Investing in Arab Entrepreneurs
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Endeavor’s expansion to Egypt and Jordan is helping to create thousands of jobs
BY JAMIL WYNE

In 2011, Amin Amin was stuck: His primary investor threatened to take over his company, Change Agent for Arab Development and Education Reform (CADER). The CADER model was unique, providing professional training to teachers to improve educational capacity in the Arab world. It had also turned a profit, nearly doubling its revenues annually between 2005 and 2011. CADER provided a financially sustainable solution for the region’s educational challenges, but this could not prevent Amin from losing the institution he had built from the ground up. He had two options: relinquish control for a fraction of the company’s valuation or purchase it for a price beyond its value.

In need of sound legal counsel and strategic guidance as well as moral support, Amin turned to the Jordanian arm of Endeavor, a nonprofit that identifies and supports high-impact entrepreneurs around the world. In 2009, Amin had become one of the first Jordanians to be selected as an Endeavor Entrepreneur. Throughout the dilemma with his investor, Endeavor provided him with pro bono consulting and legal advice, guiding him to a resolution. Although Amin left CADER, he assumed a new position as CEO of ASK for Human Capacity Building, a company that designs tailor-made training programs to improve the region’s education system and labor market—and where Amin continues to receive Endeavor support.

Endeavor operates similarly to a venture capital firm, but takes no equity in its entrepreneurs’ companies. Instead, it pairs its entrepreneurs with top-notch business development services, a practice that New York Times columnist Thomas Friedman termed the “mentor capitalist” model. The nonprofit—which was founded in 1997 by Americans Linda Rottenberg and Peter Kellner and has offices in 14 developing countries, with headquarters in New York City—selects, mentors, and accelerates those rare individuals who can grow an innovative idea into a globally competitive enterprise.

After selecting entrepreneurs, Endeavor matches them with a variety of resources and networks, such as courses at the Stanford Graduate School of Business, pro bono financial management consulting from Ernst & Young, and introductions to leading investors.

Endeavor entrepreneurs have what most small business owners lack: a portfolio of opportunities to scale up their businesses into globally competitive entities. Endeavor has supported more than 700 entrepreneurs, whose companies have achieved an average annual growth rate of 69.4 percent in their first two years in the program. Further, Endeavor firms have registered 900 patents or pending patents since 1997, created more than 156,000 high-quality jobs, and in 2010 received more than 25,000 hours of mentoring.

What distinguishes Endeavor from similar organizations is that it provides business development assistance without taking a financial stake in the companies it helps. Laith Zreikat, a Jordanian Endeavor Entrepreneur and co-founder of the Internet service company Jeeran, thinks this approach allows Endeavor to provide highly targeted advice on crucial business decisions. Endeavor, he says, is “an investor without the money.”

Endeavor’s Middle East and North Africa operations have grown quickly since it created a Turkey office in 2007. Since then, the nonprofit has opened operations in Cairo, Amman, Dubai, Beirut, and Riyadh. “The political troubles in the Middle East and North Africa have inspired us to deepen our commitment to building an entrepreneurial ecosystem in the region,” says Rottenberg, Endeavor’s CEO. “By early 2013, we expect to have an office open in Morocco, and we’re looking hard at opportunities to...”
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launch in the Gulf states.” In the region, Rottenberg adds, the Egyptian and Jordanian Endeavor Entrepreneurs are running “the fast-growing technology-oriented companies—comparable to what we see coming out of US tech hubs.” But, she says, they are “in dire need of more and smarter capital.”

Entrepreneurs Against Unemployment

High-potential entrepreneurs in any country need access to new markets, smart capital, and strategic advice. In emerging entrepreneurship ecosystems in countries like Egypt and Jordan, these needs are even greater because of regulatory and legislative challenges.

In 2009, for example, when Firas Al-Otaibi, Mohammed Asfour, and Wael Attili became Endeavor Entrepreneurs, they needed help with their new media conglomerate, ThinkArabia. To grow, the two-year-old company required a sound financial management structure. But the expertise the founders sought was expensive and difficult to find locally. The ThinkArabia team needed not just a strong financial system, but also training on how to manage it. Endeavor connected ThinkArabia founders to Ernst & Young’s Intrapreneur Program, which provided a pro bono consultant from the Netherlands to join the company for six weeks, structuring its finances and teaching the founders financial management practices.

Al-Otaibi says the support gave ThinkArabia the financial management infrastructure it needed and saved the company thousands of dollars. Since then, Endeavor has helped ThinkArabia increase its staff size from 23 to more than 100. Endeavor also connected the founders with their first round of investors and global networking opportunities.

A similar partnership was critical for T.A. Telecom, a fast-growing mobile platform for time- and location-specific content, founded by Amr Shady, an Endeavor Entrepreneur in Egypt. He was matched with an Ernst & Young consultant at an Endeavor event in London; from that moment, says Shady, the consultant began to advise him. In Egypt, the consultant worked with Shady and his team to develop a financial management system, providing them with templates, methodology, and training.

Connections to top-quality advisors also have made a huge difference in Amin’s work. Endeavor created an advisory board for Amin—a service it extends to all of its entrepreneurs—each of whose members brought different expertise. One was the director of the Columbia University Middle East Research Center, another was the head of USAID’s economic growth project in Jordan, and the third was the head of a leading bank in Jordan. Endeavor forms these boards to match their entrepreneurs with in-country experts who fit their specific needs. In the words of Shady, the local boards are an example of how Endeavor provides “scale and access coupled with deep knowledge of your business and what you need.”

Yet the model faces challenges, and there are times when the entrepreneurs face obstacles that Endeavor cannot overcome. For example, Hindawi Publishing Corporation, founded by Egyptian Endeavor Entrepreneur Ahmed Hindawi, relies heavily on acquiring online academic titles. Egyptian banks cannot finance these acquisitions, because they do not have the tools to value online titles. Although Hindawi has been able to scale up impressively, employing more than 500 people and publishing more than 300 open-access, peer-reviewed journals, acquiring digital texts remains a crucial asset and a significant hurdle. The only solution is to build capacity within Egypt’s commercial banks, a task that falls outside of Endeavor’s abilities and purview.

Ahmed El Bedawy, managing director of Endeavor Egypt, and Salma Salem, the office’s communications manager, point out that it can be difficult to manage entrepreneurs’ expectations. There are no guarantees that Endeavor’s connections to elite networks and investors will be relevant or provide instant value to all of its entrepreneurs. El Bedawy says it takes time for entrepreneurs to understand how best to use the network.

Omar Sati, director of Dash Ventures, a venture capital firm in Jordan that is familiar with Endeavor’s work and impact, agrees. “I think the question should not be how Endeavor benefits entrepreneurs, but how can entrepreneurs best use Endeavor,” says Sati. “Entrepreneurs need to know how to leverage the Endeavor platform and its network; the skills, expertise, and experiences of its team members; and other Endeavor entrepreneurs across chapters.”

Still, Endeavor’s impact is obvious. In 2011 alone, the 24 Endeavor companies in Egypt and Jordan collectively created more than $135 million in revenues and more than 3,500 jobs. On a company level, Al-Otaibi says that with the support of Endeavor, ThinkArabia has nearly doubled revenues, opened up three new enterprises to become a holding company, and launched offices in Tunisia, Egypt, and Dubai. Saudi Arabia will follow soon. He, Amin, and Asfour say they value Endeavor’s encouragement to think big from day one. “When I told them I wanted to double revenues and resources, they told me to aim for four or five times that,” says Amin. Now he thinks he can meet that goal.

Endeavor is not the only organization targeting the region’s next generation of promising companies. One group with a foothold in Egypt and Jordan is the Arabia 500, an American company that ranks the 500 fastest growing companies from Morocco to Pakistan and seeks to build a global network of fast-growing enterprises and experts. Another group is the Jordanian Oasis 500, an accelerator that is aiming to invest in, incubate, and launch 500 companies in the region over the next five years.

The numbers of angel investors and venture capital firms also are growing steadily, enhancing the region’s ecosystem for entrepreneurs. These institutions all have large networks in and outside of the Middle East, and much like Endeavor they give their entrepreneurs entry points to investors and other supporters.

What sets Endeavor apart is its consistent support. “I am shocked by the potential they open for us,” says Asfour. That potential is crucial in a region with some of the highest unemployment rates in the world and the largest number of jobless youth globally. Endeavor is not just supporting innovative businesses to have a big economic impact but also shaping entrepreneurs’ mindsets to foster economic opportunity more broadly. Says Al-Otaibi, “Because of Endeavor, we now feel a responsibility to help other entrepreneurs. Now is the time to give back, to create a change within society.”