



BUSINESS INNOVATION IN KENYA 2022

Is corporate startup
collaboration a pipe dream?

Contents

Introduction	3
Acknowledgement	4
Study Methodology	4
Results	5
Sector Distribution	5
Turnover Distribution	5
Innovation status	6
Current Innovation Approach	6
Drivers of company innovation	7
Portion of turnover allocated to innovation oriented initiatives/programs (Either actual or proposed}	7
Planned areas of innovation for next 2 years	8
innovation challenges currently faced by organization	8
Potential challenges of collaboration with startups to drive corporate innovation	9
Optimal model for startup collaboration to drive corporate innovation	9
References	10

Introduction

The Kenyan innovation eco system comprising various stakeholders including but not limited to government, CSOs, multilaterals, corporates, incubators, academia, investors, entrepreneurs and innovators has matured evidenced by;

- Ranked 85th globally and 3rd in Africa in the 2021 Global Innovation Index (GII). (GII Looks more on physical infrastructure etc)
- Kenya ranked top 3 in Africa in the Global Startup Ecosystem Index (GSEI) which measures ecosystems based on three metrics ie the number of start-ups (quantity), quality, and their business environment.
- Kenya ranked 4th in attracting venture capital funding in Africa (Partech 2021)
- Kenya ranked 5th globally on 2021 crypto adoption index

Further, several global tech giants have set up in Kenya such as Google (Africa Product Development Centre (ADC)), Microsoft and Amazon (cloud service), VISA (Visa opened an innovation studio in Nairobi aimed at co-developing digital payments and commerce solutions), and Swiss non-profit, NEAR (partnership with local blockchain community, Sankore to launch a regional hub in Kenya dedicated to blockchain innovation, education, and talent development in Africa) among others.

The government of Kenya continues to develop policy and legal framework to support innovation. Examples are ; the data protection (civil registration) regulations, 2020, national ict policy 2019, data Protection Act, Kenya Digital Economy Blueprint 2019, National Broadband Strategy 2018-2023, Kenya National ICT Master Plan 2013/14 – 2017/18, Ministry of ICT Strategic Plan 2013 – 2017 and cyber Scurity Strategy among others

The impact of innovation in Kenya has been felt socio economically with great examples of M-Kopa, Twiga Foods, Mpesa , Sendy, among others.

Although startups and corporates such as those listed at the securities exchange and medium to large business may have differences in risk appetite the success of Kenya's business environment and unprecedented economic growth is dependent on successful sustained collaboration where legacy companies have a need for innovation through access to new business models as well as sourcing for new technology while startups have a need for resources such as financing, supply chains, rapid access to markets among others.

On the back of economic slowdown due to COVID 19 corporates are increasingly exploring start-up led innovation as part of their growth strategy with examples of Standard Chartered (Women in Technology Incubator Kenya) , Equity bank (Equity Hackathon in collaboration with Microsoft) among others.

Viffa conducted its third edition survey in May 2022 targeting medium sized SMEs and corporate companies to try establishing current innovation strategies as well as exploring mechanisms of collaboration with the startup eco system.

Acknowledgement

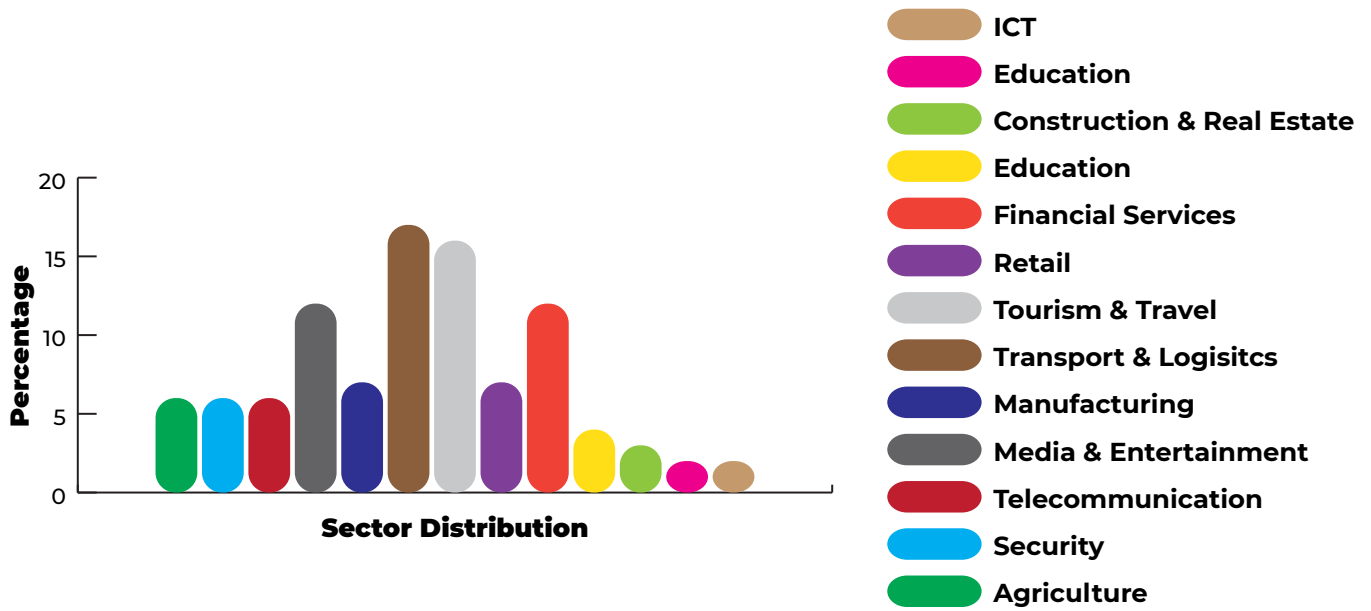
Deepest gratitude to Viffa team that worked tirelessly to bring the report to fruition. A big thank you to all companies who participated in the survey as well as key experts who shared their expertise.

Study Methodology

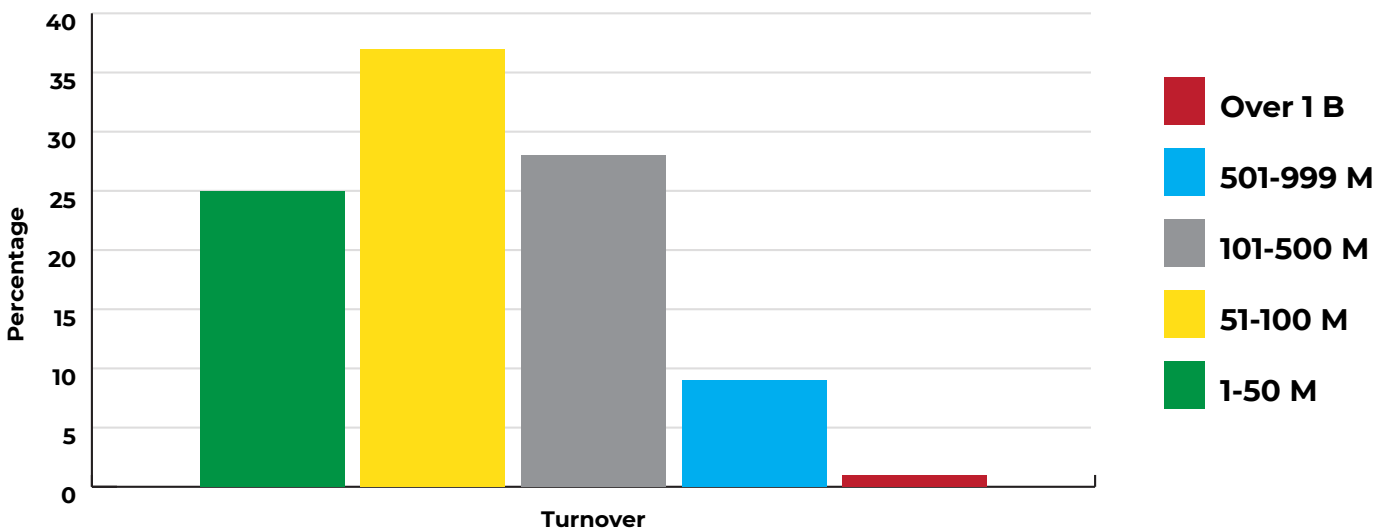
Study tool	Online & Telephone survey Expert Interviews
Sample Design	Purposive {Counties; Nairobi, Machakos, Kiambu, Kisumu, Mombasa, Nakuru} Random {Within counties}

Results

Sector Distribution



Turnover Distribution



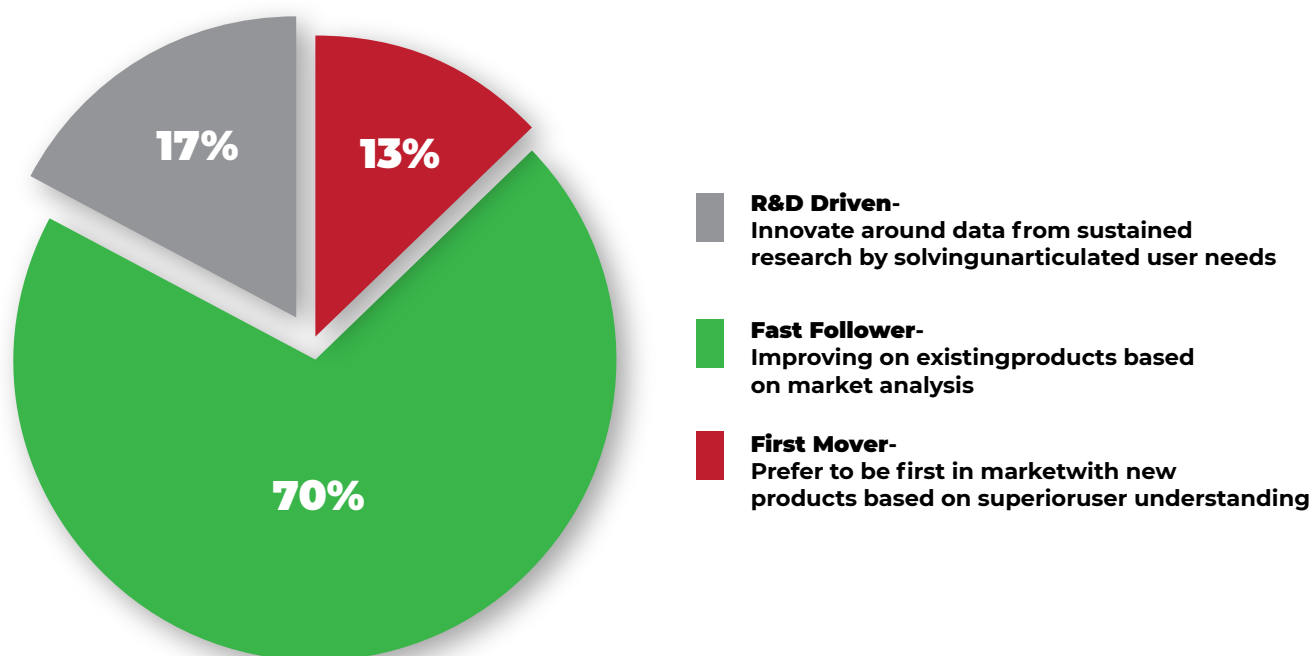
Innovation Status

Innovation is a primary focus hence we are constantly developing new ideas

Innovation is on our watch list so we are alert to new ideas and adopt them quickly

Innovation is not a priority in the market we operate

Current Innovation Approach

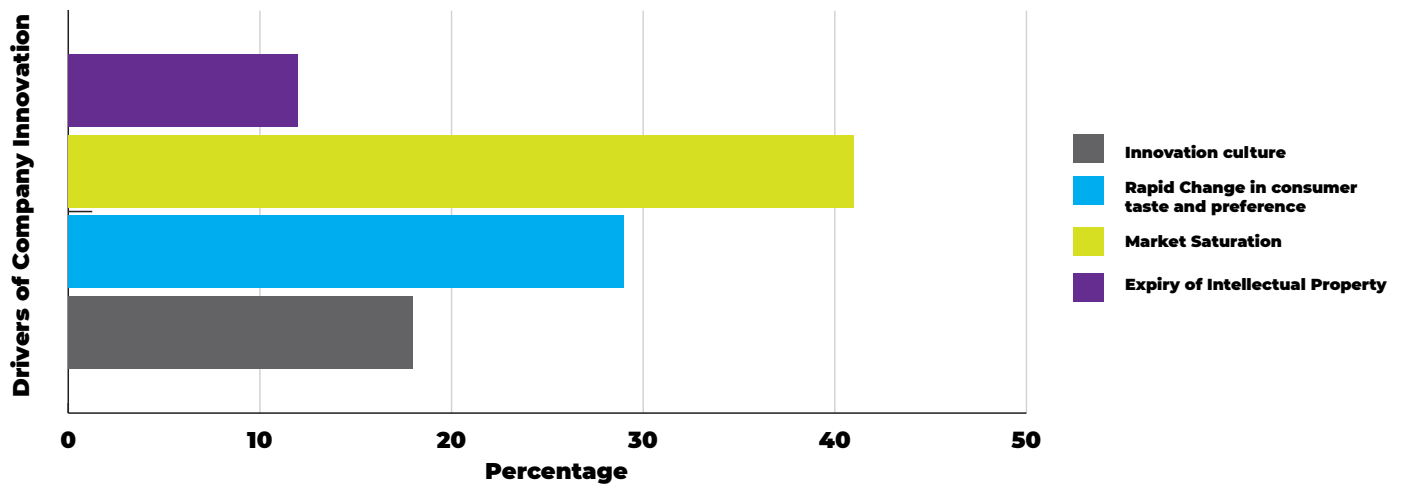


Insight

70 percent of respondents indicated fast follower approach to innovation which involves improving on existing products based on market analysis, 13 percent first mover and 17 percent R and D based innovation. Research and development which holds the greatest potential to unlock significant and sustained value commands low share compared to other conventional innovation strategies

For corporate Kenya to build significant value and compete globally as evidenced by their Asian counterparts, R and D must be a core strategy backed by investment. Singapore is a great example of a country with insignificant natural resources but has invested in R and D reaping the benefit in terms of value greater than most African countries.

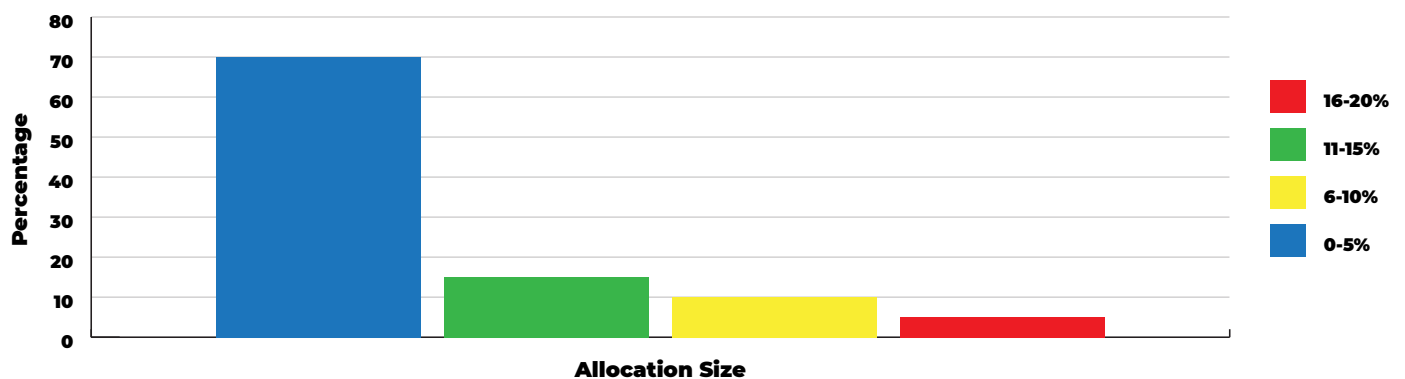
Drivers of company innovation



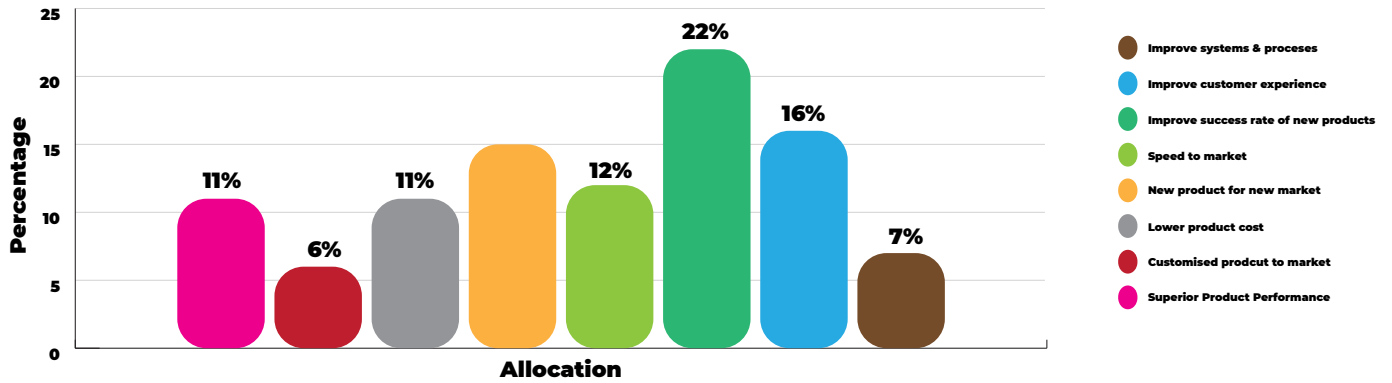
Insight

Drivers of corporate innovation correlated to current innovation status and approach is largely reactive driven by market saturation and change in customer taste and preference with an aggregate of 70 percent.

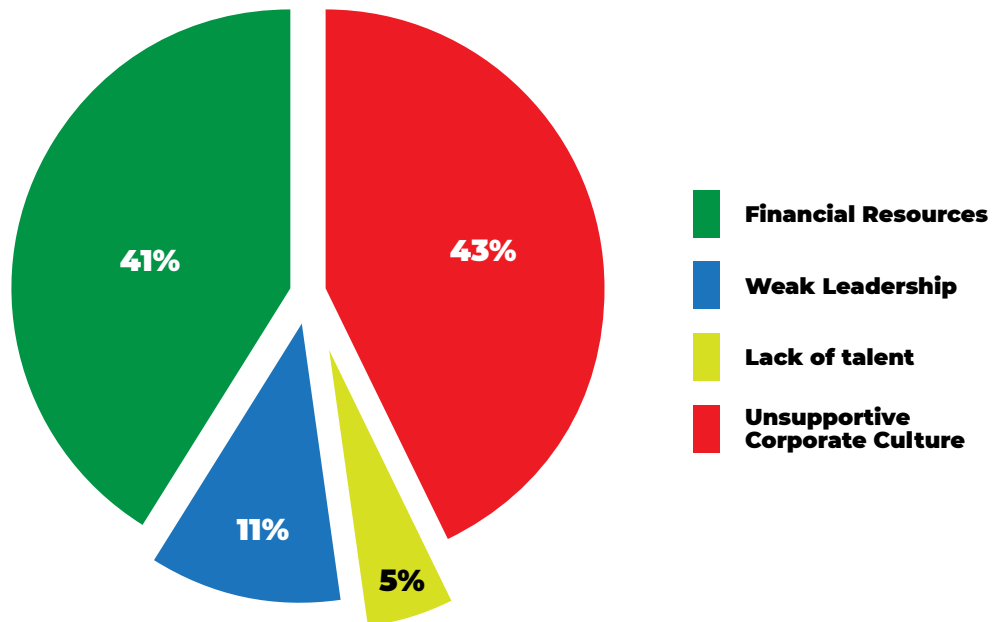
Portion of turnover allocated to innovation-oriented initiatives/programs (Either actual or proposed)



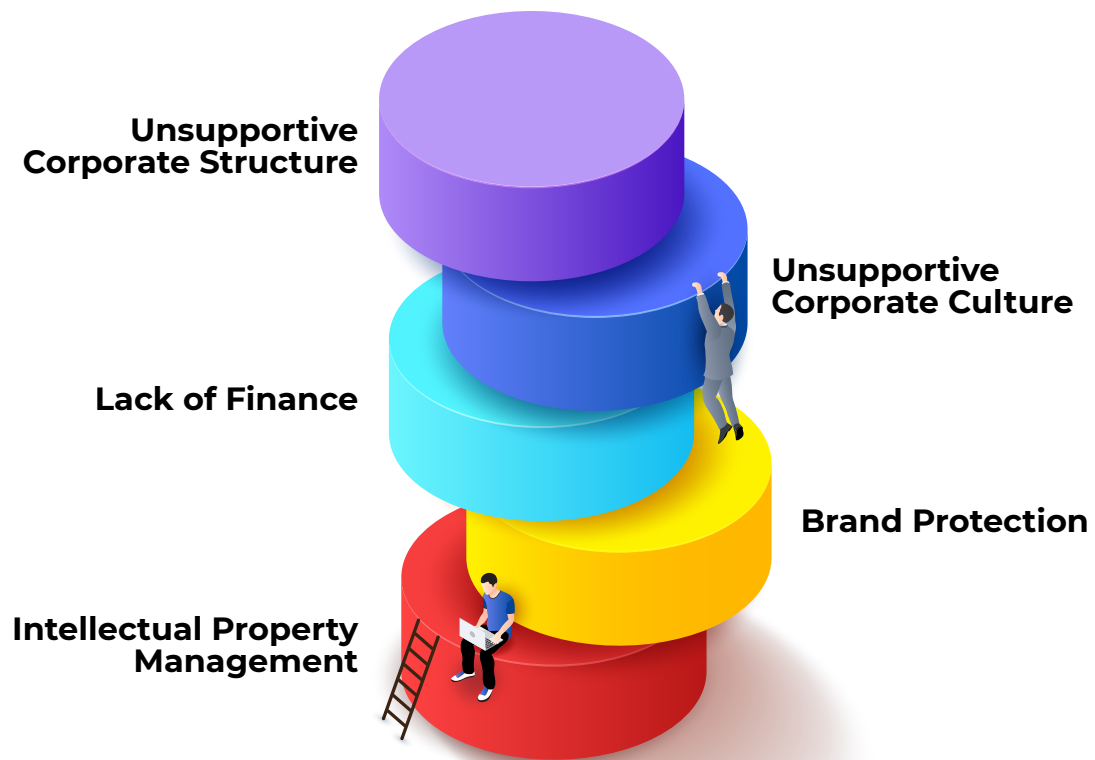
Planned areas of innovation for next 2 years



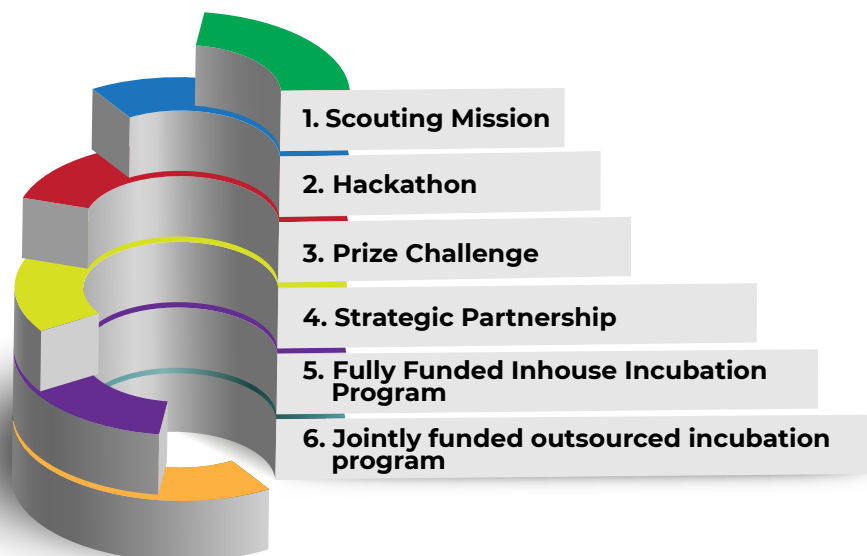
Innovation challenges currently faced by organization



Potential challenges of collaboration with startups to drive corporate innovation



Optimal model for startup collaboration to drive corporate innovation



References

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Global Innovation Index 2021 (https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2021/ke.pdf)

Partech 2021 Africa Tech Venture capital Report

StartupBlink (<https://www.startupblink.com/startups/nairobi+kenya>)



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