide network of startup communities, by launching and operating startup accelerator programs in the most vibrant entrepreneurial locations in the MENA region.



ESTABLISHED IN PROGRESS PLANNED ENVISAGED

A Regional Accelerator Program

**STRENGTHENING
STARTUP
COMMUNITIES**

**REGIONAL
CAPITAL
FLOW**

**SHARE
BEST
PRACTICES**

**FOCUSED
ENTREPRENEURIAL
TRAINING**

**CROSS-BORDER
BUSINESS
OPPORTUNITIES**

**POWERFUL
MENTOR
NETWORK**

**CROSS-BORDER
TALENT
HIRE**

BUILD LOCALLY, CONNECT REGIONALLY.

The Startups

Flat6Labs incubates and invests in tech and tech-enabled startups, with no specific focus on a certain technology sector.

These are examples of the technology sectors Flat6Labs has invested in to date:



Digital Content



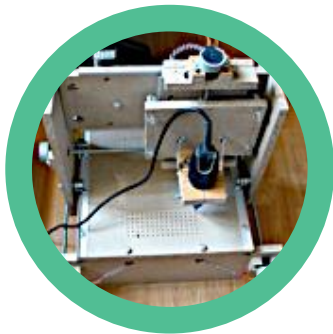
Social Platforms



Green Technology &
Renewable Energy



Mobile Apps



Industrial and
Manufacturing Solutions



Electronics and Embedded
Systems



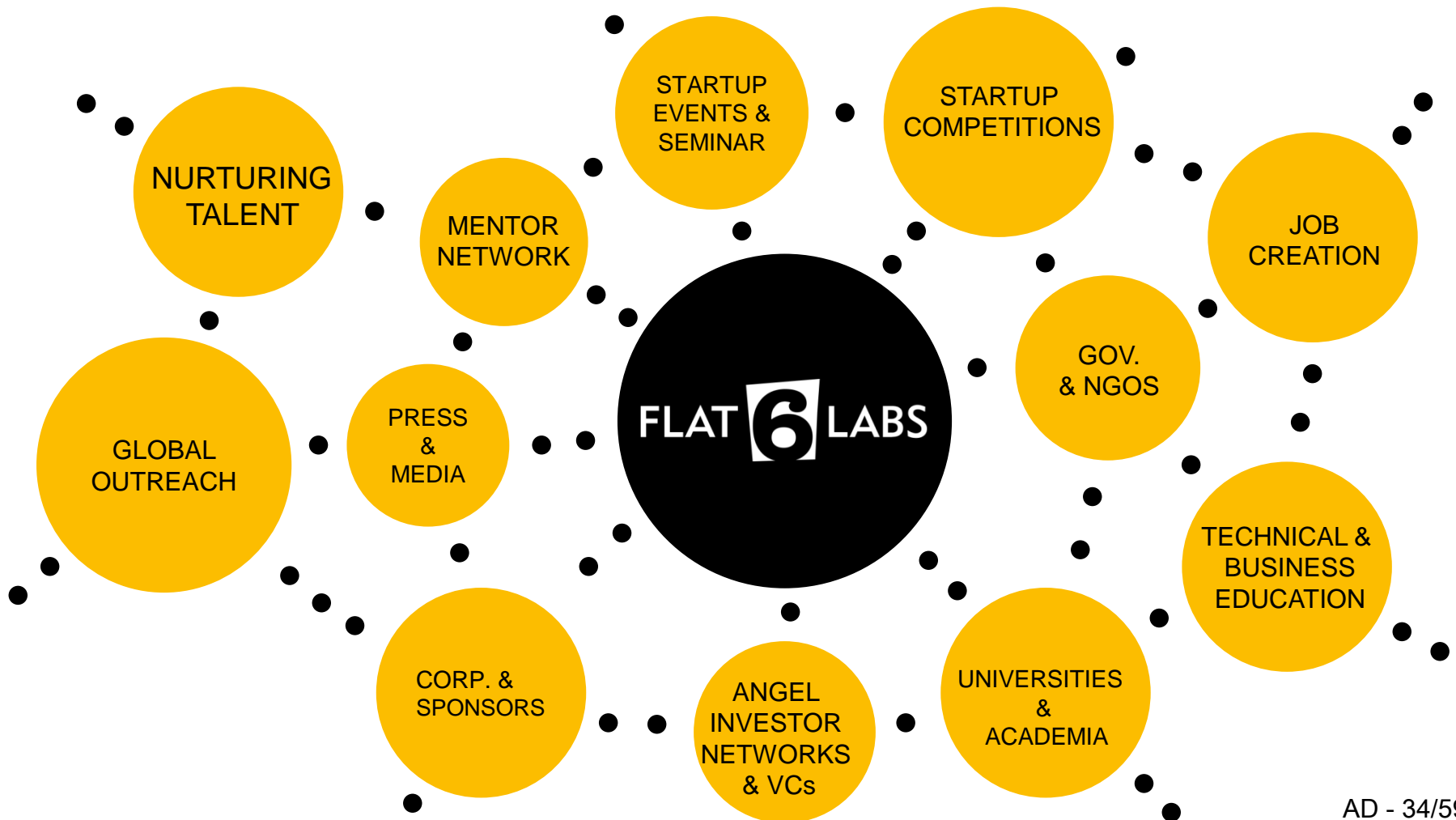
E-Commerce &
Crowdsourcing



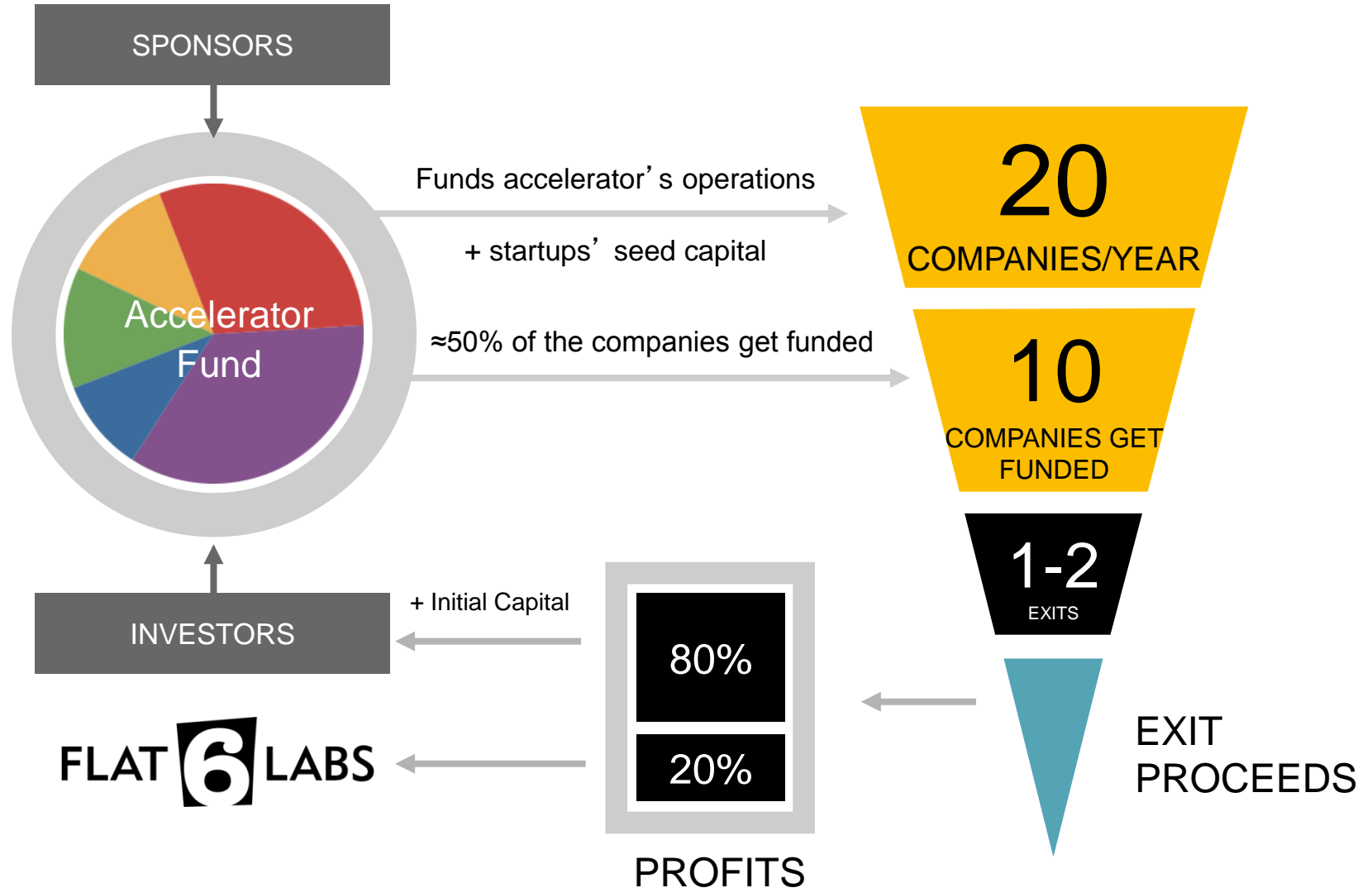
Online, Mobile and Console
Games

Connecting & Catalyzing the Ecosystem

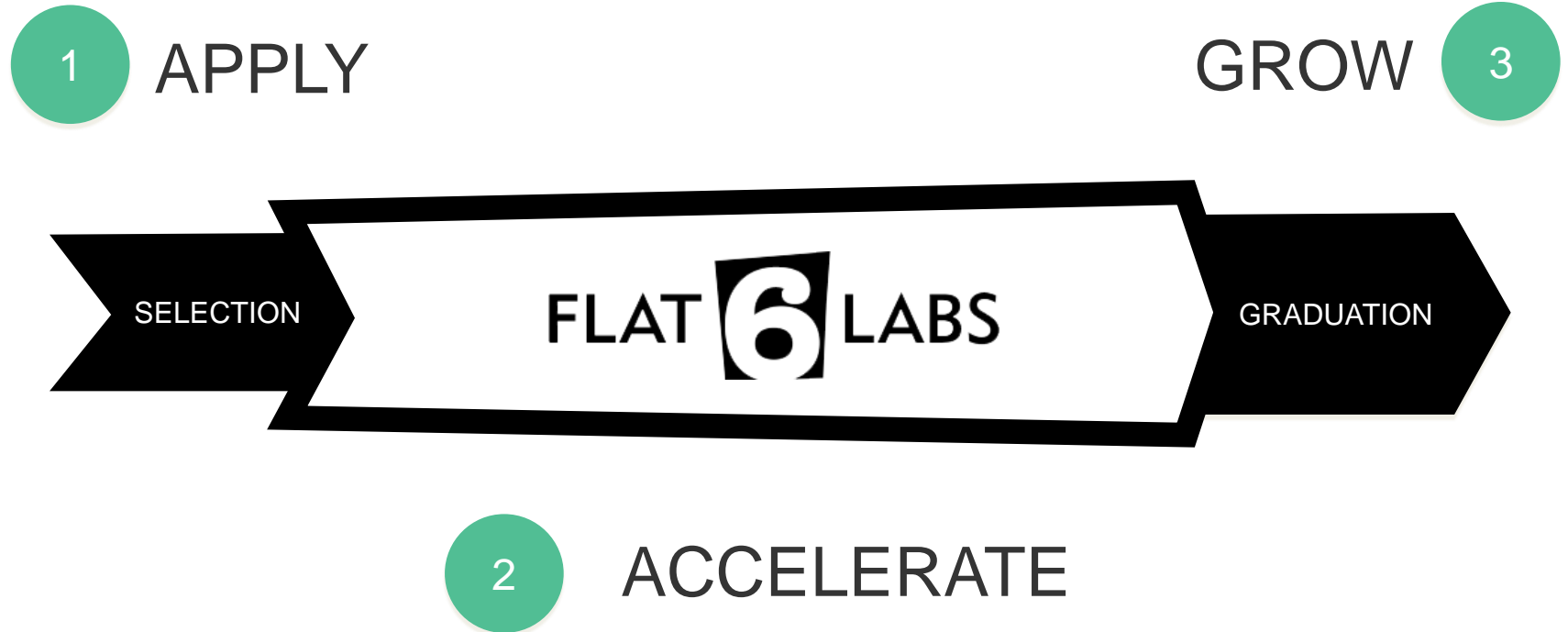
Designed to be a place where the brightest and most promising entrepreneurs in MENA can be found, Flat6Labs accelerators are designed to act as the focal point to connect the dots between the efforts of various ecosystem stakeholders in every city it operates in.



Flat6Labs Financial Model



Flat6Labs Process



The GrEEK Campus - Ecosystem

Aim is to create an integrated ecosystem where companies, individuals and organizations can work together, create more value from being in close proximity, explore new business ventures, integrate services and simply work in an energetic business complex.



The GrEEK Campus - WorkOut



Creating a balanced working environment where splitting time & energy between work and exercise is crucial for a healthy daily routine.

The GrEEK CAMPUS will host a gym, climbing wall, nursery and team building sports activities.



The GrEEK Campus - Enjoy



The GrEEK CAMPUS is all about having fun in your working environment and staying productive while enjoying a nice meal or attending a music concert.



With the 350 m² food court, outdoor, indoor seating areas and a music stage the GrEEK CAMPUS will offer a unique place to work and enjoy being at the workplace.



138 Pyramids Focuses on Start-ups and SMEs



Incubation

- We search for innovators, disruptors and business entrepreneurs who are keen on building at their early stages. We aim to partner with them to co-create companies that have scalability & high employment potential
- We provide them with seed funding, space, mentorship and a comprehensive business exposure that could help turn their business ideas into full fledged enterprises

Acceleration

- We partner with operating stage entrepreneurs to drive their businesses into more profitable enterprises
- We provide access to finance, work with management on devising corporate strategy, business development initiatives and plan organizational restructuring when necessary to unlock and create value

Access to finance through 138 Pyramids & other sources we see compliment growth cycles

Service Providers

138 Pyramids offers a range of services



Team & Mentors

We firmly believe that our team of highly skilled individuals prominently differentiates the experience we offer our portfolio companies. Our team enjoys sharing expertise in business development, market strategies and financial analysis, in addition to being highly capable of identifying industry outlooks, evaluating industry attractiveness and assisting with merges and acquisitions.



Networks

We leverage on our networks and relationships across the globe to give our companies unmatched abilities to get introduced to potential business partners, create solid customer bases and recruit employees to help grow our companies.



Funding

Since funding is usually a significant problem that companies face, we make sure to provide the sufficient funding, from various sources, that companies need to achieve our collectively set aspirations in exchange for minor equity.



Complementing Services

Start-ups often face auditing/accounting problems in addition to legal incorporation issues that hinder their performance; thus, we are keen to connect our companies with legal and accounting experts that facilitate their establishment procedures in addition to any other needed service namely: office space, web/ app development services, recruitment agencies, marketing and social media agencies...etc.

Entrepreneurs to Partner with

Team

- 2-4 dedicated founders
- Strong management team
- At least one technical/domain expert co-founder
- Must have Egyptian citizens

Business Structure

- Start-ups and growth companies that have an identified client and a structure for driving growth
- Clear understanding of the market
- Realistic perspective on market opportunity and competitive landscape
- Ability to scale and roll out easily while creating new employment opportunities
- Quick break even point
- Visible exit opportunities

Stage

- Ideally with identified client for start-ups to join our incubation program
- Operating with proven cash flows for SMEs to join into our acceleration program

Egyptian Engineering Day – EED

**The largest Youth Engineering event
in the Europe, Middle East and Africa**

- 230 Graduation Projects
- 15,000 Visitors
- 150 Professors
- 130 Company Representatives
- 10 NGO Representatives
- Coverage:
 - 20 TV channels – 10 Radio Channels
 - 30 Newspaper and Magazines
- 82 projects received offers / incubations
- 113 job offers



Egyptian Engineering Day – EED



Pick the Team

**Volunteers
vs.
Paid Professionals**



EED 2014 Closing Video

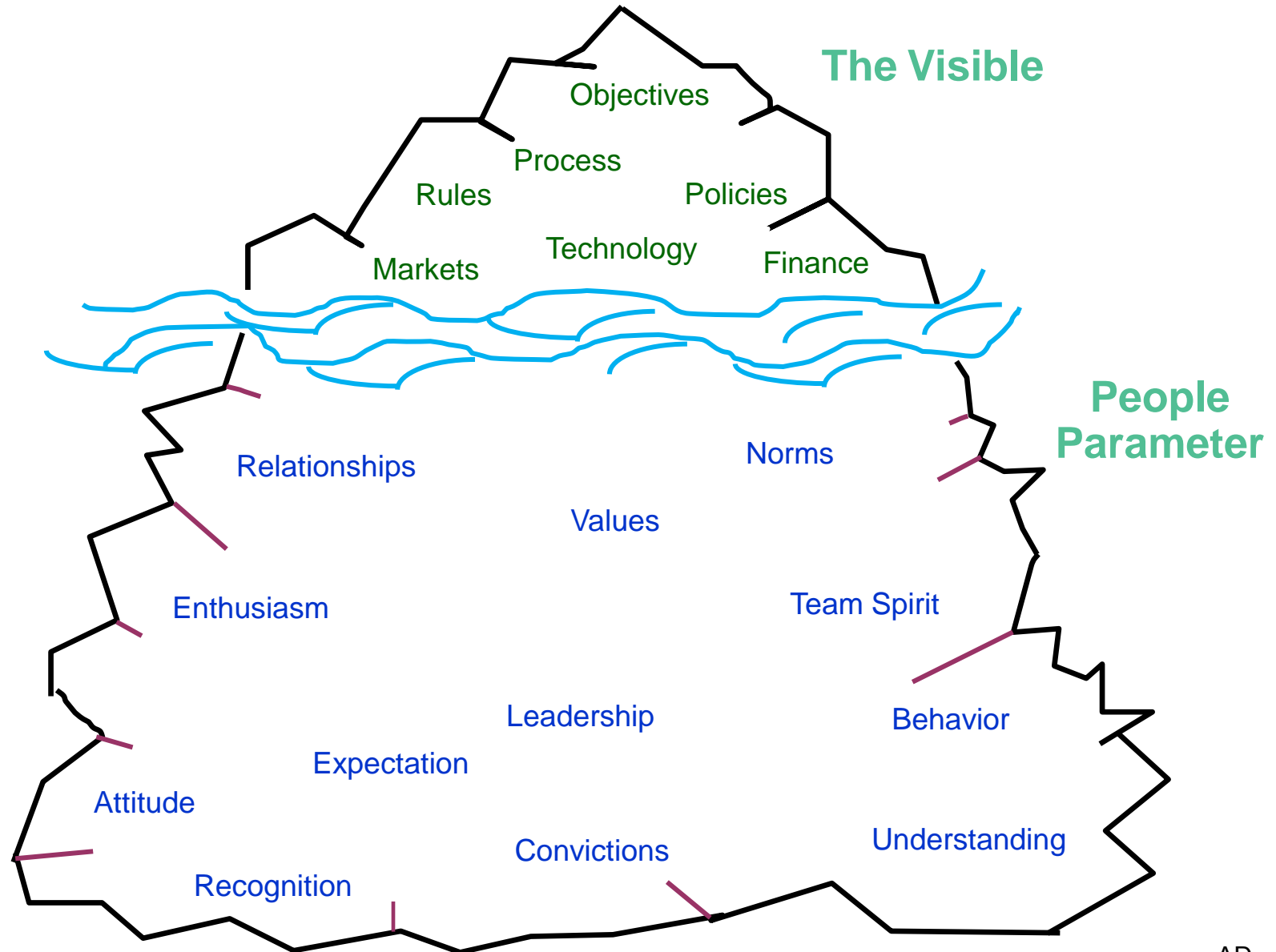
**Are we only targeting newly formed
entrepreneurial companies ...**

Of course not

Michael Porter

- One of the prime keys to organization effectiveness over the next years is The ability of the companies we work for to innovate. Without that ability inherent in our structures, our businesses are doomed to falter and stall somewhere.
- If you sit still at any one place, you're dead, because someone from another location will come and take the business away from you.
- You must not be valued only in your own country but also elsewhere.

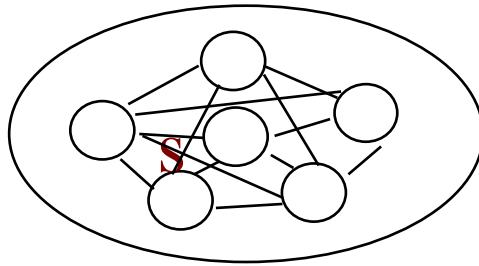
The Organizational Iceberg



Evolution of the Team - Leader's Role

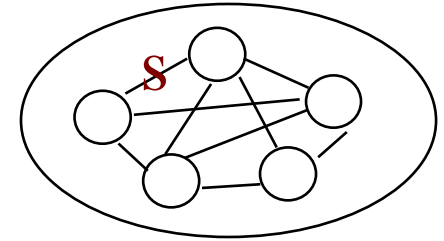
Stage 1: Start - Up Team

Authority
Expert
Teacher
Problem
Coordinator
Team supervisor
Mentor



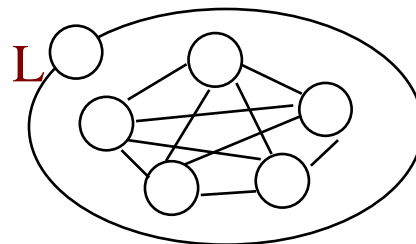
Stage 2: Transitional Team

Shared authority
Monitor
Helper
Example setter
Teacher
Evaluator
Information provider
link to other teams



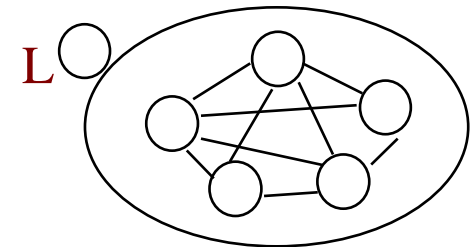
Stage 3: Well Trained, Experienced

Manager of boundary
Auditor
Expert
Resource provider
Goal setting guide
Information provider
Protector / buffer



Stage 4: Well Trained, Mature Team

Boundary leader
Shared values
Coach
Champion
Counselor
Resource provider
Supporter
Shared responsibilities



Employees of the Decade

“For global knowledge / learning organization we need employees who are fast, flexible, who are continuously building their skills and are dedicated to a corporate culture of change. Facing a rapidly changing and unpredictable future – that is a competitive advantage of really lasting value”

Characters in contracting business

Leaders

- Charisma
- Beguiling
- Vision
- Strategies
- Inconsistent
- Catalyst for change
- Inspiration
- Energizing people
- The longer term
- Dreams
- Big picture
- Empowerment
- Cultural values
- Personality centered
- Sometimes irrational
- Originality

Entrepreneurs

- Large risk takers
- Can found a new business
- No good in larger organizations
- Massive need to independence
- Game player
- Iconoclast
- Not constrained
- Everything is possible
- Very focused
- Nobodies boss
- Makes luck work
- Unreal degree of tenacity
- Often poor with people
- Innovation
- Unorthodox personality
- Can destroy as well as create

Managers

- Analysis
- Cool
- Logical
- Process
- Systems
- Conservative
- Planning
- Budgeting
- Controlling
- Focused on few things
- Predictability
- Frameworks
- Reduction of risk
- Rationality
- Structures and rules
- Build on organization
- Consistent
- Clarity

Comparison of Traditional and Electronic Elite Executives

Traditional Executives Say

- Bigger the better, biggest is best
- Markers are territory to be conquered.
- Destroy the competition and leave no wounded.
- Hide your mistakes from the other sharks.
- Lecture employees on company loyalty.
- Install a computer so you can cut headcount.
- Always keep the bastards guessing
- You can't trust people, especially employees.
- Success is having a big staff and a big budget

Electronic Elite Executives Say

- Stay lean. Run hard, move quick
- Treat Customers like business partners
- Compete today and co-operate tomorrow
- Let the organisation learn from your mistakes.
- Throw a company party in the car park.
- Let people buy the computers they need.
- Always explain why you've made a decision.
- Let people alone and they'll do the right thing.
- Success is feeling good about what you do.

The Great Management Paradox

Traditional Skills

- Direct people.
- Do things well.
- Hold a tight rein.
- Be the expert.
- Earn personal respect.
- Be logical.
- Say yes to your ego.
- Order the behaviour.
- Be in control.
- Be responsible.
- Emphasize activities.
- Allow budgets to guide decisions.
- Require conformity.
- Follow the chain of command.
- Be strong.
- Get with the program.
- Get compliance.

Emerging Skills

- Teach self-motivation.
- Do great things.
- Sit lightly in the saddle.
- Teach others.
- Develop partnerships.
- Be intuitive.
- Shape a group ego.
- Model the behaviour.
- Enable self-control.
- Build joint accountability.
- Emphasize results.
- Let values guide decisions.
- Encourage creativity.
- Follow the customer.
- Empower.
- Challenge the process.
- Encourage commitment.

- Ability to plan for the accomplishment of goals.
- Ability to administer rules & policies fairly and consistently.
- Interdepartmental relations.
- Ability to train and develop subordinates.
- Initiative.
- Member of management (identification with management).
- Technical Competence.
- Human relations skills.
- Safety and housekeeping.
- Communications.
- Willingness to accept responsibility.
- Integrity, trustworthiness, and honesty.
- Departmental administration skills

- **Energy.** To what extent can this individual maintain a continuous high level of work activity?
- **Resistance to stress.** To what extent will this individual's work performance stand up in the face of unusual pressure?
- **Self-objectivity.** To what extent does this individual realize his own assets and liabilities?
- **Inner work standards.** To what extent will this individual want to do a good job, even if he could get by with doing a less acceptable job?
- **Managerial identification.** To what extent has this individual incorporated (or is likely to incorporate) values such as service, friendliness, justice of company position on earnings, rates, wages, etc.?
- **Forcefulness.** To what extent does this individual make an early impact on others?
- **Likeability.** To what extent does this individual make a likeable impact on the staff?

- **Range of interests.** To what extent is this individual interested in a variety of fields of activity such as science, politics, sports, music, etc.?
- **Scholastic aptitude.** To what extent does this individual compare to other individuals in his ability to learn new things?
- **Awareness of social.** To what extent can this individual perceive subtle cues in the behavior of others to him?
- **Leadership.** How effectively can this individual lead a group to accomplish a task without arousing hostility?
- **Behavior flexibility.** To what extent can this individual, when motivated, modify his to reach a goal?
- **Need for Superior approval.** To what extent does this individual have a need to have his behavior approved by those he views as his superiors?

- **Need for peer approval.** To what extent does this individual have a need to have his behavior approved by those he views as his peers?
- **Organizing and Planning.** To what extent can this individual effectively plan and organize his work?
- **Decision - making.** To what extent can this individual make decisions of high quality, and how likely is he to make decisions when required?
- **Oral communications skill.** To what extent can this individual effectively present an oral report to a small conference group?
- **Written communications skill.** To what extent can this individual effectively express his ideas in writing?

**FAILURES ARE
DIVIDED INTO
TWO CLASSES
THOSE WHO
THOUGHT AND
NEVER DID
AND
THOSE WHO
DID
AND NEVER
THOUGHT**

CHALLENGE

**A GREAT
PLEASURE IN
LIFE,. IS DOING
WHAT PEOPLE
SAY
YOU CAN
NOT DO**

Thank you

ahmed@amdarwish.com