An application of Service Dominant Logic to entrepreneurship in emerging economies: Nairobi, Kenya

Mariana Ávalos Arce
Software Engineering, 0197495@up.edu.mx

Abstract

The following essay presents an analysis of the article published in the African Journal of Science, Technology, Innovation and Development titled "An innovation intermediary for Nairobi, Kenya: Designing student-centric services for university industry collaboration" (Koria and Hinojosa Osorno (2020)), where the important conclusions will be discussed, interpreted, agreed on or even questioned.

The article (Koria and Hinojosa Osorno (2020)) is a study carried out in Kenya's capital, Nairobi, with the purpose of determining how to improve the entrepreneurial ecosystem in the area, where the research team organized a series of rounds of workshops with the ecosystem's stakeholders (students, academia, industry) in order to propose and validate what would be the correct approach for the mentioned purpose. The main takeaway of this Double Diamond process was the identification of the UIC (University-Industry Collaboration) practices towards entrepreneurship as a set of services that should be grouped into three levels of value creation: the first, involving open innovation spaces; the second, involving the promotion of partnerships between universities and companies; and third, which is the mentoring for impact activities. Let's unravel why these three service levels make sense inside a country's entrepreneurship improvement initiative.

The first thing that the article (Koria and Hinojosa Osorno (2020)) defines is that University-Industry Collaboration (UIC) is built on trust, motivation and empowerment of the students that participate. But how can this customer identification help to set up UIC in a country's economy? In order to improve an aspect of an economy, one must be able to identify the sector of said economy that is involved. UIC practices mean necessarily entrepreneurship, just as the article points out when it states that in order to help transform an economy into a globally competitive one, one needs to place importance on innovation (Pribičević and Tkalčević (2020)), on entrepreneurship education.

Now, under the Service Dominant Logic (Vargo and Lusch (2004)), everything is a service. The writers of the article (Koria and Hinojosa Osorno (2020)) stress the importance of considering UIC practices as services, especially nowadays. It states that business ecosystems have evolved into innovation ecosystems, and are more knowledge-based. This explains the current state of employment: service oriented. Thus, if business strategies are increasingly encouraging deeper collaboration, instead of just the transfer of knowledge, then the need for intensive synchronous co-creation between entities is therefore the new face of entrepreneurship. The value to co-create must be clear: for universities, it is important to engage in UIC practices for their student body since they gain funding, influence and exposure; and for firms, they gain talent, market knowledge and complementary skills. In this way, value is evident for both entities, and thus a value proposition is set if they interact, and that is why UIC practices are a service, if we apply the Service Dominant Logic. But why was it so important to demonstrate? Because now we know that if UIC practices are a service, then the smartest way of making them a success is to make them costumer-centric, or as the article calls it, student-centric.

We mentioned that the current tendency is a service-oriented economy, since service jobs in the late half of the last century have overcome manufacturing jobs for the first time in history. I consider this fact is of crucial importance to emerging economies like Kenya, which shows an unemployment rate of 40%. If the current management of an economy is not creating the jobs needed, then the solution is to disrupt the economy, break it and build alternatives as bridges. That is why Nairobi is currently focusing on, and quite smartly, on entrepreneurship. Let's look at more details about the economy in Kenya, and how we can apply this case to basic theory of macroeconomics.

The article mentions a growth in GDP of 5%, which must mean - and I hope so - that this growth in GDP has been seen in at least two quarters of the year in which it was measured. If this is true, then we can say that the Kenyan economy is in a period of expansion (Pribičević and Tkalčević (2020)). Before we continue, let us remember that GDP is the sum of: consumption, investment, government spending, and net exports (Pribičević and Tkalčević (2020)) (Rossana (2011)) (Samuelson (2010)). But if the Kenyan economy is in expansion, why is there an increase in unemployment? This seems contradictory at first sight, but we must note that an economic expansion can be due to the increase of any of the terms mentioned that make up GDP, and therefore it does not necessarily mean an increase in production, which of course would decrease unemployment Pribičević and Tkalčević (2020). The cause of the expansion and unemployment in Kenya seems to be the increase in government spending, which increases GDP. Government spending increase can be seen in all the programs the article lists that are initiatives of the government in Nairobi to educate on entrepreneurship.

There was something very important about Kenya - or any emerging economy - and it was that entrepreneurship is sometimes a forced choice among the inhabitants in order to gain income (Koria and Hinojosa Osorno (2020)). This reassures that an emerging economy often involves a degree of inequality among its people. Inequality in an economy can be of either labor income or wealth (Samuelson (2010)) (Pribičević and Tkalčević (2020)). Poverty arises from inequality in distribution of income and wealth (Samuelson (2010)) (Pribičević and Tkalčević (2020)), and these two types of distribution inequalities are based on social and political factors. While labor income inequality depends on more personal skills and labor, wealth inequality comes from historical tendencies (entrepreneurship) and even inherited national or family capital (Samuelson (2010)) (Pribičević and Tkalčević (2020)). We will see why wealth redistribution seems to matter a lot to Kenya's government.

We now know where does the expansion in Kenya's economy is likely coming from, then it is appropriate to see its effects. The government of Kenya seems to be investing in initiatives to educate its great amount of young people in matters of entrepreneurship, but how is this task likely to look like? It is well known by economists that wealth is more unequally distributed than income, and one of the main causes for the inequality in the distribution of wealth is in fact entrepreneurship (Pribičević and Tkalčević (2020)). This is where the Kenyan government is asserting: the government could take a policy of redistribution of wealth from rich to poor using progressive taxes, but that is known to lower incentives for entrepreneurship and investment, as it destroys motivation coming from the rich (Pribičević and Tkalčević (2020)). Instead, they chose to redistribute wealth starting from education in innovation, which may take longer, but improves the self-government of the economy in the long run. An example of this long run effort would be the case of a free market in neoliberal economic system, where the government retires from managing the market, to let companies run it with free will: the companies grow to be more competitive, but also more innovation-driven (Pribičević and Tkalčević (2020)). This is the choice I believe will make Kenyan investment a success.

After analyzing the current state in Kenya and its economic implications, let's now come back to the study presented in the article. The study by itself was also an interaction between different stakeholders to co-create value: the stakeholders were in fact the same stakeholders for the final UIC practices in real economy, but the value they were pursuing and co-creating was the plan to guide the set up of these innovation intermediaries. In this way, the study shows that co-creating does not necessarily mean the final service delivery. Stakeholders can also gather to co-create during service planning, so that management can be shown as a service too. The final outcome of this co-creation is the plan to deliver the service in Nairobi in the best way possible.

The study involved various rounds of workshops, with the intent of validating the service model. One of the most interesting conclusions of the workshops was that students should be allowed to not only obtain support for their ideas in innovation, but to actually present it to investors and form partnerships. In other words, make ideas move to growth. Once again, the role of policy and government was highlighted, to control any hostile business environment that wants to block new initiatives. This resonates with the point talked about previously: government must invest on initiatives, since policies shape the changes seen in GDP (Samuelson (2010)) (Pribičević and Tkalčević (2020)). Thus, an expansionary policy is needed since entrepreneurship growth requires investment growth, making the GDP increase even more noticeable.

These workshops concluded that UIC practices in emerging economies like the one in Kenya must be a set of services, each addressed to different business needs, that are delivered in three different levels. The levels start with a small amount of commitment required from the customers of the services, and a large level of openness/accessibility, and then as the levels increase, the openness is reduced and the commitment is increased, from a customer stakeholder perspective. These three levels are: Open innovation, Promotion of partnerships and Mentoring for impact.

The first level, or Open innovation, involves the least amount of commitment from the customer of the UIC services, as it is intended to share content, and thus must be with free access by all. This first step reminded me of any service marketing: it must be about convincing the largest amount of people as possible, and this idea can be translated to making an investment to deliver information about your service for free. The key element for the first level identified in the workshops was the intent to support the development of a mindset for entrepreneurship. The open access of the first level of services comes from the very nature of services: the 11 premises of Service Dominant Logic (Vargo and Lusch (2004)) mention that service is naturally and phenomenologically determined, which involves a certain individual touch to the value of a service. Therefore, in order to integrate something phenomenological as entrepreneurship services one must base the plan on open access and knowledge sharing.

The second level of services involves Promoting partnerships, since students must make their ideas grow and impact in a tangible way. The second level revolves around partnerships with the real industry, and this is what must make it of more restricted access according to the article, since it requires more commitment from both entities. This is one of the most innovative considerations for a student, since schools offer support for good innovative ideas, but it rarely offers partnerships with organizations that guarantee a relationship more than a result. The third level, Mentoring for impact, depends on a very scarce mentality from organizations, since this mentoring is a voluntary giving back mindset coming from the companies. Since this mindset is scarce, it has an even larger closed nature, being the level with less openness.

The plan for the delivery of this set of services also requires a body of organization that manages the organization itself, too. This management must consider that the delivery of these three levels of services should be done in the service ecosystem. For that, the UIC innovation practices must support a design for intensive co-creation, which usually means social interaction. While, it is true that social interactions nowadays can be virtual, a large portion of direct contact must be physically social, and therefore UIC practices require a dedicated physical place for students, academia and industry to co-create under the rules described in the present study's plan. For instance, when COVID-19 hit, the virtuality seemed to be the future for education, but it was reported, for example, that Harvard students were no longer applying until the physical education system went back to normal (Rodríguez (n.d.)), showing that physicality in social interactions is crucial to value co-creation.

To summarize, the research team first identified the stakeholders in the entrepreneurial ecosystem, then identified its needs, and declared that the needs should be met with a set of services instead of just one. These services should also be divided by levels, where the first level had the highest degree of openness and the lowest degree of commitment required from the stakeholders, and the third and last level had the lowest openness but the highest level of commitment. All this planning was done with a group of representatives from the different parties involved in UIC practices that interacted in workshops, where the Double Diamond technique was used to record and compare the validation process of the model. This planning had a great degree of decentralization, having all parties - even students - participate without any higher or lower hierarchy, which I personally believe was the key to generating a planned setup that was honest and adjusted to the real needs.

But what I doubt with the current results is how will this UIC practices in Nairobi unfold in the risky environment of real entrepreneurship? The trouble of educating towards entrepreneurship has existed throughout the centuries in all countries due to the reasons discussed regarding the distribution of wealth, so how long will it take for this hubs to actually success in Nairobi? Will they? If so, then the detailed study on how to set up these educational hubs for young entrepreneurs should be analyzed for further applications in emerging economies of every developing country.

References

Koria, M., & Hinojosa Osorno, R. (2020). An innovation intermediary for nairobi, kenya: Designing student-centric services for university-industry collaboration. *African Journal of Science, Technology, Innovation and Development*. Retrieved from `https://doi.org/10.1080/20421338.2020.1796012`

Pribičević, V., & Tkalčević, A. (2020, Spring). *Lecture notes in principles of economics ii.* Zagrebačka Škola Ekonomije i Managementa.

Rodríguez, C. (n.d.). College interrupted: Many students chose to take time off instead of remote learning during the coronavirus pandemic. *CNBC*. Retrieved from `https://www.cnbc.com/2021/06/09/many-college-students-chose-time-off-over-remote-learning-during-covid.html`

Rossana, R. J. (2011). *Macroeconomics*. London: Routledge.

Samuelson, P. A. (2010). *Economics*. USA: McGraw-Hill.

Vargo, S., & Lusch, R. (2004). Evolving to a new dominant logic for marketing. *Journal of Marketing*, *68*, 1–17.