

Scale Diagnostics:

High growth firm performance dynamics
in Kenya, Ethiopia, and Rwanda

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This report delves into the dynamics of scale-up firms across Kenya, Ethiopia, and Rwanda, with a particular emphasis on the organisational factors that contribute to their growth trajectories. By conducting a comprehensive analysis of scale performance data, we aim to uncover critical insights that can inform and bridge the existing gaps in addressing the demand-based needs of these ventures. Our goal is to equip stakeholders with a deeper understanding of the challenges and opportunities that scale-up firms face, thereby enabling more targeted interventions and strategies to support their sustained growth and success in the future.

This is the sixth insight report in a series produced by [GrowthAfrica](#) and [Systemic Innovation](#) under a FCDO-funded Research and Innovation Systems for Africa (RISA) Fund project to formalise and implement data strategies to support growth impact ventures and innovation ecosystem enablers in Kenya, Ethiopia, and Rwanda. This report has been developed alongside our partners, [ScaleUp Nation](#), a global scaling authority which is on a mission to significantly increase the number of impact-oriented scale-ups, driving a meaningful change in the world.

Methodology

The [Art of Scaling](#) is ScaleUp Nation's unique scaling methodology. Based on research on thousands of ventures, and confirmed by working closely with over many scale-up teams, they have identified what differentiates those that scale from those that stall: the Scaling Success Factors. In short, the difference between a scale-up and a "stall-up" comes down to about 20 success factors. [The Scaleup Scan](#) is a diagnostic test of organisational health and scale-readiness assessment tool for startups transitioning to scaleups.

Over the course of the past year we have reached out to several growth firms which meet the following criteria:

- Team demographics (the majority of founders and leadership team must be local citizens from either Kenya, Ethiopia, or Rwanda)
- Firms with a female founder/s prioritised in the selection process.
- Stage (must be post-revenue i.e. earning income from paying customers).
- Geography (operational HQ in Kenya, Rwanda or Ethiopia)
- Investment (raised at least \$100,000 (whether seed, Series A etc. - this was a flexible condition noting many firms experience organic growth).
- Employees (between 10/15 - 250 employees)

Participating firms complete the CEO survey, name key competitors (to help analysis), and have their teams fill in the organisational survey. The output is an individual report that includes data analytics, interpretation, insights and synthesis and covers a range of business areas relevant to scaling success, including strategy, operations, organisation, leadership, culture etc. These bespoke reports serve as valuable learning tools. Firms that have used (actioned) these insights are proven to increase their chances of scaling and also raise external investor funding. After all, scalability is a key funding criteria.

The offering was extended to 60 firms, but all initiated the process, a few did not complete it, and others are finalising their scans. We also excluded some data due to confidentiality reasons. Consequently, the final analysis presented here is based on data from 42 firms. Although this represents a relatively small sample size, and thus may not be statistically significant, the findings still offer important insights. Notably, many of the participating firms were from Kenya and Ethiopia, with a smaller representation from Rwanda. The limited participation from Rwandan firms may suggest an oversaturation of ecosystem support in the region, possibly indicating that current offerings are not sufficiently differentiated to attract broader engagement.

Introduction

The enterprises that truly drive impact, create new employment opportunities, and generate substantial value are those that manage to scale. Unlike startups, scale-ups face distinct objectives and challenges. They require different strategies, business models, and organisational structures. The leadership demands are also unique, making it essential to view scale-ups as a separate category.

Over recent years, ScaleUp Nation has conducted extensive research on scale-ups and has supported numerous ventures through their development programs. Scale-ups possess what is often termed “Scale-up DNA”—the intrinsic qualities that give them the potential to grow. They also employ “Scale-up Lift Practices”—strategies that enable young enterprises to accelerate their growth, build momentum, and make significant progress.

Scale-ups are led by ambidextrous leaders: teams characterised by ambition, confidence, competitiveness, deep entrepreneurial experience, and the necessary management skills (strategic planning, operational execution, organisational development).

A ScaleUp Formula?

The question arises: Is there a formula for scaling that guarantees success? The short answer is no, for several reasons. Scale-ups operate in a volatile, uncertain, complex, and ambiguous environment, which necessitates risk-taking, making success partially contingent on luck. Moreover, each scale-up’s journey is unique, shaped by its background, sequence of events, and specific context. Just as history doesn’t repeat itself, neither does scale-up success. Scaling is also deeply intertwined with the individual characteristics of the founders. Finally, scaling is an organic, interconnected, and symbiotic process. Like life, it cannot be dissected without losing its essence. Therefore, any formula for scaling seems overly simplistic, mechanistic, and devoid of life. Instead, scaling should be seen as an art, akin to leading a community, raising a family, or living a fulfilled life.

Scaling vs. Stalling

We differentiate between scale-ups and stall-ups. Both types of ventures have moved beyond the startup phase—they have launched a product, generated initial revenues, and built an organisation. At this stage, some ventures (the scale-ups) manage to grow their revenues and organisations significantly, while others (the stall-ups) either stabilise or grow at a much slower pace. ScaleUp Nation acknowledges that “scale-up” and “stall-up” are loaded terms. These archetypes help us understand the drivers of scale-up success. No company can be definitively classified as a scale-up or stall-up in its early years. A company that exhibits many scale-up characteristics still faces numerous risks and critical decisions. Conversely, a company that shows fewer scale-up traits should not lose hope; both its DNA and Lift principles can be adapted. Ultimately, success hinges on a combination of good fortune, best practices, and a willingness to experiment and improve.

Scaling in Africa: African Scalecraft

In 2022, Systemic Innovation published a comprehensive and critical examination of scaling commercial ventures in Sub-Saharan Africa, focusing on the unique contexts, barriers, enablers, and future pathways. The resulting [African Scalecraft](#) resource offers a wealth of insights and puts forth key recommendations, including the need to enhance data collection and analysis. This initiative ultimately gave rise to the RISA Fund project, which is dedicated to fostering data collaboration and bolstering the research evidence base. Together, these efforts are designed to support more informed decision-making within and across Africa’s entrepreneurial ecosystems, ensuring that scaling initiatives are grounded in robust and reliable data.

Defining Key ScaleUp Factors

This report draws on The Art of Scaling - a seminal report from ScaleUp Nation, informing their ScaleUp Scan process, and providing structure to the often non-linear journey undergone by a minority of companies who transition from early stages of growth, to scalable, repeatable growth. This section discusses the challenges faced by ventures transitioning from the startup phase to becoming full-fledged scaleups. We prescribe to the perspective offered by The Art of Scaling that scaling is not formulaic but rather an art, requiring ventures to exhibit certain intrinsic qualities, referred to as "Scaleup DNA," and employ "Lift Practices" to ensure sustainable growth. Those factors are explored below:

Key scaling factors:

1. Scaleup DNA¹

At the core of successful ventures is a set of traits critical to their ability to scale:

- **Compelling vision:** A clear mission to solve a large, pressing problem with an innovative approach.
- **Great market:** Ventures must target large, profitable, and growing international markets.
- **Scalable business model:** Models that can become more profitable as they grow, leveraging efficiencies of scale.
- **Competitive edge:** Ventures must develop a unique, defensible position in the market, making it difficult for others to replicate.
- **Customer delight:** Ventures need to deliver products that not only meet market needs but surprise and engage customers, fostering loyalty.

2. Lift practices

These are operational strategies and structures that enhance the venture's ability to scale:

- **Ambidextrous leadership:** Teams must balance exploration (innovation) with exploitation (efficient execution). Founders often need to evolve into leaders who enable others rather than solve every problem themselves.
- **Strategic leaps:** Ventures must seize growth opportunities, whether through geographic expansion, product innovation, or leveraging market trends ("riding waves"). This often involves going international or embracing new markets.
- **Business flywheel:** The idea of a business flywheel involves creating a cycle of momentum that drives continuous growth. Elements of this include lean operations, relentless customer focus, and a continuous cycle of experimentation and learning.

3. Access to finance

Ventures that scale successfully typically have better access to finance. For African ventures, this means blending traditional venture capital with local financing solutions or grants. Positive working capital is crucial for maintaining healthy cash flow during growth.

Context of African ventures (Ethiopia, Rwanda, and Kenya): When evaluating scale-up potential in Africa, particularly in Ethiopia, Rwanda, and Kenya, these factors must be considered against the backdrop of unique regional challenges and opportunities.

- **Market size and growth:** While many African countries exhibit smaller market sizes, the overall continent is marked by high growth potential, especially in sectors like fintech, agritech, and mobile technology. Ventures in these countries must focus on market expansion beyond national borders, targeting the East African Community (EAC) and other pan-African markets.
- **Financing:** Access to finance remains a challenge, with many African ventures relying heavily on grants and impact investment. However, the increasing interest from international venture capitalists and the rise of local funds, such as those in Kenya, are beginning to close the financing gap.

¹ Utilising a heuristics approach, the African Scalecraft thesis tested whether the (early) success factors might need to be differentiated for the African context, due to various underlying conditions. More information can be read here: <https://www.africanscalecraft.com/scalingdna>

- **Leadership and talent:** In Africa, ambidextrous leadership is critical. Leaders in Ethiopia, Rwanda, and Kenya must balance local market knowledge with global expertise, particularly when expanding internationally. Leadership training, mentorship, and the ability to attract top talent are essential for navigating these complex environments.
- **Technology and innovation:** African ventures must leverage technology to scale efficiently. This includes developing scalable tech-enabled business models, such as leveraging mobile platforms in Kenya's fintech sector or adopting digital agriculture tools in Ethiopia.
- **Customer delight and adaptation:** Local context matters immensely in Africa. Ventures must deeply understand customer needs, which often vary widely across rural and urban areas. The ability to localise products while maintaining a broader global vision is crucial for success.

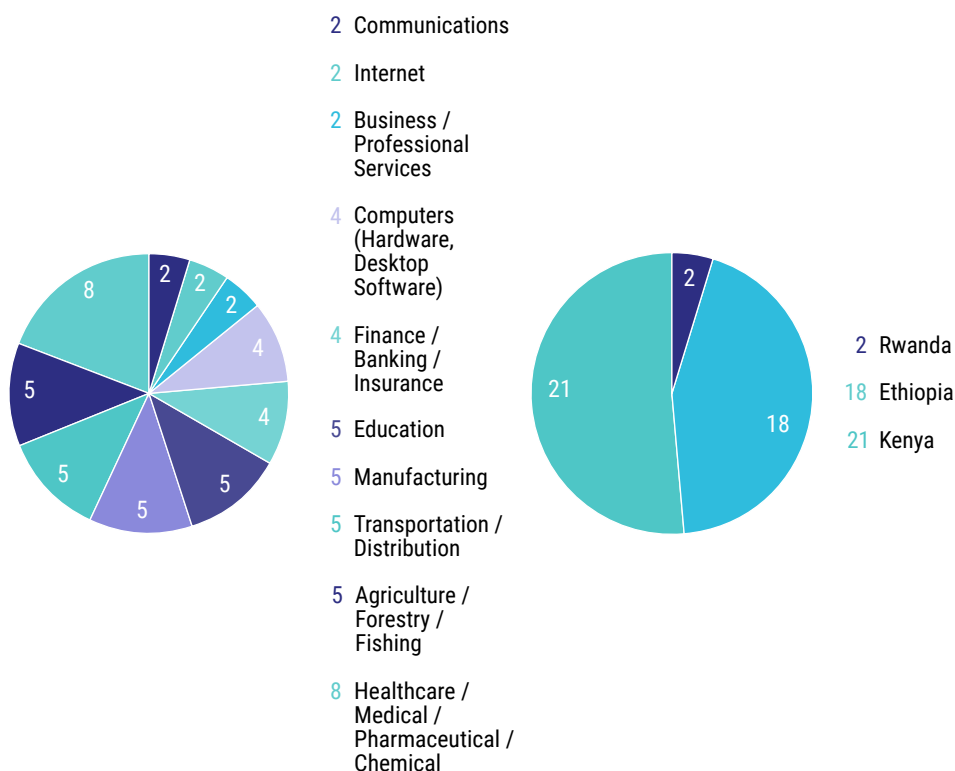
Dynamics of scaling in Ethiopia, Rwanda and Kenya

The following analysis draws on ScaleUp Scan data from ScaleUp Nation, conducted with 42 ventures operating in Ethiopia, Rwanda, and Kenya.

These companies represent a wide range of industries, including communications, finance, education, and agriculture. This diversity reflects the growth potential of African markets, which are marked by increasing demand for technology-driven solutions and services that address local needs. Sectors like fintech, mobile communications, and agriculture technology are particularly ripe for disruption, given the rapid adoption of digital solutions across Africa. However, despite the promise, the ventures assessed are relatively small, with most having fewer than 20 employees. This highlights that these businesses are in the early stages of scaling and face the initial hurdles of organisational growth.

Figure 1: Sectors and HQ countries of companies who conducted the ScaleUpScan

Source: ScaleUp Nation,
Systemic Innovation, 2024

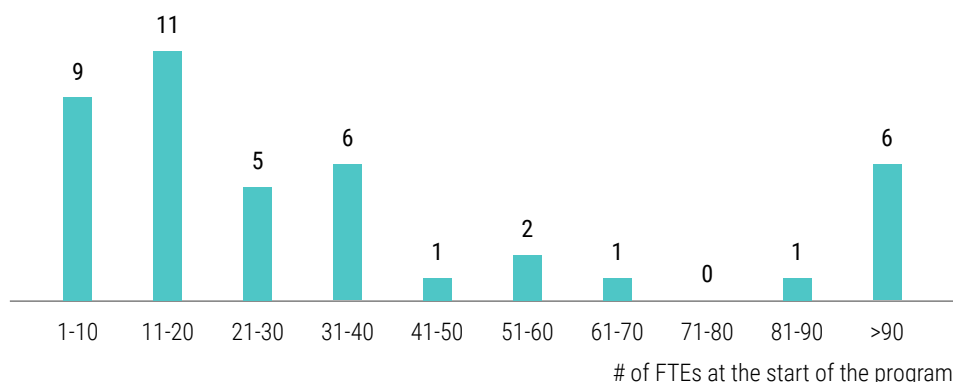


The ventures participating in the Africa Scan typically have 10-20 employees, which suggests that they are in the early stages of scaling.

Such early-stage ventures often grapple with capacity constraints, as small teams tend to lack the specialisation needed to efficiently manage rapid scaling. Research on early-stage African businesses often points to the challenge of limited access to experienced talent, particularly in technical and managerial roles. The ability to access and retain skilled labour is critical for these ventures to unlock their potential and begin moving towards higher levels of growth. Countries like Kenya, which are positioning themselves specifically as a technology hub (as opposed to all countries, who have recently prioritised support for startups in a sector agnostic manner), may have an advantage here, as the talent pool in these regions is gradually improving due to investment in education and workforce development.

Figure 2: Number of employees at ScaleUpScan companies

Source: ScaleUp Nation,
Systemic Innovation, 2024



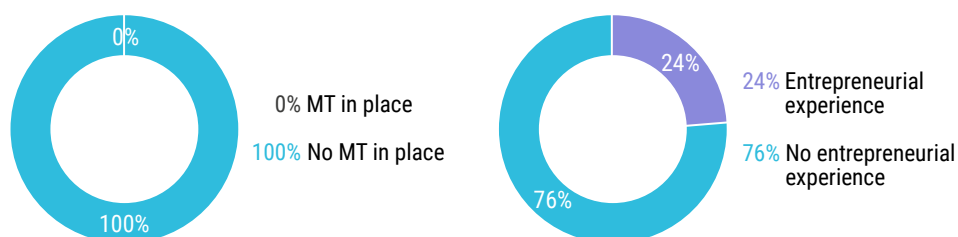
Entrepreneurial experience and leadership

Although all ventures have management teams in place, a substantial gap exists in entrepreneurial experience as seen in Figure 3. The majority of ventures are led by teams with limited prior experience in growing businesses, a factor that can significantly impede scaling efforts. Studies on high-growth startups globally suggest that experienced leadership, particularly individuals who have previously scaled ventures, is a key determinant of success. Without this experience, many ventures struggle with strategic decision-making and operational execution, particularly when faced with scaling challenges like resource allocation, market entry strategies, and managing growing teams.

In the African context, this challenge is exacerbated by the fact that entrepreneurial ecosystems are still maturing. Support systems such as mentorship, incubators, and accelerators—although growing—are not as well-developed as in more established ecosystems like Silicon Valley. This lack of accessible support networks means that many first-time entrepreneurs in Africa face a steep learning curve without the benefit of experienced mentorship, peer support, networks, or specific scaling support. Additionally, leadership development programmes in regions such as Kenya and Ethiopia are still in their relative infancy, further widening the gap in experienced management needed to drive growth.

Figure 3: Management team presence and entrepreneurial experience of companies

Source: ScaleUp Nation,
Systemic Innovation, 2024



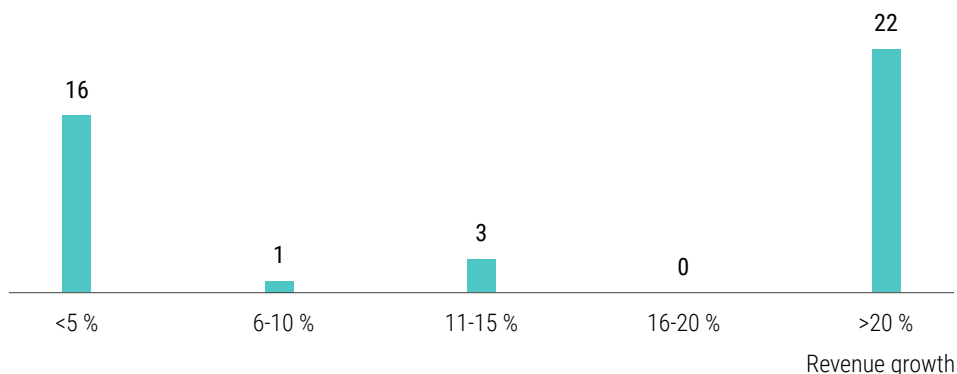
Revenue growth and performance variability

When examining the revenue growth of African ventures, there is a clear divide between those experiencing rapid growth and those that are stagnating. Approximately half of the ventures show significant revenue growth, but many others struggle with minimal or no increase. This divergence can be attributed to several factors, including market readiness, the scalability of business models, and access to capital. Ventures that are able to achieve rapid growth often benefit from strong market demand, scalable technology-driven solutions, and external funding, particularly from international investors.

However, ventures that show slower growth often face challenges in accessing finance, penetrating new markets, or managing operational inefficiencies. Research indicates that African ventures, particularly those in the early scaling phases, frequently struggle to secure the necessary funding to fuel growth. While impact investors and venture capital are increasingly interested in African markets, many ventures still find it difficult to access larger rounds of funding, especially beyond initial seed investments. The issue of undercapitalisation is particularly acute in Ethiopia, where financial infrastructure is still developing, and access to both local and international capital remains limited.

Figure 4: Company performance by revenue growth

Source: ScaleUp Nation,
Systemic Innovation, 2024

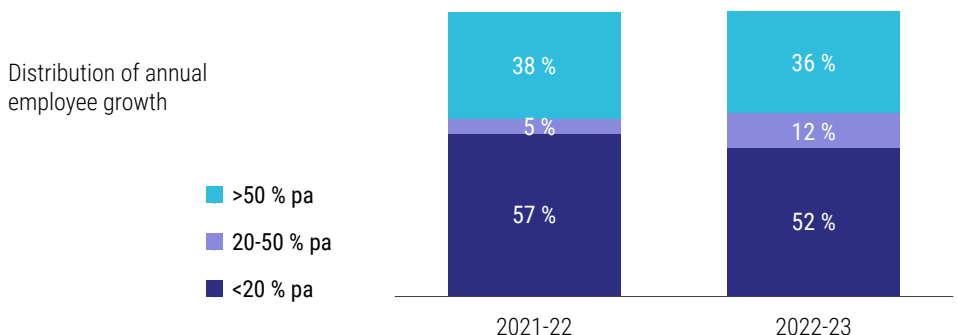


Employee Growth and scaling challenges

Employee growth trends indicate a slow-down in scaling efforts, with a notable increase in ventures experiencing low growth rates. This suggests that many ventures face challenges in managing the operational complexities that accompany rapid expansion. Growing an organisation quickly requires robust processes, infrastructure, and leadership that can handle the demands of increased scale. Without these in place, ventures often stagnate, unable to sustain the growth momentum needed to compete effectively.

Figure 5: Annual employee growth by year

Source: ScaleUp Nation,
Systemic Innovation, 2024

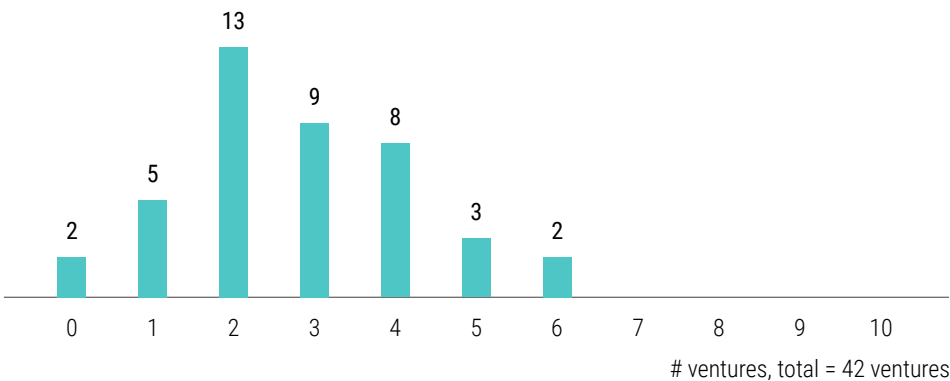


Employee growth is often tied to the ability of ventures to attract investment, scale operations, and enter new markets. However, in the African context, the complexity of scaling is compounded by infrastructure limitations and market volatility. The logistical challenges of expanding operations across multiple regions, coupled with regulatory complexities and infrastructure gaps, can slow down employee growth. Furthermore, competition for experienced talent remains fierce, particularly in emergent sectors such as fintech, where a small talent pool is in high demand.

Success factors

ScaleUp Scan data illustrates that many ventures who responded are missing several of the key success factors necessary for scaling, such as a scalable business model, strong leadership, and efficient operational processes. Only a small fraction of ventures demonstrate the presence of critical factors like “Customer Delight” or “Ambidextrous Leadership.” This gap highlights the broader issue of underdeveloped internal capabilities, which prevents ventures from effectively scaling their operations.

Figure 6: Number of success factors per company



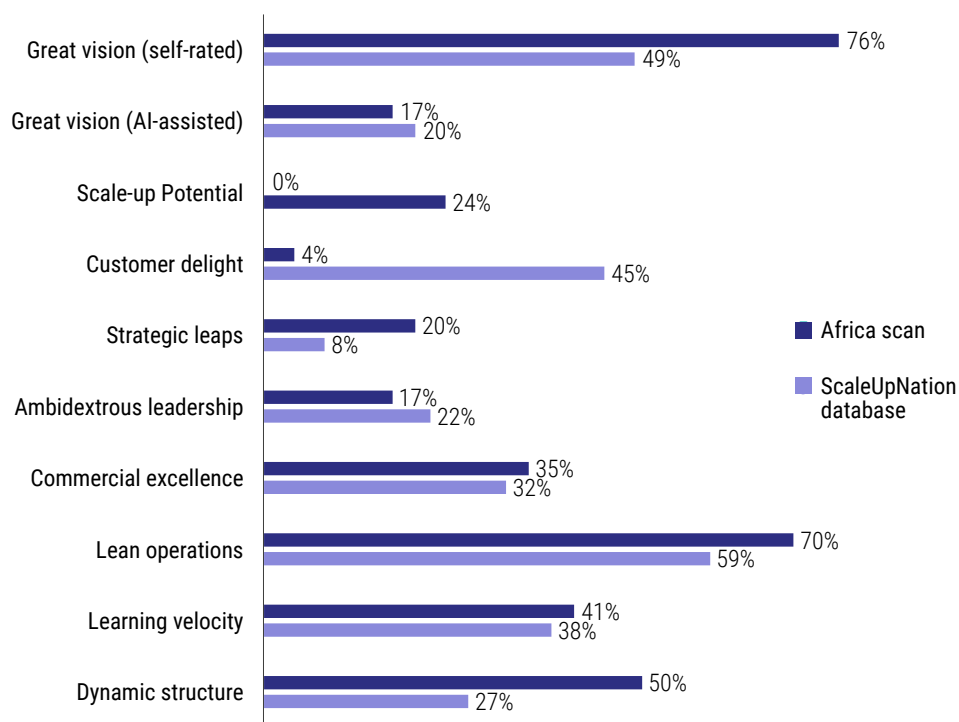
Source: ScaleUp Nation,
Systemic Innovation, 2024

Ventures need a combination of visionary leadership, market-fit products, and streamlined processes to scale successfully. For African ventures, achieving this is particularly challenging due to the fragmented nature of many markets and the regulatory hurdles that come with cross-border expansion. Additionally, the lack of scalable models—where increased revenue does not proportionally increase costs—hampers growth. Ventures in the region often rely on resource-intensive models, which may not scale efficiently without significant investment in technology and process improvements.

Costs and complexity usually increase, not decrease, with scale. Given the relatively small local markets, internationalisation (namely expanding across borders, though not necessarily outside the continent) is generally a prerequisite to scaling a venture in Africa. This (premature but necessary) strategy massively increases the costs and complexity of the business at a vulnerable point in its development cycle. Each country has its own set of macro and market challenges, including complex and costly regulatory compliance challenges and last mile delivery obstacles.

African scaling digital businesses are competing with better resourced international competitors. These international competitors offer technologically more advanced products and services which unbalances the playing field. Competitive capital or technical moats (defences that allow a company to maintain a competitive advantage) are in play, nonetheless this area is vastly under researched in Africa. Generally it is recognised that ‘frontier innovators’ often endure more organisational complexity upfront than Silicon Valley firms, yielding better position for them to endure and succeed over the long-term. Incumbents also enjoy unfair advantages. Large incumbents (sometimes state-backed monopolies) have long enjoyed privileged market positions, especially in key B2C sectors like financial services, retail and energy, which are notoriously hard to disrupt. They use their connections and market power to make barriers to entry for startups far more burdensome.

Figure 7: Success factors for Africa scan companies and the broader ScaleUp Nation database



Source: ScaleUp Nation,
Systemic Innovation, 2024

African firms appear to outperform European ventures on certain scale factors

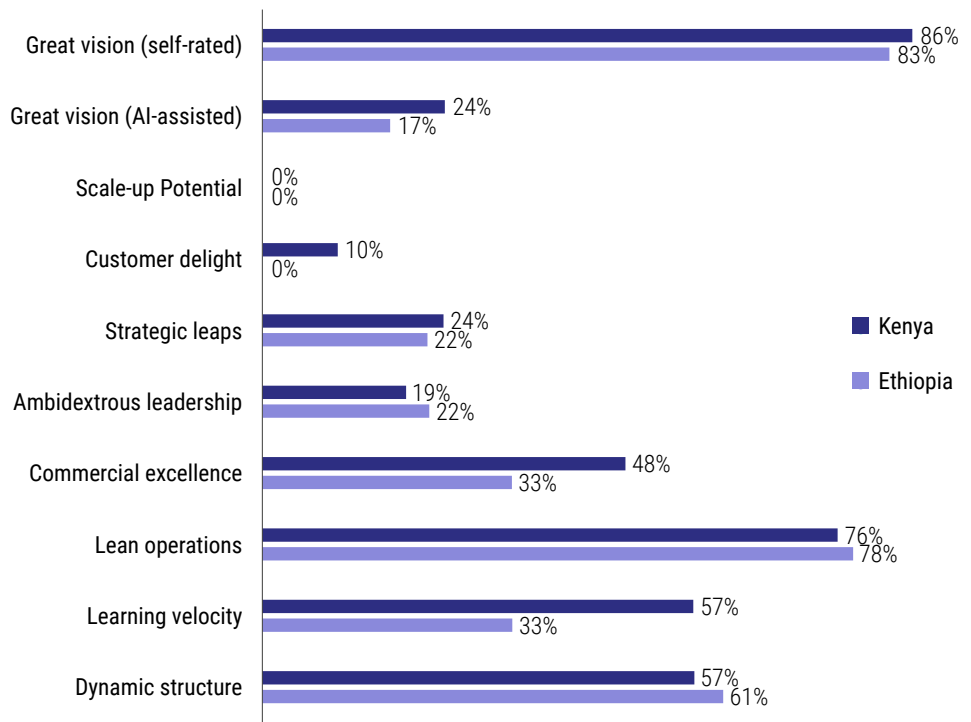
African firms are outperforming their European counterparts across several key indicators. From the limited data we collected it appears they exhibit exceptional vision, as reflected in high self-assessments. Their lean operations—often a result of necessity and more restricted financial capital available—enable them to optimise resources with remarkable efficiency. These firms also benefit from dynamic organisational structures. Moreover, African companies have demonstrated exceptional resilience, consistently overcoming challenges such as infrastructure gaps, political instability, and volatile economic conditions. African firms also frequently innovate out of necessity, leveraging limited resources to create impactful solutions. Operating in volatile and rapidly changing environments compels African businesses to remain agile, constantly adapting to shifting market dynamics.

Focus on leadership and organisational dynamics

Strong leadership is a critical component for scaling, yet many African ventures lack ambidextrous leaders who can balance innovation with operational efficiency. Without leaders who are capable of driving both exploration and execution, ventures are likely to fall behind. The ability to innovate while maintaining operational discipline is crucial for any venture hoping to scale, particularly in high-growth sectors where competition is fierce.

Many African ventures operate in highly dynamic environments where agility and strategic vision are essential. However, leadership teams often struggle with the complexity of scaling across multiple geographies and markets. In countries like Ethiopia, the regulatory environment adds further complexity, requiring leaders to be adept at navigating local challenges while maintaining a global perspective.

Figure 8: Success factors in Kenya and Ethiopia



Source: ScaleUp Nation,
Systemic Innovation, 2024

Performance by country

With a low number of responses, Rwanda is excluded from this analysis. When comparing the ventures across countries, Kenya emerges as a leader in several areas, such as the development of visionary leadership (24% great vision, compared to 22% in Ethiopia) and customer-centric models (10% in Kenya, compared to 0% in Ethiopia). This may reflect Kenya's more developed entrepreneurial ecosystem, which has benefited from a longer lineage of institutional support, more mature financial markets, and greater international investment. In contrast, ventures in Ethiopia face more significant barriers to scale, including less developed infrastructure, fewer financing options, and less exposure to international markets.

Conclusions

This report, leveraging the learnings and practice of ScaleUp Nation's ScaleUp Scan method, highlights the complexities of scaling high-growth ventures in Kenya, Ethiopia, and Rwanda, showcasing a mixture of potential and current challenges, which may stand in the way of scaling growth. The ventures examined demonstrate diverse sectoral participation, yet most remain small and in the early stages of their scaling journeys. While countries such as Kenya show promising strides towards establishing more mature entrepreneurial ecosystems, gaps in leadership experience, limited access to capital, and infrastructural constraints continue to hamper the scaling potential of many African businesses.

The findings reinforce the importance of visionary leadership, scalable business models, and a strong operational foundation as critical success factors for ventures aspiring to scale. However, the lack of entrepreneurial experience, particularly among leadership teams, poses a substantial barrier, exacerbating difficulties in navigating the unpredictable and complex nature of African markets. Furthermore, access to finance remains a pervasive issue, with many ventures relying on grants and impact funding, rather than being able to tap into more sustainable and growth-oriented sources of capital.

It appears that specific knowledge and practical support gaps exist, particularly with respect to scale up potential. To address this, we are developing an open-source scaling curriculum tailored for entrepreneurship support organisations (ESOs), enabling them to provide essential learning and guidance to businesses. Alongside this, the newly launched, FCDO-sponsored Market Expansion Toolkit will offer companies valuable insights and resources to facilitate successful international market entry.

Kenya's relatively stronger performance, particularly in leadership vision and customer-centric approaches, may reflect the country's more advanced entrepreneurial ecosystem, bolstered by better access to both local and international capital and talent. Ethiopia and Rwanda, while demonstrating potential, face additional barriers that include underdeveloped financial systems, regulatory hurdles, and limited scaling infrastructure.

Ultimately, this report underscores the need for a tailored approach to supporting African ventures, one that goes beyond offering capital and mentorship and instead fosters a broader ecosystem of support. This includes more robust leadership development programmes, improved access to markets, and continued efforts to close the talent gap. Only with a comprehensive, multifaceted strategy can African ventures truly unlock their potential and contribute meaningfully to the region's economic growth and job creation. As we look ahead, it is clear that scaling in Africa remains an art, one that requires not only vision and ambition but also a deep understanding of the unique challenges and opportunities that define the entrepreneurial ecosystems of Ethiopia, Rwanda and Kenya.

For further information, please get in touch via: contact@systemicinnovation.work
To learn more about the RISA Fund visit www.risa-fund.org