

The Entrepreneurial Journey in the Lebanese Ecosystem*

Lebanon's history brings together a myriad of cultures, religions, innovations, and wars. Years of conflict have shattered the country, and its economy hasn't fully recovered. Yet, throughout all of this, history has not failed to capture and propagate the resilient spirit of the Lebanese, who have transformed the challenges of their environment into innovative strides in business. This strong entrepreneurship spirit has been essential to survive repeated economic crises, helping in limiting its brain drain, creating jobs and contributing to the development and rise of various sectors particularly in technology.

In an era of knowledge-based economy and innovation, technology and entrepreneurship remain the key elements that drive socio-economic development and foster fast economic growth. Lebanon's richness lies in the pool of qualified human capital, thus offering a unique experimental platform for enterprise creation and a key starting point to develop in the EMEA region while remaining a distinctive outsourcing hub with highly skilled experts and talents.

A startup is defined as an organization formed to search for a repeatable and scalable business, delivering a new product or service under the conditions of extreme uncertainty. Startups have ecosystems of their own, operating within a web of interconnected players. They are founded by entrepreneurs, accelerated by accelerators, funded by venture capital firms and angels; they sell their products to customers and possibly get acquired by larger corporations. This is an oversimplification of the very interconnected and complex systems within which startups operate. The players are plentiful and the possibilities for their interactions are limitless.

In response to the innate entrepreneurial drive of the Lebanese people, support structures started rising since year 2000 to strengthen the entrepreneurial scene and build an adequate ecosystem in Lebanon for the support of startup creation.

(*) Maroun Chammas

This started with the founding of Berytech, the leading incubator and business development center, developed by visionaries at the Saint-Joseph University, to be the first technology pole in Lebanon and the region that provides an environment conducive to the creation and development of startups and SMEs, introducing the “incubation” concept for small enterprises.

This includes a whole ecosystem of support for entrepreneurs ranging from incubation to business development, networking, mentoring, funding, access to markets and company hosting. Member of the European Business Network (EBN) and having the BIC certification (business innovation center), Berytech currently manages 3 Business Development & Innovation Centers, 3 venture capital Funds and several support programs, opening up financial and business opportunities for aspiring entrepreneurs.

Since its inception in 2002, Berytech housed a repertoire of more than 200 entities, assisted more than 3,000 entrepreneurs in several outreach programs, created more than 1500 job opportunities, disbursed more than \$500k in grants to startups, and is currently investing more than \$70M in Lebanese technology companies.

Several activities, initiatives and capacity building programs were developed in that context, taking part in the economic revival of the country along with other partners and collaborators, stimulating entrepreneurship and innovation in Lebanon.

With the rise of entrepreneurial success stories, international donors were mobilized, contributing to the growth of the ecosystem through key initiatives, access to networks, grants and capacity building programs.

In the past 5 years, the central bank of Lebanon, known to be the main keystone of the Lebanese economy and the banking sector, issued Intermediate circular 331 to encourage banks to invest in the equity capital of startups and entrepreneurship support structures in the knowledge economy sector in Lebanon. With this initiative, the central bank gave a major boost to the Lebanese entrepreneurship and innovation ecosystem and a key driver to develop the knowledge economy sector. This led to the rise of new partners, structures, funds and networks, supporting the journey of Lebanese entrepreneurs.

Currently, with the development of technology, and referring to a study organized by Life and Idal for ICT sectors status in 2015, the major subsectors in Lebanon with a high

development potential to thrive in are ad tech, consumer Internet, e-commerce, e-government, e-learning, financial and e-payment solutions, enterprise software, gaming, healthcare and biotech, infrastructure, media streaming, semiconductors, small hardware products, telecom services, telemarketing and call centers, and value-added services.

The support ecosystem for company creation and growth

Pre-Startup

A typical startup journey begins at ideation. The idea stage is the process of solidifying a business idea into an executable business plan.

The focus at this stage is market research and data collection that will allow the startup founders to steer the new business startup into a differentiated market niche where resistance to market entry will be the lowest and sales can be achieved most easily. At this stage, a team needs to be formed, having a two or three core-founding people with balanced ownership preparing for a legal entity setup.

The ecosystem stakeholders essential at this first phase are education, bootcamps and hackathons programs, training and mentoring bodies that will assist the entrepreneur in having a clear and meaningful target with well-defined direction. These include but are not restricted to:

- Amideast Entrepreneur Institute, which since its launch in 2010, has trained over 300 aspiring entrepreneurs, business owners, and professionals on how to start a business, grow it, develop a sales team, and spur business growth using ICT.

- University entrepreneurship centers including:

- BAU Center for Entrepreneurship, which aims to identify the individuals with entrepreneurial potential and assist them in an integrated manner with information, knowledge, skills and project implementation support.

- LAU Institute for Family and Entrepreneurial Business, which develops educational programs that support individuals and families in the growth and continuity of successful family enterprises.

- Samih Darwazeh Center for Innovation Management & Entrepreneurship at AUB which aims to document and enhance innovative practices in the business community through research, field studies, benchmarking, seminars and workshops as well as conferences.

- Other university centers and clubs including Smart ESA, NDU and USEK.

- Le Wagon coding bootcamp, teaching coding in an intensive 9 week program.
- The Mowgli Foundation providing mentoring that inspires, connects and guides entrepreneurs and leaders to overcome life's personal and business challenges.

The ecosystem has benefited from the rise of co-working concepts and community spaces that have soon augmented into support systems providing both smart location and networking facilities to entrepreneurs. These organizations have grown to integrate a well-rounded support system for entrepreneurs beyond physical space:

- Berytech the hub of the entrepreneurial ecosystem with its three sites Berytech Technology Pole in Mar Roukoz, Berytech Digital Park in Beshara El Khoury and Berytech Technology and Health in Mathaf.
- Beirut Digital District providing a state-of-the-art infrastructure, community spaces, offices and superior support services for businesses.
- AltCity, offering the community beyond a co-working space, a Bootcamp Startup Program, workshops and mentoring programs.
- Business Incubation Association in Tripoli, offering hosting, business support and incubation.

Startup

The startup stage begins the transition of the company into a legal entity with product development, patent development and/or, as soon as possible thereafter, a real customer.

A different management style and focus must be implemented. This first shift in style is needed to begin following a plan, and dealing with other complexities that start to build with the entrepreneur's product development efforts. The entrepreneur is still experimenting with what the market and customers want, how much they will pay for it and how to get to the customer for an efficient sales and marketing plan and process that can generate a profit.

Business incubators offer startups the business support, mentoring and training needed at this phase. Bootcamps, acceleration & incubation are offered by previously mentioned AltCity, Berytech, BIAT and Le Wagon. They additionally include:

- Speed @ BDD, an accelerator program targeting startups at the idea and early stage, which is tasked with producing the region's next high-growth businesses, particularly in the software, digital, and Web/mobile industries.

- SE factory, Advanced coding bootcamp with 12 weeks training on best practices of full-stack web development.

- The UK Tech Hub, an international accelerator supporting the growth of startups and access to foreign countries, opening the doors to new markets.

- The South Business Innovation Centre (SouthBIC) which is geared towards assisting entrepreneurs and businesses in the South achieve their goals and enhance their competitiveness through enhanced innovation within existing business practice.

Startups at this stage benefit from access to multiple local and regional competitions for the chance of getting financial rewards, increasing their visibility and receiving additional business support. Competitions organized in Beirut include and are not limited to:

- Bader Startup Cup: The StartUp Cup is Bader's flagship business model competition. The competition is open to ideas and early stage startups, with over 100,000,000 LBP worth of cash and in-kind prizes to the top 3 winners.

- The Global Social Venture Competition (GSVC), organized by Berytech and USJ, with the support of Diane Foundation, which provides aspiring entrepreneurs with mentoring, exposure, and \$55,000 in prizes to transform their ideas into businesses that will have positive real world impact.

- Femme Francophone Entrepreneure is a competition aimed at French speaking women with an innovative business idea. The participants receive training and business support to well-round their business model and receive up to 20,000 euros as financial prize.

- Intel Challenge Me Lot: Competition launched by Intel for internet-of-things innovators. Winners receive a cash prize and access to international networks.

Additional competitions that Lebanese startups have access to include Cartier Women's Initiative Awards, Hyundai startup competition, Startup Campus and MIT Enterprise Forum Arab Startup.

The startup gets to the funding stage when it is clear that there is an established revenue and/or customer base. At this point the business is arguably sustainable with a proven value proposition to customers, pricing and both sales and operations processes that work, albeit not necessarily very efficiently.

The business is likely unprofitable yet, but there is a clear path to profitability with far fewer unknowns and big risks. There is still a lot to learn and many processes to optimize, and the management is usually still stretched too far executing, instead of managing.

Growth

The GROWTH Stage is where the business is scaled - This is achieved when the company really has defined a business model that works, and expands this model to address the large opportunity, outside the local geography, nationally or globally.

At this stage the entrepreneur has proven that \$X invested in sales and marketing will generate \$Y in revenue and profit. So expansion can be done with little risk. With well-documented proof of this, the startup can usually attract large amounts of capital easily. It also becomes relatively easy to see exactly what is needed to reach a large size company and how large it can get.

During this Stage the management style and focus must once again change. Often “professional management” is brought in to replace founders who can’t adjust to this needed transition from an entrepreneurial high speed and risk style, to one of planning, management and fine-tuning of operations.

Entrepreneurs at this stage invest heavily in customer acquisition, improving product, and releasing new features in addition to accessing new markets.

Several support platforms, media structures, networking events and tech conferences exist to give a boost for all aspiring and current entrepreneurs, adding inspiration, learning opportunities, expertise sharing and professional connections. Some of those structures include the following:

- ArabNet summit, the hub for Arab digital professionals and entrepreneurs, creating online and offline platforms for them to connect and learn.
- BDL Accelerate forum, an international startup conference organized by the Central Bank of Lebanon (BDL).
- Entrepreneurgy Summit that connects Entrepreneurs and Wantrepreneurs to inspiring and successful Arab Entrepreneurs.
- Stepfeed, a news source for media, business, technology, lifestyle and design from the Middle East.
- Wamda, a platform of media, programs and networks that aims to accelerate entrepreneurship ecosystems across MENA.

- GEW, Global Entrepreneurship Week, celebrating entrepreneurship across the globe with exciting events and initiatives.

In parallel, governmental institutions including the Ministry of Economy, the Ministry of Trade and the Investment Development Authority of Lebanon have greatly impacted the entrepreneurial ecosystem with policies and national agendas.

Moreover, several venture capital funds were formed to fund several stages of companies, ranging from seed to growth level, including and not limited to: Abraaj Group, Beirut Angels, Berytech Fund II, IM Capital, Leap Ventures, Lucid Investments, MEVP, Saned Partners, Y Ventures, B&Y Venture Partners and Venture Capital.

Finally, the past five years have witnessed a growth of new innovative businesses in Lebanon turning the local entrepreneurial ecosystem into a regional hub. For investors, this ecosystem is where they will establish their funds and offices to access the rest of the region. For entrepreneurs, it is the country in which they will base their headquarters to reach the international market. Despite all the factors working against Lebanon's progress, the entrepreneurial ecosystem is remolding the Lebanese economy. Lebanon is becoming a hub of talent, funding and high profile networking.