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**ISPACE: EXPANDING A START-UP HUB FOR WEST AFRICAN ENTREPRENEURS**

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On a sunny afternoon in May 2017, Josiah Eyison gazed proudly at the entrepreneurs busily working around him. One was designing a website for a new business idea, while others were preparing for an upcoming hackathon event at the office. As co-founder of iSpace Foundation (iSpace), a hub that empowered entrepreneurs in Accra, Ghana, it was Eyison’s job to help entrepreneurs turn their start-up ideas into realities. Currently, iSpace was home to 62 entrepreneurs, and Eyison wanted to reach even more passionate entrepreneurs that summer. However, with potential entrepreneurs in so many places, he was unsure of what growth strategy iSpace should pursue next.

EXTERNAL ENVIRONMENT IN GHANA

Ghana, in West Africa, had a population of approximately 25 million people as of 2012. Approximately 70 per cent of the population lived in the southern part of the country, and of the 37 per cent who lived in urban areas, 10 per cent lived in the capital city, Accra.[[1]](#footnote-1) Although education was compulsory up to the age of 14, financial and geographical barriers prevented many students from pursuing higher levels of education. Consequently, only about 120,000 people were enrolled in college or university programs as of 2015; twice as many of these students were male as female.[[2]](#footnote-2)

Ghana was a parliamentary democracy and was stable compared to other countries in West Africa. It had first instituted a free market economy in 1992, and this resulted in an economic shift away from agriculture, which occupied 44.7 per cent of the national labour force, towards the service sector, which occupied 40.9 per cent of the labour force. As of 2016, Ghana’s gross domestic product (GDP) was valued at US$120.8 billion, with a 3.3 per cent growth rate.[[3]](#footnote-3) However, employment and income issues persisted: 24.2 per cent of the population was below the poverty line and GDP per capita was $4,400.[[4]](#footnote-4) Consequently, an increasing number of Ghanaians looked to entrepreneurship as a means of employment.

Entrepreneurship and start-ups IN Ghana

Entrepreneurship was growing in Ghana, particularly among youth. As of 2013, 66 per cent of youth were engaged in entrepreneurship. Women entrepreneurs were predominantly involved in the retail sector, whereas men largely took part in the construction sector.[[5]](#footnote-5) The rapidly developing economy in Ghana created many opportunities for young entrepreneurs to identify business solutions to problems in their communities.

According to the *Economist*, Africa was “one of the world’s most difficult regions in which to do business and also perhaps its most entrepreneurial.”[[6]](#footnote-6) However, several barriers existed to creating a start-up in Ghana.

**Technological Barriers:** Broadband Internet infrastructure was limited across the country and especially in rural areas. As of 2016, approximately 100,000 Ghanaians subscribed to broadband Internet services, and the remaining population relied on expensive data or had no online access at all.[[7]](#footnote-7)

**Financial Barriers:** It was difficult for Ghanaians with little credit history to obtain loans from banking institutions, even with interest rates as high as 38 per cent.[[8]](#footnote-8) Individuals without established business networks faced difficulty raising capital from investors.

**Social Barriers:** Young entrepreneurs, especially women, faced social barriers when dedicating time and effort to entrepreneurial ventures. Women were held back by social norms such as the expectations that they would take care of the family or come home early.

**Regulatory Barriers:** Entrepreneurs faced bureaucratic barriers when registering their businesses with the Ghanaian government. It was meant to take three months to register a new business, yet 46 per cent of entrepreneurs experienced longer delays.[[9]](#footnote-9)

Due to these barriers, entrepreneurs often decided to operate their businesses in the informal economy, where they avoided taxation and other burdens. In response, the government began to establish more policies in support of entrepreneurship, including a tax-free year for business start-ups.[[10]](#footnote-10) However, these policies still did not address the lack of resources that entrepreneurs faced.

The Start-Up Hub Solution

To address these gaps, hubs for start-ups began to proliferate in urban areas in Ghana. Start-up hubs provided support for entrepreneurs. This support could include funding, work space, technological resources, skills training, and other things needed to bring business ideas to life. Start-up hubs often operated as social enterprises—that is, they maximized the social impact in start-up communities while also making a profit from the rents they charged to entrepreneurs. Start-up hubs often sought outside funding from other institutions and non-governmental organizations to support their entrepreneurs. A full 90 per cent of the 5.5 million young Ghanaians either engaged in entrepreneurial opportunities or seeking these resources said that they could not access formal funding or support from the government or private institutions on their own.[[11]](#footnote-11) Therefore, there was a large, underdeveloped market for start-up hubs to operate within.

Josiah Eyison

Eyison, co-founder of iSpace, was born in Ghana and moved to the United Kingdom with his mother in 1992. He obtained an education and began working for a concierge company called Quintessentially, and from 2002 to 2010, he worked as a regional business development manager, spearheading the company’s entry into Africa. Eyison enjoyed the work, but he realized that he wanted to give other Ghanaians the same opportunities to earn a decent income in a job they enjoyed. After working for an educational organization called Learning without Frontiers, Eyison left his family in the United Kingdom to found iSpace.

iSpace Foundation

iSpace was founded in the Labone district of Accra in 2013. The mission of the start‑up hub was to meet the underserved needs for skills training and technological resources of Ghana’s start-up community. Although iSpace was open to all entrepreneurs, it focused on fostering start-ups related to technology and social enterprise. iSpace provided three basic offerings to entrepreneurs: space, technology, and funding.

iSpace provided a co-working space that was open to all entrepreneurs, and it made private offices available for rent (see Exhibit 1). These spaces were open for use at all times of the day. They included beds and showers for entrepreneurs who had to travel long distances or needed to work through the night.

All entrepreneurs at iSpace had access to a high-speed 4G Internet system. The hub also provided technological resources, including laptops and three-dimensional or 3D printing resources.

iSpace provided funding at a basic level to help entrepreneurs get their businesses running. It leveraged its network to connect entrepreneurs with potential investors who could help scale business ideas.[[12]](#footnote-12)

In addition to these basic offerings, iSpace hosted a variety of events and workshops for the start-up community. Workshops included a coding school, where entrepreneurs could gain the computer coding skills they needed to digitize their business ideas. Events included hackathons and pitching competitions, where entrepreneurs could show off their skills and ideas to potential investors. Recently, iSpace had also been working towards persuading the government to remove barriers to starting businesses. However, because the government was highly bureaucratic, no significant changes had yet been made.

iSpace Culture

iSpace had 14 staff members and 62 active in-house entrepreneurs, 80 per cent of whom were women. These individuals contributed to a culture of community and passion at iSpace. The iSpace staff did not implement a strict selection process when providing memberships for incoming entrepreneurs, nor did they examine entrepreneurs’ technical skills or their current financial situation. All an entrepreneur needed was an idea and the passion to see that idea through. Although iSpace provided physical, financial, and skills-based support, the staff also focused largely on psychological support. They developed relationships with all entrepreneurs in order to help them find the courage to overcome one of the largest barriers of all: fear of failure. In this way, iSpace was able to help start-ups grow organically and achieve a high success rate; only four entrepreneurs had ever dropped out, and these four had all done so for reasons related to family commitments.

iSpace Business Model

iSpace operated as a social enterprise with a business model Eyison described as follows: “We help you, and in turn you will help us help other people.” The resources used by each active entrepreneur cost iSpace approximately $2,050 per month. However, iSpace initially charged entrepreneurs only if they chose to rent private office space, at an average cost of $615 per month. Additionally, iSpace provided each entrepreneur with basic funding of $5,000–$10,000, which was supplemented by sponsorships from outside organizations, including Google for Entrepreneurs and the Indigo Trust. Once entrepreneurs had successfully created and scaled their businesses, they would begin to pay iSpace at full cost for the resources they used, giving back to the start-up community. However, because iSpace was only four years old, its entrepreneurs had yet to grow large enough to begin giving back financially (see Exhibits 2 and 3).

iSpace Entrepreneurs

Emma Tandoh was an iSpace entrepreneur and a mother of two. She had started two entrepreneurial ventures: a digital marketing firm called Outspoken Edge and an online fashion retailer called Love Ankara. A strong sense of community and a network of entrepreneurs brought Tandoh to iSpace with hopes of being able to grow her business and find more clients. iSpace also provided her with the resources to help develop a strong online presence for her companies. However, Tandoh faced many challenges as a woman entrepreneur. As she noted, there was “no balance between work and family—you just have to get it all done. Around male clients, I have to act like a male in order for them to take me seriously. But I think it should be a level playing field.” Additionally, now that her businesses were one year old, Tandoh wanted more funding in order to scale up. She looked forward to continuing to take risks and to learning from her entrepreneurial journey at iSpace.

Napoa Sandow was an 18-year-old senior high school graduate. She was in the late stages of launching her entrepreneurial venture, Ghana Lost and Found, an online platform for posting lost or stolen items. Sandow chose iSpace because of its technological resources. She was able to quickly learn programming and business development and was even given a laptop within one week of joining the hub. She noted that iSpace was more than just a workspace for her: “I call iSpace my home. Josiah and the staff are very supportive and always available for questions. I hope to give back to iSpace what they have given to me someday.” Despite iSpace’s support, Sandow still faced some barriers to bringing her business idea to life. She lived two hours away by *tro tro*[[13]](#footnote-13) and could not work late because her parents expected her to be home early. She also interned at another organization four days a week, which left her only two days to work on her business. Still, this did not stop her from pursuing her dream of scaling up Ghana Lost and Found across the African continent.

COMPETITION

iSpace faced competition from several other start-up hubs, including Impact Hub in Ghana, the international Meltwater Foundation, and some government programs.

Impact Hub

Impact Hub, one of iSpace’s direct competitors, was a network of 85 hubs on five continents. Its Accra hub was established in 2013. An entrepreneur could access the resources at Impact Hub for $5 per day, $25 per 10 days, or $50 per month. These resources included co-working spaces, fast wireless Internet service, meeting rooms, in-house consultants, and networking events. However, attending events like hackathons or using some of the office resources involved additional costs, and the resources were available only 10 hours per day. One of Impact Hub’s unique offerings was its ability to connect entrepreneurs in Ghana with 11,000 other entrepreneurs at its hubs around the world. Impact Hub offered expertise primarily in technology and health innovation.[[14]](#footnote-14)

Meltwater Entrepreneurial School of Technology

The Meltwater Entrepreneurial School of Technology (MEST) was established in Accra in 2008 with support from the Meltwater Foundation, a global non-profit organization. Each year, MEST identified high-performing graduates from universities within Ghana, Nigeria, Kenya, and South Africa to become Entrepreneurs in Training (EITs). EITs attended a 12-month training program to learn the skills, such as computer programming and finance, that were needed to build a technology start-up. This program was paid for by the Meltwater Foundation. After the EITs completed the program, they entered a business pitch competition for the chance to win seed funding, which ranged from $50,000 to $200,000. EITs also received further support from the MEST Incubator, an office space with consultants and resources such as high-speed Internet. However, support from the incubator was available only to winners of the pitch competition. MEST had invested in over 20 technology start-ups to date.[[15]](#footnote-15)

Government Programs

The Ghanaian government had been progressively investing in information and communications technology (ICT) skills-building programs since the early 2000s. Its initiatives included the Ghana Multimedia Incubator Centre, the Ghana-IndiaKofi Annan ICT Centre of Excellence, and the Better Ghana ICT Project.[[16]](#footnote-16) However, entrepreneurs were critical of the ability of these programs to provide necessary resources or to teach the ICT or business skills they needed.

FUTURE GOALS AND GROWTH ALTERNATIVES

Over the previous four years, Eyison had enjoyed watching iSpace grow from two to 14 staff members while expanding its programs and entrepreneur base. However, a large number of unserved potential entrepreneurs still existed in Accra and elsewhere. In the next two years, Eyison wanted to reach a far larger number of these entrepreneurs. Although he wanted to put Ghana first, he also dreamed of being the first African-origin hub to go international.

Attracting More Entrepreneurs in Accra

With so much of Ghana’s population in Accra, Eyison knew that there were still potential entrepreneurs who had not been reached. He tried to think of ways to attract new entrepreneurs by helping them overcome the barriers some of his current entrepreneurs were facing. He identified two potential programs.

First, Eyison thought of creating a family program. For example, many younger entrepreneurs who still lived with their parents, like Sandow, had to be home early or could not to join an organization at all. By holding a Family Day, Eyison could allow family members to come in, meet the staff, and see the great work that young entrepreneurs were doing. This way, families would feel comfortable allowing their younger family members to be at iSpace. Eyison felt that three Family Days per year would be sufficient. The costs for each day would be $500 for food and drink and $100 for promotional materials.

Second, Eyison was considering a childcare program for entrepreneurs with families, especially young mothers. Offering on-site childcare would relieve the entrepreneurs of their family duties while still allowing them to be close to their children during the work day. One childcare worker, working four days per week for 48 weeks per year, would cost $2.10 per day.[[17]](#footnote-17) Eyison knew that these programs would be beneficial for his entrepreneurs, but he was unsure how many entrepreneurs it would attract or how he would market it.

Expanding into University Campuses

Eyison also considered reaching out to university students and encouraging them to pursue entrepreneurial ventures. To attract this target market, he would need to replicate the iSpace hub on a university campus. Staff could then interact directly with students and tailor skills-based programs to students’ needs. Eyison was considering Wisconsin International University College in Accra. The university had over 4,000 students and offered a range of programs, including business, information technology, and the social sciences.[[18]](#footnote-18) If he were successful, Eyison would continue expanding onto other university campuses throughout Ghana.

Eyison expected to attract 30 students in the first year. Each student would be given $5,000 for an entrepreneurial venture. Eyison would also have to pay rent ($35,000 per year) to the university. Utilities would amount to $1,000 per month, and staff wages would amount to $44,000 per year. Eyison expected the number of active entrepreneurs to grow by 10 per cent each year for the next five years.

Although he was excited about the prospect of university partnerships, Eyison was also concerned about some barriers. He worried that universities did not share the iSpace’s vision in terms of supporting students beyond short-term skills building. He also expected that reaching out and creating the hub would be a slow and bureaucratic process. For example, Joseph Darkwah, a university faculty member commented that “you have to be aware that a lot of universities have their own computer program. And like our university, we have our own computer programming class led by our senior students.”

Working with Government Programs

Eyison also considered shifting his focus to work directly with the government. Although the government offered several ICT training programs, Eyison felt that government staff were not properly equipped to teach or make a long-term impact on young technology entrepreneurs. Eyison’s solution was a train-the-trainer initiative, in which iSpace staff would train government staff to run programs similar to those at iSpace. Eyison would have to pay five trainers, and each trainer would cost $8,800 per year. Eyison was unsure about what additional costs would be incurred during his negotiations with the government. He saw potential in this option to leverage his working relationship with the government to influence more policy change. However, he was also wary: after he approached government representatives with his idea, they could try to copy the iSpace model on their own and could implement it poorly.

Expanding into other Regions or Countries

Eyison could also create new iSpace hubs in other locations. First, he could expand to other regions in Ghana, including urban centres in populated regions like Kumasi or rural regions that currently had no established start-up hubs at all. Eyison could also leverage his international working experience to establish iSpace hubs in other African countries or even in the United Kingdom. Establishing each new hub would incur the same costs as the current iSpace hub, although Eyison expected to incur additional costs for travel and training when first establishing a hub, and these would amount to approximately $5,000.

FINANCIAL AND HUMAN RESOURCES CONSIDERATIONS

The ventures of iSpace’s current entrepreneurs were not mature enough for them to start paying full cost for the resources they used at iSpace. As a result, Eyison would have to seek additional funding if he wished to expand. He could ask his current sponsors for additional funds or he could seek a loan from the bank. He could also begin charging his current entrepreneurs more for the resources they used. Eyison was unsure which of these financing options were viable. Was iSpace currently in a good financial position to expand?

Eyison was also concerned about preserving the iSpace culture if he chose to expand. iSpace was currently successful because it was a tight-knit community, able to build supportive long-term relationships with entrepreneurs. Could Eyison trust new managers, staff, and trainers to create the same culture elsewhere?

CONCLUSION

Eyison left the office that evening both exhausted and excited. He knew that he wanted to implement his growth strategy during the coming summer, and his staff were anxious to hear about his plans. How many other Tandohs and Sandows were out there, and how could he best reach them? There was one thing he knew for sure: like he told his entrepreneurs, he could not let the fear of failure hold iSpace back.

EXHIBIT 1: CO-WORKING SPACE FOR ENTREPRENEURS



Source: Company files.

EXHIBIT 2: ISPACE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31 (in US$)

|  |  |  |
| --- | --- | --- |
|  | **2015** | **2014** |
| **INCOME** |  |  |
| Operating Income | 109,328 | 148,776 |
|  |  |  |
| **EXPENDITURES** |  |  |
| Depreciation | 9,687 | 8,442 |
| Wages and Salaries | 24,493 | 28,381 |
| Advertising and Publication | 3,102 | 1,611 |
| General and Administrative Expenses | 18,002 | 24,008 |
| Travelling and Transport | 9,666 | 1,931 |
| Rent | 22,951 | 54,588 |
| Event, Training, and Workshop | 26,286 | – |
| Bank Charges | 3,895 | 1,635 |
|  |  |  |
| **Surplus/Deficit** | −8,753 | 28,181 |

Source: Company files.

EXHIBIT 3: ISPACE STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31 (in US$)

|  |  |  |
| --- | --- | --- |
|  | **2015** | **2014** |
| **ASSETS** | US$ | US$ |
| **Non-Current Assets** |  |  |
| Property, Plant, and Equipment | 12,507 | 17,233 |
| **Total Non-Current Assets** | 12,507 | 17,233 |
|  |  |  |
| **Current Assets** |  |  |
| Bank and Cash Balances | 52,196 | 58,486 |
| Accounts Receivable | 3,036 | 798 |
| **Total Current Assets** | 55,232 | 59,284 |
|  |  |  |
| **Current Liabilities** |  |  |
| Accruals | 505 | 528 |
| **Net Current Assets** | 54,727 | 58,756 |
|  |  |  |
| **NET ASSETS** | 67,234 | 75,989 |
|  |  |  |
| **EQUITY** |  |  |
| Accumulated Capital | 67,234 | 75,989 |

Source: Company files.

1. “Ghana Embassy Contacts in the USA,” Ghana Embassy, 2017, accessed May 13, 2017, www.ghana-embassy.org/. [↑](#footnote-ref-1)
2. Ministry of Education, Republic of Ghana, “Education Statistics,” Ministry of Education, 2015, accessed May 13, 2017, www.moe.gov.gh/emis/. [↑](#footnote-ref-2)
3. All currency amounts are in U.S. dollars, unless otherwise specified. [↑](#footnote-ref-3)
4. “The World Factbook: Ghana,” Central Intelligence Agency, 2017, accessed May 13, 2017, https://www.cia.gov/library/publications/the-world-factbook/geos/gh.html. [↑](#footnote-ref-4)
5. “2015 Summary of Youth Report for Ghana,” Global Entrepreneurship Monitor, 2015, accessed May 13, 2017, www.gemconsortium.org/report/49178. [↑](#footnote-ref-5)
6. Daniel Knowles, “The 1.2 Billion Opportunity: Special Report—Business in Africa,” *The Economist*, April 16, 2016, accessed March 13, 2018, www.economist.com/sites/default/files/20160416\_africa.pdf. [↑](#footnote-ref-6)
7. Infrastructure—ICT,” Ghana Investment Promotion Centre, accessed May 13, 2017, www.gipcghana.com/invest-in-ghana/why-ghana/infrastructure/ict-infrastructure.html. [↑](#footnote-ref-7)
8. “Ghana Bank Lending Rate, 2008–2018” Trading Economics, accessed May 13, 2017, www.tradingeconomics.com/ghana/bank-lending-rate. [↑](#footnote-ref-8)
9. Ernest Aryeetey and Ama Asantewah Ahene, *Changing Regulatory Environment for Small-Medium Enterprises and Their Performance in Ghana,* Institute for Development Policy and Management (IDPM), working paper no. 30594 (Manchester, UK: University of Manchester, 2005). [↑](#footnote-ref-9)
10. Jessica Ayorkor Aryee, “Start-Ups to Enjoy Tax-Free Year: Biz Dev’t Minister,” Citi FM Online, April 8, 2017, accessed May 13, 2017, http://citifmonline.com/2017/04/08/start-ups-to-enjoy-tax-free-year-biz-devt-minister/. [↑](#footnote-ref-10)
11. “2015 Summary of Youth Report for Ghana,” Global Entrepreneurship Monitor, 2015, accessed May 13, 2017, www.gemconsortium.org/report/49178. [↑](#footnote-ref-11)
12. “Memberships,” iSpace, accessed May 13, 2017, http://ispacegh.com/#/memberships. [↑](#footnote-ref-12)
13. A *tro tro* was a privately owned 15-person minibus that travelled from one fixed point to another. Tro tros were sometimes prone to breakdowns, and they only left when they were filled to capacity. [↑](#footnote-ref-13)
14. Impact Hub Accra website, accessed May 14, 2017, http://accra.impacthub.net/. [↑](#footnote-ref-14)
15. Meltwater Foundation website, accessed May 14, 2017, http://meltwater.org/. [↑](#footnote-ref-15)
16. IST-Africa Initiative, “Current ICT Initiatives and Projects—Ghana,” IST Africa, accessed May 14, 2017, www.ist-africa.org/home/default.asp?page=doc-by-id&docid=8224. [↑](#footnote-ref-16)
17. WageIndicator Foundation, “Minimum Wages in Ghana,” My Wage Ghana, accessed May 14, 2017, www.mywage.org/ghana/home/salary/minimum-wages. [↑](#footnote-ref-17)
18. Wisconsin International University College website, accessed May 14, 2017, www.wiuc-ghana.edu.gh. [↑](#footnote-ref-18)