



**DIGITAL
TRANSFORMATION
CENTER NIGERIA**



AN ASSESSMENT OF ISO SERVICE DELIVERY FOR NON-TECH MSMEs IN NIGERIA

Implemented By: Eco Consult



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About Digital Transformation Center Nigeria (DTC Nigeria)

The Digital Transformation Center Nigeria (DTC Nigeria) is jointly funded by the European Union (EU) and the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by *Deutsche Gesellschaft fuer Internationale Zusammenarbeit* (GIZ) GmbH. The project focuses primarily on digitalisation and entrepreneurship. The aim of the project is to improve the capacity of the Nigerian economy to utilise digital innovations for growth and improve the innovation ecosystem.

DTC Nigeria cooperates with key stakeholders in the Nigerian and International Digital Innovation Ecosystem, such as: National Information and Technology Development Agency (NITDA), research and academic institutions, innovation hubs, networks, start-ups, Micro Small and Medium Enterprises (MSMEs), women and youth. The project will achieve its objectives through the following outputs:

- **Output 1, Digital Policy & Cooperation** - Improved innovation-friendly conditions for the digital economy are promoted by building capacities of key political institutions to: make evidence-based policies and implement them with the participation of ecosystem stakeholders at federal and state level, build capacities on new trends in the digital innovation ecosystem, and enable cooperation and dialogue between national and international actors from the policy and innovation ecosystem.
- **Output 2, Digital Innovation Ecosystem Support** - Improved service offerings from Innovation support organisations (ISO) for the digital transformation of non-Tech MSMEs are promoted by: supporting the establishment of DIHs in line with the AEDIB|NET framework and enabling knowledge transfer and capacity building between DIHs in Europe and Nigeria. In addition, existing ISOs are strengthened to provide services to start-up and innovative MSMEs to validate existing digital solutions and to MSMEs in non-ICT sectors to foster their digital transformation.
- **Output 3, Digital Innovation & Entrepreneurship** - New and validated innovative solutions are produced and deployed for use by: developing programmes that allow MSMEs within a structured process to deploy digital solutions. By fostering strategic innovation partnerships between local research as well as higher education institutions, start-ups, innovative SMEs, and other actors in the innovation ecosystem, validated solutions will be further developed and made accessible for use in MSMEs. To address the supply and demand gap, a market for service providers offering digital transformation services to MSMEs will be established.
- **Output 4, Digital & Entrepreneurial Skills for Women & Youth** - Digital and entrepreneurial skills are developed among youth and women by: harmonising existing digital and entrepreneurial skills programmes of innovation support organisations, public and private training providers, etc. through a national digital and entrepreneurial training qualification framework. This will support the standardisation of digital and entrepreneurial training programmes and increase quality. In addition, women's digital and entrepreneurial skills are promoted through special acceleration programmes, the development of a mentoring and coaching network, and the establishment of a nationwide platform that aggregates information on programmes, services, and mentors for women.

About Innovation Support Network (ISN Hubs)

Innovation Support Network (ISN Hubs) is a not-for-profit organization founded by 75 Hub owners in Nigeria with the mission of driving collaboration, innovation, employability, and entrepreneurship through Hubs. Today, ISN Hubs has grown into a robust community of over 150 entrepreneurship, impact, innovation, and technology Hubs across Nigeria.

ISN Hubs fosters an environment that supports policy advocacy and forges strong linkages between corporates, academia, funders, and development partners. Through structured capacity-building programs such as National & Regional Knowledge Share Gatherings, Demo Days, and "Meet the Funders" sessions, ISN Hubs is committed to promoting the sustainability and growth of its member Hubs.

ISN Hubs' work aligns with and supports the Sustainable Development Goals (SDGs) 8, 9, 10, and 17, while actively promoting employment, inclusive innovation, and sustainable economic growth.

The mission is to organize, inspire, support, and foster collaboration among Nigerian Hubs, enabling them to provide employability and entrepreneurship support services that contribute to a diversified economy. ISN Hubs aims to advance the technology, innovation, and early-stage entrepreneurship ecosystem in Nigeria.

ISN Hubs provides services such as:

- Capacity Development: Building skills and expertise within the Hub ecosystem.
- Setting Standards: Establishing best practices for operational excellence and sustainability.
- Access to Opportunities: Connecting Hubs to funding, mentorship, and growth opportunities.
- Stakeholder Engagement: Engaging with key stakeholders to drive advocacy and foster innovation.

ISN Hubs plays a critical role in empowering the entrepreneurial ecosystem, ensuring that innovation and collaboration are at the heart of Nigeria's economic diversification efforts.

EXECUTIVE SUMMARY

This report outlines the findings of a comprehensive assessment of Innovation Support Organisations (ISOs) in Nigeria and their role in aiding Non-Tech Micro, Small, and Medium Enterprises (MSMEs). The analysis focused on understanding the ISO landscape, evaluating the support provided to Non-Tech MSMEs, and identifying how ISOs can be bolstered to enhance this support.

Key Findings

- ISOs surveyed are predominantly private sector-driven entities with a significant number operating as for-profit social enterprises.
- A strong focus exists on human capital development, with most ISOs surveyed offering training and mentorship services to Non-Tech MSMEs.
- Financial constraints and limited technical expertise are the main challenges faced by ISOs surveyed, impacting the breadth and depth of support they can provide.
- The surveyed ISOs' reach is limited, often supporting less than 100 MSMEs annually, attributed to a lack of awareness among Non-Tech MSMEs about the available support.
- According to the ISOs surveyed, Non-Tech MSMEs' most pressing needs include financial support and business development training.

Strategic Actions

The report proposes a strategic framework encompassing increased funding options, capacity building, technology adoption facilitation, and partnership development. By strengthening ISO's operational capabilities and enabling a deeper engagement with Non-Tech MSMEs, the innovation ecosystem can be significantly enhanced, driving sustainable economic growth in Nigeria.

TABLE OF CONTENTS

ABOUT DIGITAL TRANSFORMATION CENTER NIGERIA (DTC NIGERIA)	III
ABOUT INNOVATION SUPPORT NETWORK (ISN HUBS)	IV
EXECUTIVE SUMMARY	V
• Key Findings	
• Strategic Actions	
TABLE OF CONTENTS	VI
LIST OF ABBREVIATIONS	VII
LIST OF TABLES & FIGURES	VIII
BACKGROUND	10
• MSMEs and Non-Tech MSMEs in Nigeria	
• Innovation Support Organisations in Nigeria	
• Assessment Necessity & Objectives	
ASSESSMENT METHODOLOGY	13
• Assessment Design	
• Data Collection Method	
• Data Management	
• Data Analysis	
• Presentation of Findings	
• Focus on Key Assessment Questions	
HOW IS THE CURRENT ISO LANDSCAPE IN NIGERIA?	15
• Operational Scope of the ISOs Surveyed	
• Focus Sectors and Services of the ISOs	
• ISOs Funding and Capacity	
ARE ISOS SUPPORTING NON-TECH MSMES?	21
• Innovation Support Services Provided by ISOs Surveyed	
• ISO Support for Non-Tech MSMEs	
WHAT SUPPORT DO ISOS REQUIRE?	25
• Major Challenge: Securing Funding	
• Capacity Building Needs of ISOs	
• Opportunities to Better Support Non-Tech MSMEs	
• ISOs Indicators of MSME Support Success	
• How Non-Tech MSMEs Locate ISOs Surveyed	
CONCLUSION AND RECOMMENDATIONS	31
REFERENCE LIST	34

LIST OF ABBREVIATIONS

AI	Artificial Intelligence
DTC	Digital Transformation Center
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICT	Information, Communication Technology
IoT	Internet of Things
ISN	Innovation Support Network
ISO	Innovation Support Organisation
ISP	Innovation Support Programs
MSME	Micro, Small and Medium Enterprises
NITDA	National Information Technology Development Agency
Non-Tech	Non-Technological
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria

LIST OF TABLES AND FIGURES

Table 1. The Nigerian National Policy Classification of MSMEs	10
Figure 1. Bar chart showing the MSME Distribution and Contribution (SMEDAN)	12
Figure 2. Histogram showing the operational years of ISOs surveyed	15
Figure 3. Chart showing the different types of ISOs surveyed	15
Figure 4. Pie chart depicting the main recipients of surveyed ISOs programs and services	15
Figure 5. Bar chart showing the states of the ISOs surveyed	16
Figure 6. Pie Chart depicting the geopolitical distributions of ISOs surveyed	16
Figure 7. Ring Charts showing the identified focus sectors of ISOs surveyed	17
Figure 8. Charts showing the identified services provided by ISOs surveyed	17
Figure 9. Charts showing the funding sources and organisational structure of the ISOs surveyed	17
Figure 10. Pie Chart showing the Nigerian geopolitical distributions of ISOs surveyed	18
Figure 11. Histogram showing the operational years of ISOs surveyed	18
Figure 12. Charts showing the primary focus sectors and main recipients of surveyed ISOs programs and services	19
Figure 13. Bar showing the source of funding for ISOs surveyed	20
Figure 14. Bar showing the identified staff strength of ISOs surveyed	20
Figure 15. Charts showing Identified main challenges faced by non-tech MSMEs and unprovided services requested by non-tech MSMEs	21
Figure 16. Bar chart showing services ISOs surveyed are equipped to offer	22
Figure 17. Charts showing the challenges faced in supporting non-tech MSMEs by ISOs surveyed	23
Figure 18. Charts showing the number of non-tech MSMEs supported by ISOs surveyed annually	23
Figure 19. Pie chart showing the services requested by non-tech MSMEs but are not provided by the ISOs surveyed	24
Figure 20. Ring charts showing the main challenges non-tech MSMEs face in accessing innovation support	24
Figure 21. Charts and figures depicting survey breakdown, required capacity building areas and non-tech MSMEs	25
Figure 22. Ring charts showing identified challenges faces in securing funding by ISOs surveyed	26
Figure 23. Bar chart showing the areas of capacity building required by ISOs surveyed	27
Figure 24. Bar chart showing areas identified by ISOs for improved non-tech MSME support	28
Figure 25. Histogram showing success metrics of innovation support programs measured by ISOs	29
Figure 26. Donut chart showing how ISOs surveyed are found by non-tech MSMEs	30

BACKGROUND

Micro, Small, Medium Enterprises (MSMEs) in Nigeria

MSME is an acronym for Micro, Small, and Medium Enterprises. These are business entities classified based on their revenue and staff size. The exact criteria for defining MSMEs can vary by country or defining organisation, but they generally include the following:

- **Micro Enterprises:** These are the smallest entities, usually with a low investment in plant and machinery. Micro enterprises typically have fewer than 10 employees.
- **Small Enterprises:** Small enterprises have higher investment limits compared to micro- enterprises but are still smaller in scale compared to medium-sized enterprises. They often have between 10 to 50 employees.
- **Medium Enterprises:** Medium-sized enterprises have higher investment limits and employee counts compared to micro and small enterprises but are still smaller than large corporations. The number of employees in medium enterprises can range from 50 to 250, depending on the country's classification criteria.

Enterprise Category	Total Assets/Sales (Naira)	Employee Size
Micro	Less than 10,000,000	Less than 10
Small	10,000,000 - 100,000,000	10-49
Medium	Less than 1,000,000,000	50-199

Table 1. The Nigerian National Policy Classification of MSMEs

The 2021 SMEDAN (Small and Medium Enterprises Development Agency of Nigeria) MSME Survey Report highlights that MSMEs, which comprise about 90% of all businesses in Nigeria, play a crucial role in the economy by employing millions and contributing approximately 48% to the national GDP, with micro enterprises making up about 97% of this segment.

Innovation Support Organisations (ISOs) in Nigeria

Innovation Support Organizations (ISOs) in Nigeria play a crucial role in fostering innovation across economic and social sectors, supporting startups, entrepreneurs, and established companies. They function as hubs that promote business development, technological entrepreneurship, and collaboration within the business ecosystem.

Essential services provided by ISOs include capacity building through training and mentorship, facilitating access to funding, and aiding in business development. They also focus on fostering innovation and technology adoption by hosting events and advocating for supportive government policies. Moreover, ISOs connect startups with MSMEs and large corporates, enhancing their capacity for innovation and business development.

These organizations are instrumental in boosting Nigeria's efficiency, productivity, and competitiveness, especially in the digital and Industry 4.0 eras. Their strategies aim to manage knowledge, increase funding, and protect intellectual property to create an innovation-friendly environment and encourage collaboration among various stakeholders.

ISOs are pivotal in the growth and development of MSMEs, offering vital support for digital transformation and innovation. Their impact on the MSME sector is significant, prompting this research to explore ways to enhance their effectiveness and ensure sustainable economic growth by enabling MSMEs to innovate and compete globally.

Nevertheless, ISOs in Nigeria face challenges such as the need for effective innovation management, sufficient funding, and improved infrastructure. These challenges are crucial as they impact the ability to sustain development and compete globally, emphasizing the importance of skilled human resources, developed ICT infrastructure, and collaboration among business partners (Adegbiyi, 2022).

Assessment Necessity and Objectives

The necessity to conduct an assessment of the service delivery of Innovation Support Organizations (ISOs) in Nigeria stems from the crucial role these entities play in fostering innovation and supporting Micro, Small, and Medium Enterprises (MSMEs). The Digital Transformation Centre Nigeria (DTC Nigeria), aims to bolster Nigeria's digital economy through strategic interventions that enhance the innovation ecosystem. Given that MSMEs constitute a significant portion of Nigeria's economy, contributing approximately 48% to the national GDP, it is imperative to understand the capabilities and shortcomings of ISOs that are pivotal in driving their digital transformation and competitiveness.

The assessment is essential to identify the current capacities of ISOs, evaluate their service offerings, and pinpoint gaps that hinder their effectiveness in supporting non-technical MSMEs. This comprehensive evaluation aims to provide evidence-based recommendations to strengthen ISOs, ensuring they can effectively facilitate digital transformation and innovation among MSMEs. By addressing these gaps, the assessment seeks to create an environment conducive to sustainable economic growth, leveraging digital solutions to enhance the productivity and competitiveness of MSMEs across Nigeria. Through targeted interventions and capacity-building initiatives, the goal is to establish a robust framework for operational excellence among ISOs, ultimately fostering a more dynamic and resilient innovation ecosystem.

The primary objective of the needs assessment is to conduct a thorough evaluation of Innovation Support Organizations (ISOs) within Nigeria, seeking to understand their current capacities, services, and the gaps that exist in their support for non-technical MSMEs. By identifying these areas for improvement, the research seeks to develop evidence-based recommendations to bolster ISOs' ability to aid MSMEs in their digital transformation journeys and foster economic growth.

Additionally, the assessment intends to establish a framework for operational excellence among ISOs, enhancing their efficiency and effectiveness in supporting the MSME sector. This involves not only mapping the current landscape of ISO services and support mechanisms but also proposing strategic interventions to fill identified gaps, thereby ensuring that MSMEs can leverage digital innovations for sustainable development.

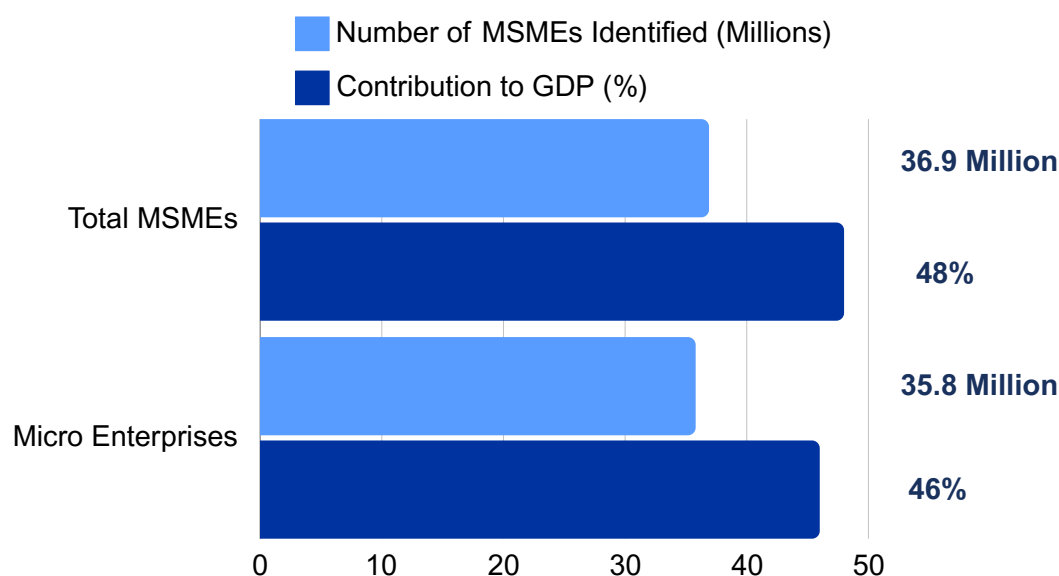


Figure 1. Bar chart showing the MSME Distribution and Contribution (SMEDAN)

ASSESSMENT METHODOLOGY

Assessment Design

This assessment employed an exploratory approach to understand the current landscape of Innovation Support Organisations and MSME Support in Nigeria. A simple online survey was designed to gather data from ISOs across the country.

Data Collection Method

The primary method of data collection employed in the study was a structured online survey, designed to capture detailed information about Innovation Support Organizations, including their funding sources, services, service recipients, main sectors of focus, and geographic locations. This approach ensured a broad understanding of the operational landscape of these organizations as well as their activities related to the support of Non-Tech MSMEs. The survey's structured format facilitated the collection of relevant and specific data, providing a solid foundation for the subsequent analysis.

Data Management

Following data collection phase, the respondent data was transferred to Microsoft Excel where it underwent a thorough cleaning process to ensure accuracy and consistency. This process included checking for and addressing missing values, identifying and correcting outliers, and inconsistencies, and ensuring only complete and consistent responses were analyzed. After cleaning, the data was carefully arranged to simplify the analysis, helping to summarize the results and uncover important insights related to the key research questions.

Data Analysis

The analysis phase involved the use of qualitative and quantitative data analysis techniques to review and derive insights from the data collected from the surveyed ISOs. This phase involved data reduction and simplification to extract key information necessary to answer the main questions of the assessment.

Presentation of Findings

The research findings were presented through an array of charts, tables and graphs aimed at enhancing the clarity and comprehensibility of the data. This visual representation allowed for an easier understanding of key trends, patterns, and relationships that emerged from the data analysis. These findings were further explored and discussed in detail in the subsequent sections of the report, providing a comprehensive overview of the assessment outcomes.

Focus on Key Assessment Questions

To gain a deep understanding of how ISOs work with Non-Tech MSMEs in Nigeria, there was a deliberate focus on three crucial questions. These questions were required to uncover the nature of the relationship between ISOs and Non-Tech MSMEs, looking at how they collaborate, support and drive growth together. By homing in on these questions, the strengths and gaps in the current ecosystem became apparent, providing a clear picture of how ISOs can contribute to the development of non-tech MSMEs in Nigeria.

The first assessment question seeks out an understanding of the landscape of Innovation Support Organizations (ISOs) in Nigeria, particularly their make-up, operational areas, and level of support for non-technical MSMEs. The assessment focused on mapping the geographic distribution of these ISOs, their primary sectors of interest, and the types of services they provide to facilitate business growth and innovation. This question was crucial for identifying the strengths and areas for improvement within the ISO network, enabling the suggestion of more effective strategies for ISOs to support Non-Tech MSMEs.

The second assessment question explores the ability and effectiveness of ISOs in providing support to Non-Tech MSMEs in Nigeria, delving into the nature and extent of assistance offered. This involved assessing whether these ISOs meet the specific needs of Non-Tech MSMEs and identifying any barriers that may hinder effective support. Understanding these dynamics was essential for pinpointing the gaps in service delivery and proposing actionable recommendations to enhance the support framework for Non-Tech MSMEs.

The third assessment question explores strategies to bolster the capacities of ISOs, to improve their support for Non-Tech MSMEs, particularly in areas of digital transformation and business growth. This required evaluating current support mechanisms and identifying innovative approaches that could empower ISOs to more effectively aid these enterprises. By pinpointing effective methods and practices, the aim was to provide a roadmap for ISOs to enhance their assistance to Non-Tech MSMEs, ensuring these businesses can thrive in an increasingly digital marketplace.

1

HOW IS THE CURRENT ISO LANDSCAPE IN NIGERIA?

Survey Breakdown

61 ISOs representatives surveyed

23 Nigerian states represented

75% Provide services to Non-Tech MSMEs

79% ISOs surveyed are Self-funded

Operational Years of ISOs

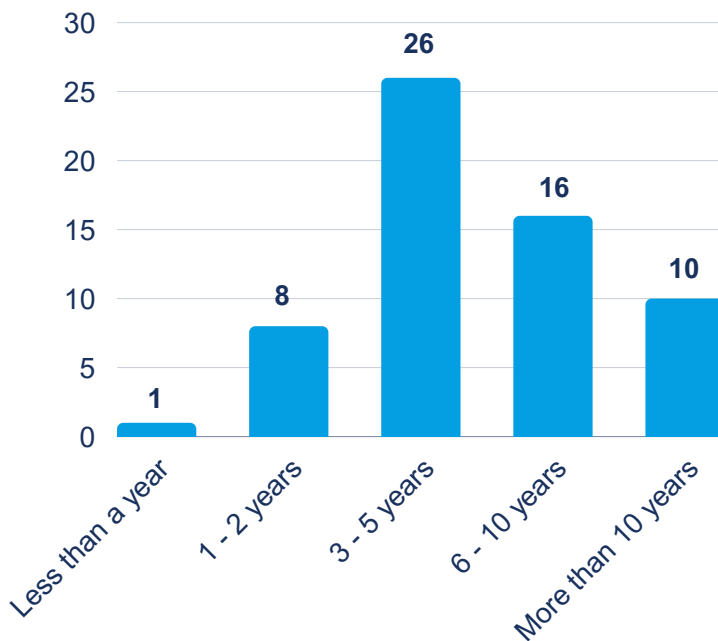


Figure 2. Histogram showing the operational years of ISOs surveyed

Types of ISOs

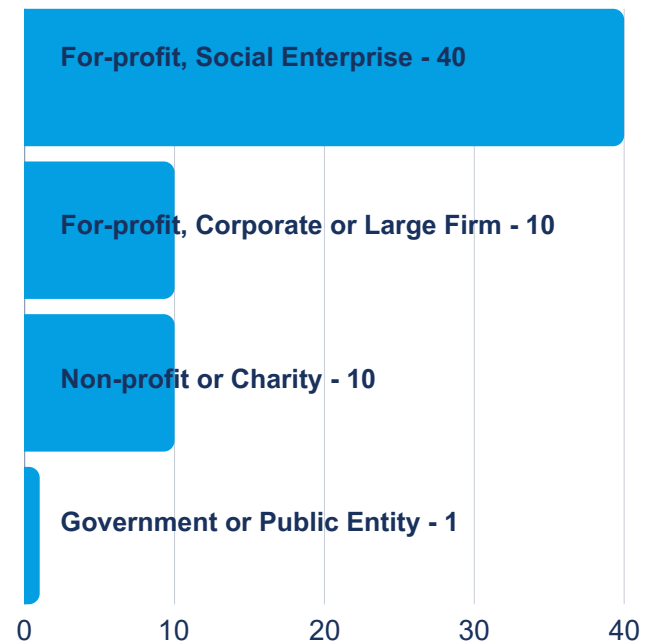


Figure 3. Chart showing the different types of ISOs surveyed

Main Recipients of Programs & Services

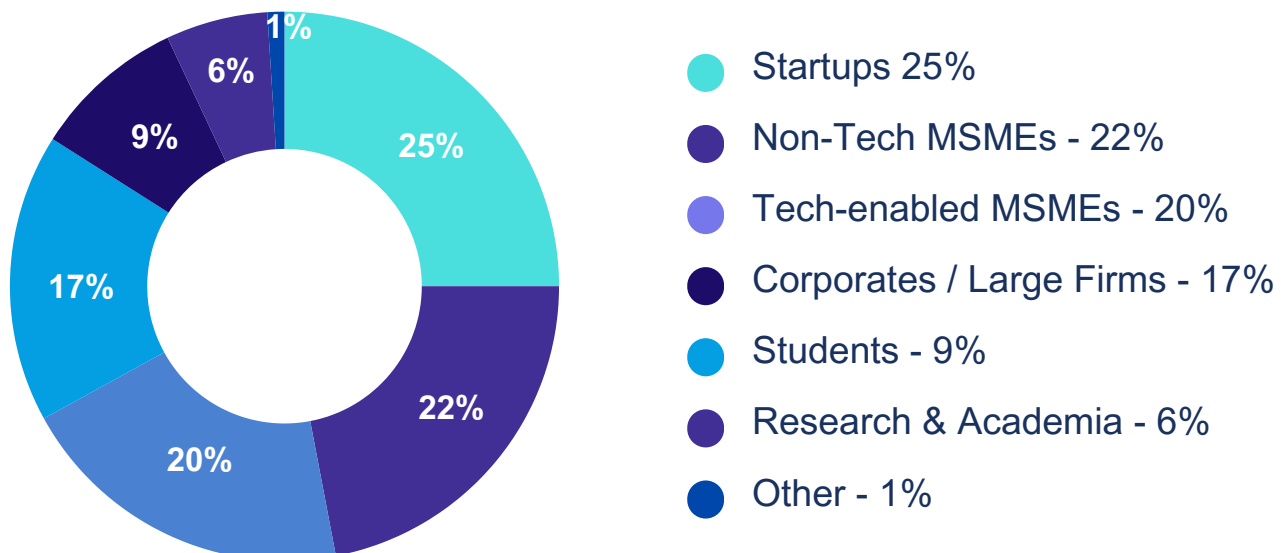


Figure 4. Pie chart depicting the main recipients of surveyed ISOs programs and services

1

HOW IS THE CURRENT ISO LANDSCAPE IN NIGERIA?

State distribution of surveyed organisations

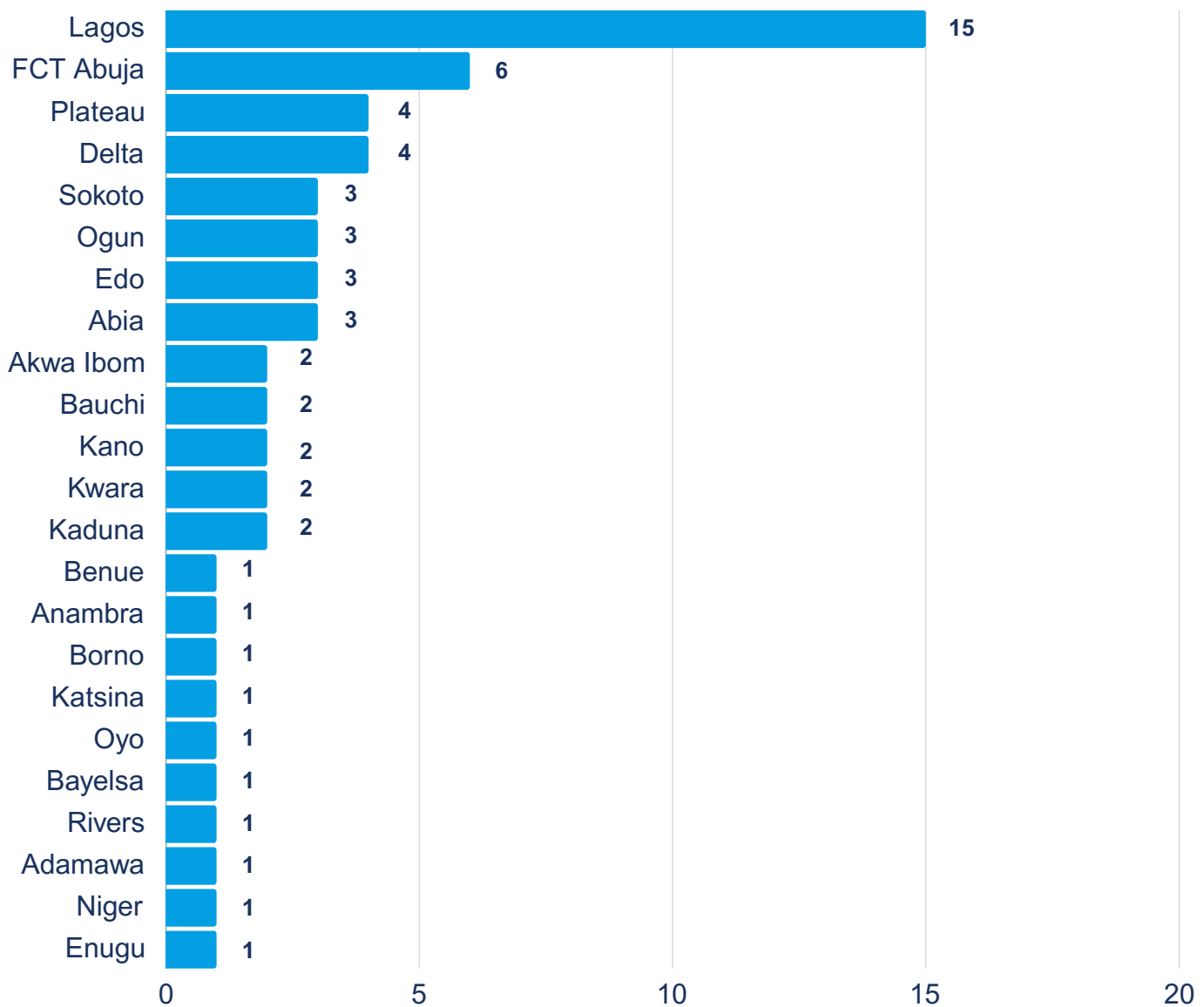


Figure 5. Bar chart showing the states of the ISOs surveyed

Nigerian geopolitical distribution of surveyed organisations

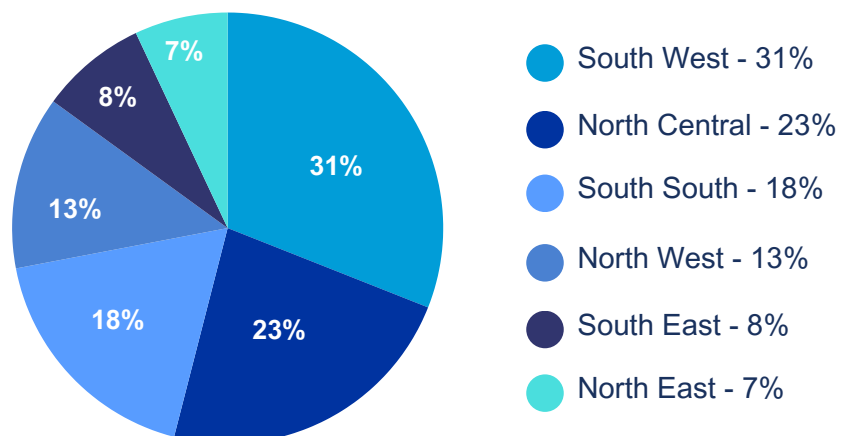


Figure 6. Pie Chart depicting the geopolitical distributions of ISOs surveyed



HOW IS THE CURRENT ISO LANDSCAPE IN NIGERIA?

Focus Sectors

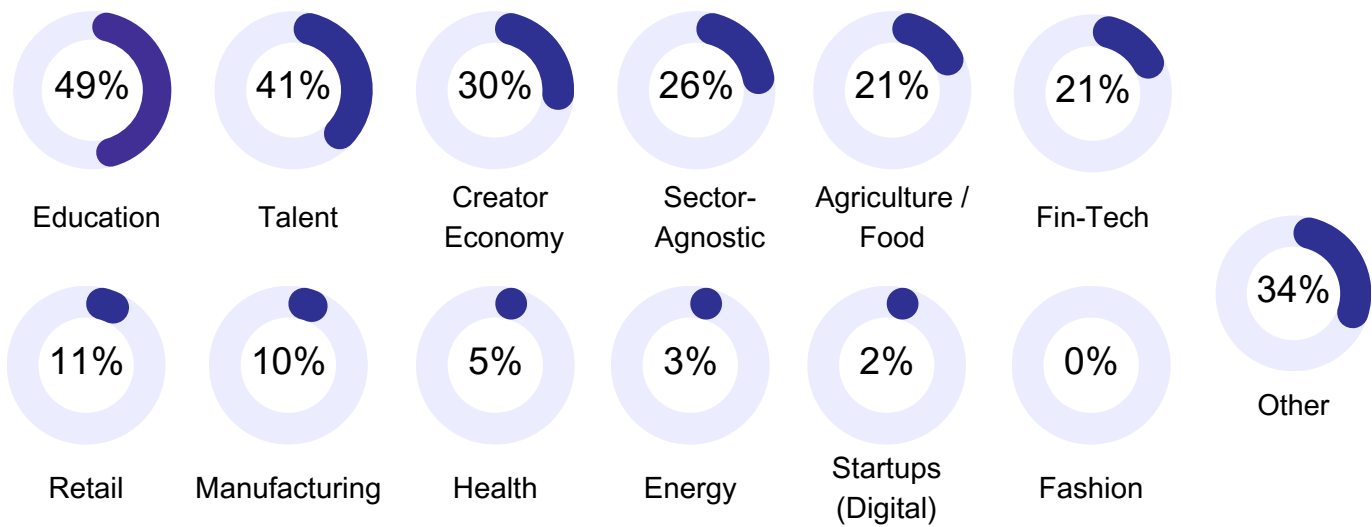


Figure 7. Ring Charts showing the identified focus sectors of ISOs surveyed

Services Provided by ISOs Surveyed

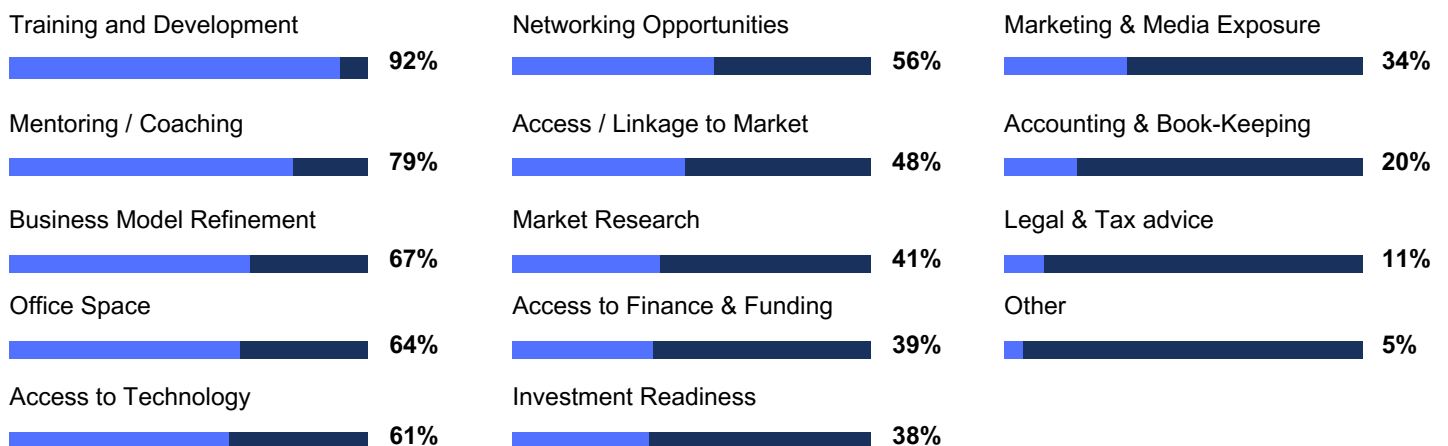
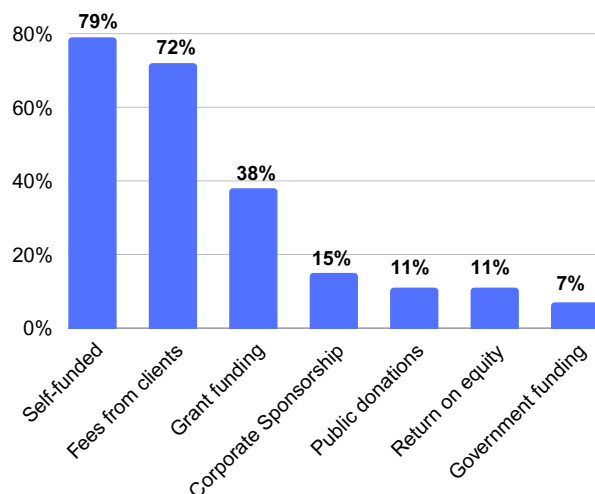


Figure 8. Charts showing the identified services provided by ISOs surveyed

How ISOs Surveyed are Funded



Staff Strength of ISOs

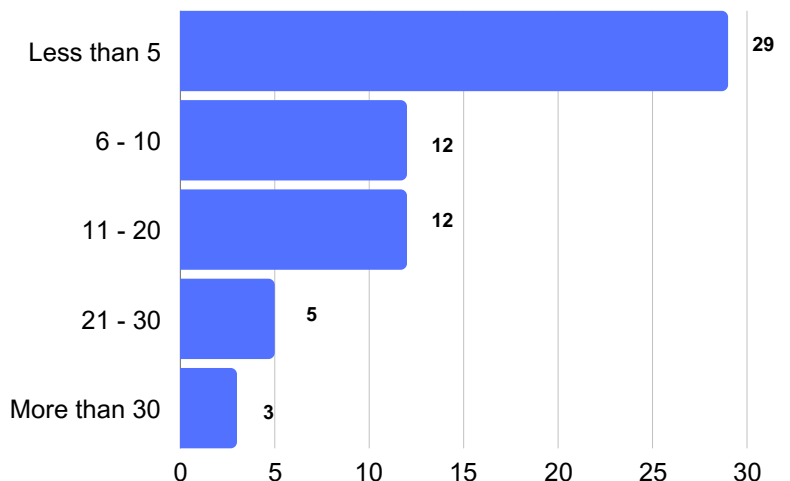


Figure 9. Charts showing the funding sources and organisational structure of the ISOs surveyed

Operational Scope of ISOs Surveyed

The surveyed ISOs, comprising about 12% of Nigeria's operational ISOs, predominantly function in Lagos, reflecting a well-developed innovation support infrastructure in Nigeria's economically vibrant urban centres like Lagos, the commercial hub, and Abuja, the administrative capital. While other states show lesser presence, it suggests a growing awareness and adoption of innovation support activities across diverse economic and social contexts nationally.

A majority, 66% of ISOs, operate as for-profit social enterprises, highlighting a trend towards entrepreneurial ventures that blend innovation with social impact to tackle societal challenges. The survey shows a notable shift towards sustainable, impact-driven entrepreneurship with minimal government involvement (2%), indicating that the innovation support scene is largely propelled by the private and non-profit sectors. The operational data of the ISOs point to a relatively young but expanding ecosystem, with 43% having been established within the last 3 - 5 years, underscoring the escalating recognition of innovation's role in economic growth and societal betterment.

Nigerian geopolitical distribution of surveyed organisations

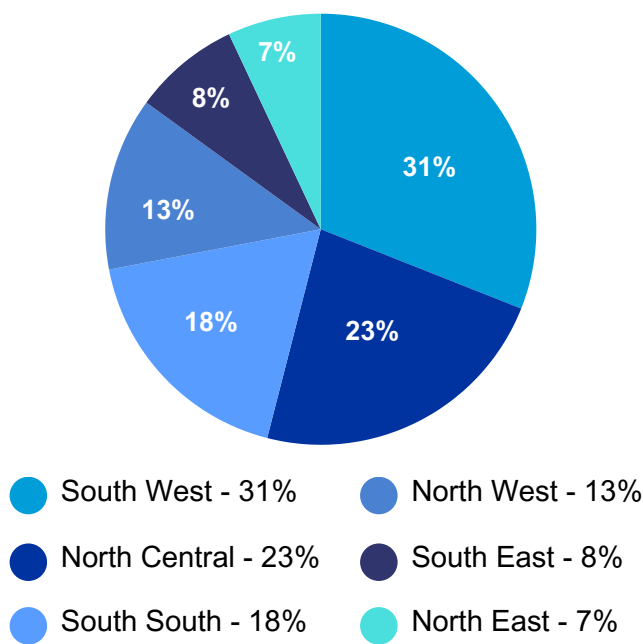


Figure 10. Pie Chart showing the Nigerian geopolitical distributions of ISOs surveyed

Operational Years of ISOs

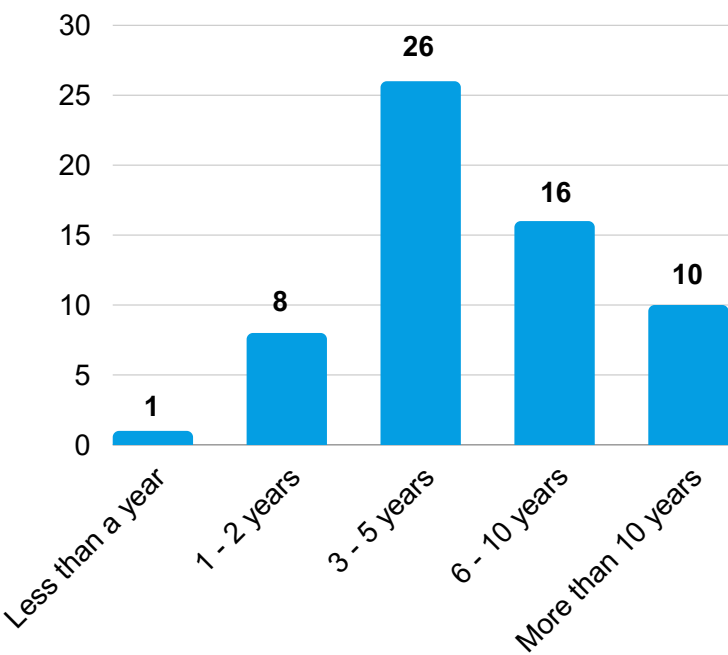


Figure 11. Histogram showing the operational years of ISOs surveyed

Focus Sectors and Services of the ISOs

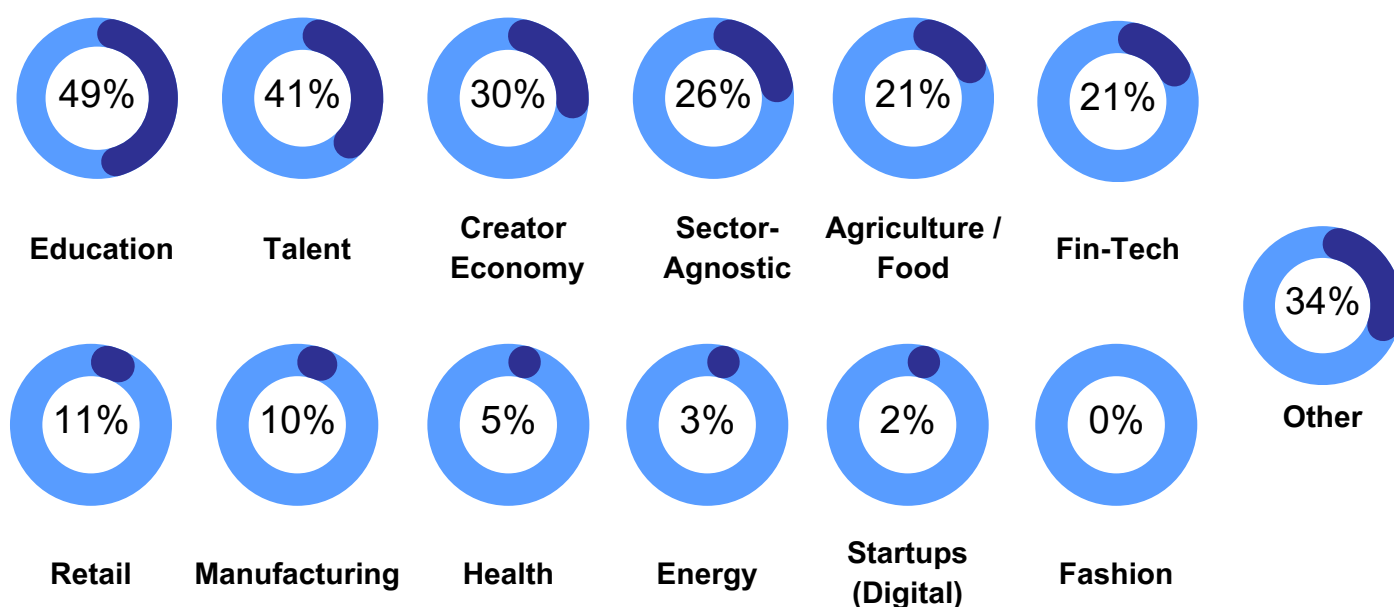
The strong focus on education (49%) and talent (41%) signals a strategic prioritization of human capital development within Nigeria's innovation ecosystem. This underscores a recognition of the critical role skilled individuals play in driving innovation and economic growth. There is a clear link between the development of human capital and economic growth in Nigeria and growing advocacy for private sector investment in health and education to complement government efforts in human capital services delivery.

HOW IS THE CURRENT ISO LANDSCAPE IN NIGERIA?

The ISOs surveyed maintain a sector-agnostic approach and support a broad spectrum of innovative endeavours by catering also to fintech, agriculture/food, retail, and manufacturing. They address the multifaceted needs of Nigeria's diverse entrepreneurial landscape, aligning with the global trend of innovation across all sectors of the economy.

The considerable engagement of Non-Tech MSMEs, which make up 75% of ISOs' main service recipients is a positive and encouraging development. This trend indicates a targeted approach by ISOs to support a segment that is essential for economic stability, job creation, and poverty alleviation. By focusing their services on Non-Tech MSMEs, ISOs are contributing significantly to strengthening this critical sector. This support ranges from providing access to finance, and facilitating business development services, to offering training and mentorship.

Primary Focus Sectors



Main Recipients of Programs & Services

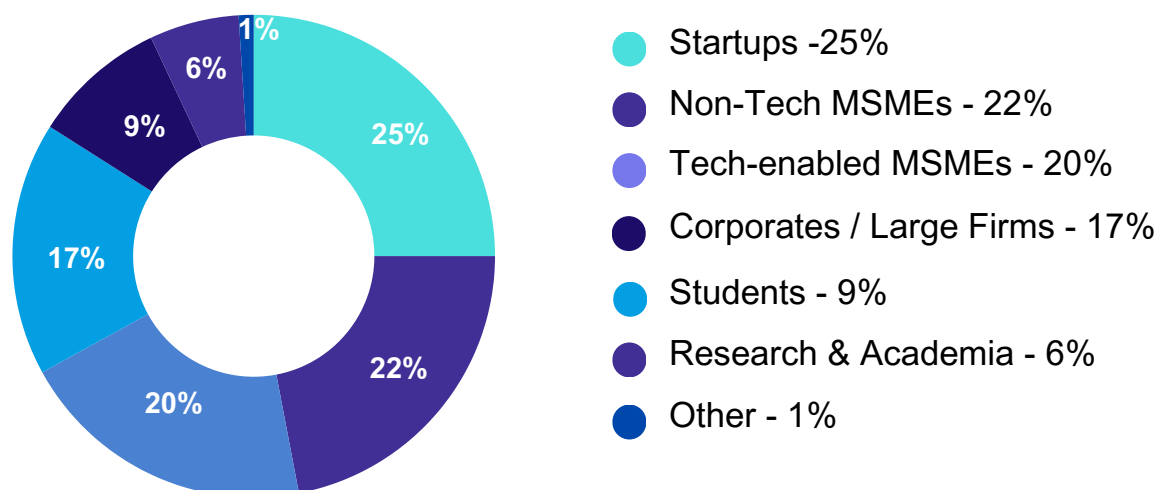


Figure 12. Charts showing the primary focus sectors and main recipients of surveyed ISOs programs and services

Focus Sectors and Services of the ISOs

The survey highlights a shift towards sustainable, impact-driven entrepreneurship led by the private and non-profit sectors, with minimal government involvement (2%). ISOs emphasize capacity building and entrepreneurial guidance through widespread training (92%) and mentoring (79%), alongside critical support like business model refinement (67%) and office space (64%) to foster innovation and scaling in startups and MSMEs. Additionally, they focus on technology access and networking for digital and market growth. However, the lack of specialized programs for key sectors like agriculture and manufacturing points to opportunities for more targeted ecosystem development.

ISOs Funding and Capacity

ISOs surveyed predominantly fund themselves through internal sources (79%) and client fees (72%), ensuring sustainability and mission focus while delivering services that MSMEs value enough to pay for. However, this internal funding reliance brings challenges like restricted access for early-stage MSMEs, financial stress, and constrained scale and impact. Additionally, 38% of ISOs depend on grant funding, which supports crucial but not immediately profitable services vital for growth. Yet, excessive dependence on grants may threaten long-term operational sustainability.

How ISOs Surveyed are Funded

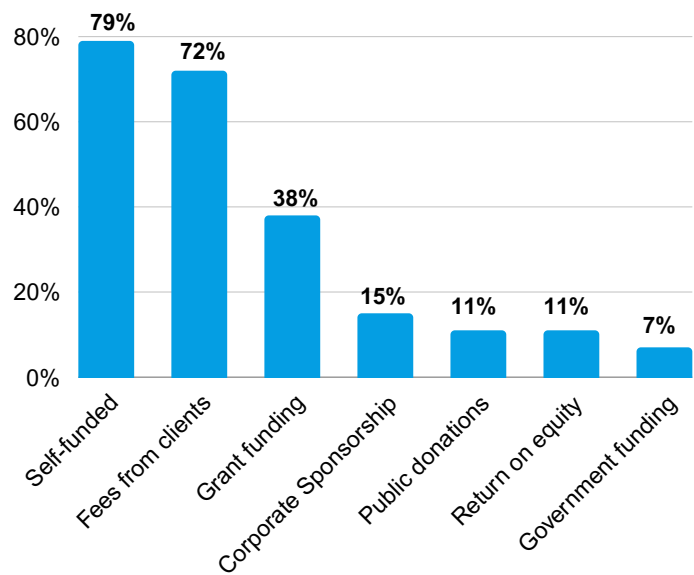


Figure 13. Bar showing the source of funding for ISOs surveyed

Staff Strength of ISOs

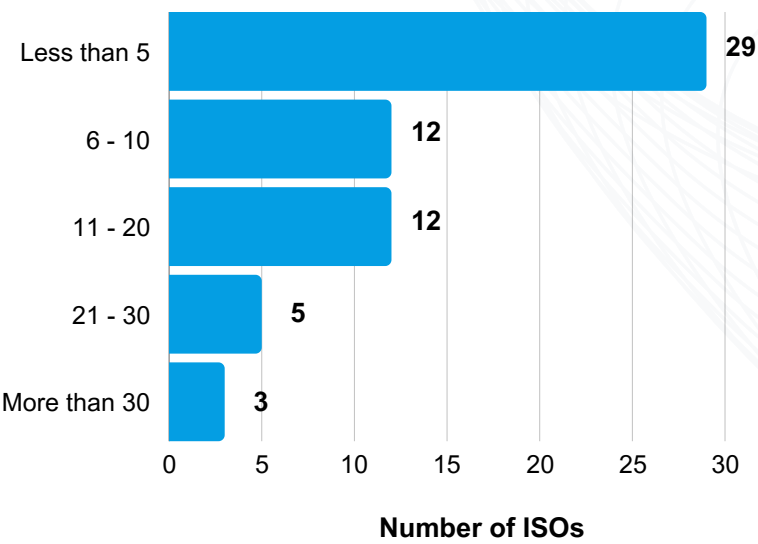


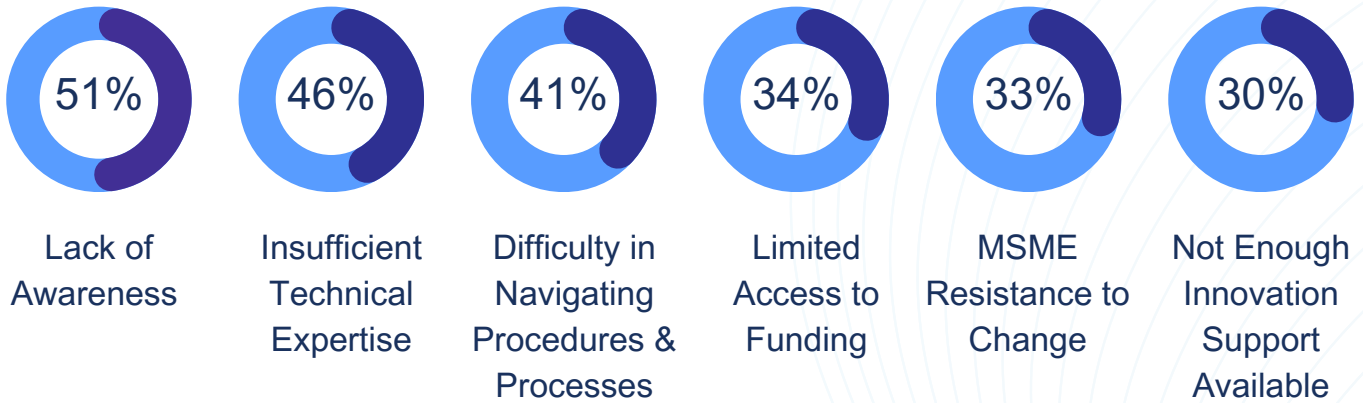
Figure 14. Bar showing the identified staff strength of ISOs surveyed

A significant number of ISOs manage with fewer than 5 staff members, while only a few have more than 20 employees, indicating a lean operational structure. This points to potential constraints in human resources that could limit their capacity to expand services. There's a clear need for capacity development within these organizations to ensure they have the human resources necessary to support and drive the services to MSMEs.

2

ARE ISOS SUPPORTING NON-TECH MSMEs

Main Challenges of Non-Tech MSMEs in Accessing Innovation Support as Identified by ISOs



Services Requested by Non-tech MSMEs that are not Provided by ISOs Surveyed



Figure 15. Charts showing Identified main challenges faced by non-tech MSMEs and unprovided services requested by non-tech MSMEs

ARE ISOS SUPPORTING NON-TECH MSMEs?

Innovation Support Services Provided by ISOs Surveyed

Prior research has shown that common services enjoyed among innovation support organisations are co-working spaces, self-development, office spaces, internet services and networking. This remains true for the surveyed organisations but where mentorship/coaching needed to be improved, we see almost 80% of the surveyed organisations providing this service to MSMEs and a whopping 91% offering training and development.

For ISOs, training and mentorship have become the core of their services. This shows the ISOs' effort and commitment to improve not only the business opportunities for MSMEs but also ensure that they can provide quality goods and services as efficiently as possible.

However, as the need for ISOs spreads and more arise, so does the stack of services they offer. More ISOs commit to providing a robust suite of services to the MSMEs in their network. Such services, amongst the previously mentioned services, include investment readiness, business model refinement, legal services, market research, access to the market, marketing and media exposure, and access to finance and funding. While some of these services are new and becoming increasingly popular, old-time services like finance & funding still suffer with below 40% of ISOs surveyed providing this service.

Services ISOs Surveyed are Equipped to Offer

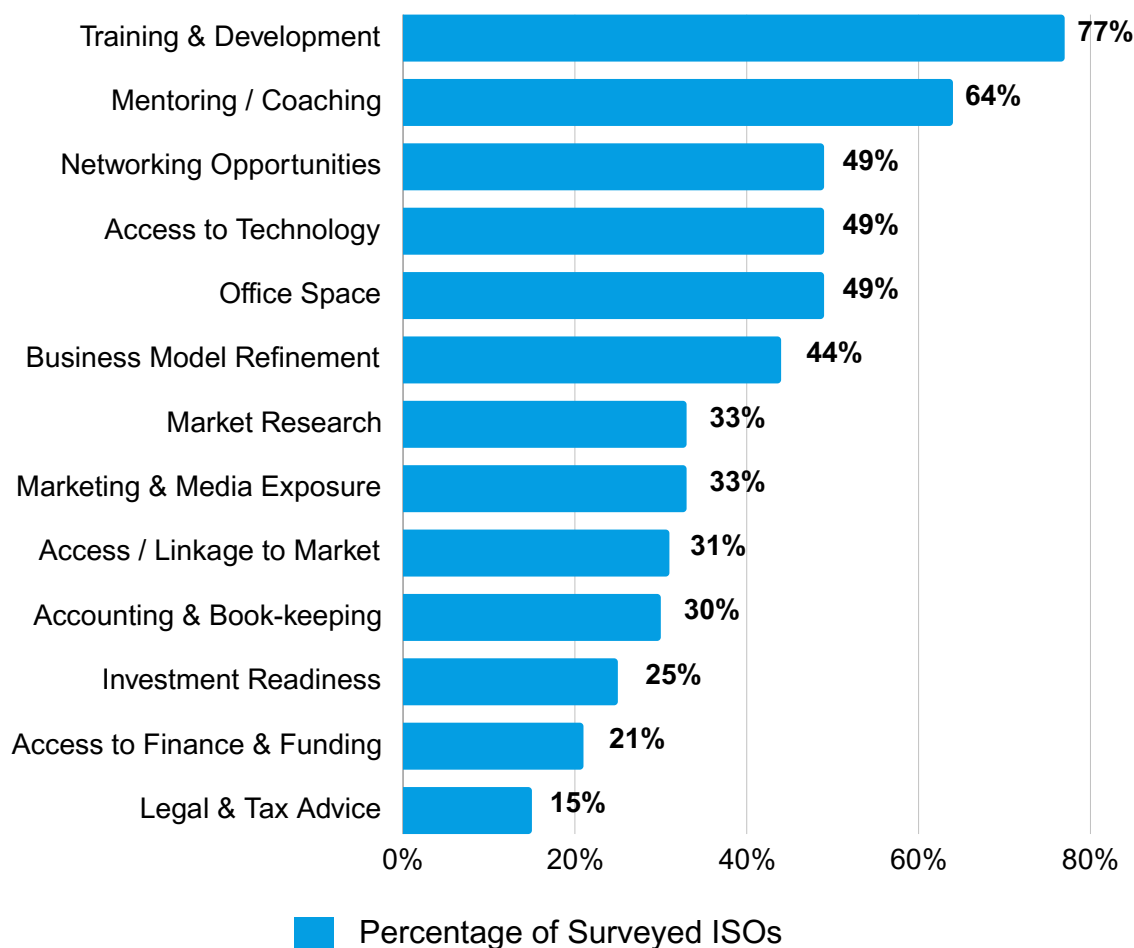


Figure 16. Bar chart showing services ISOs surveyed are equipped to offer

ARE ISOS SUPPORTING NON-TECH MSMEs?

Innovation Support Services Provided by ISOs Surveyed

It's no surprise that the surveyed ISOs cannot provide more finance & funding services as a major challenge indicated by surveyed ISOs in supporting Non-Tech MSMEs is a Limited budget, over 60%. Not only does this challenge inhibit their ability to provide financial services but other services that they provide.

Other major challenges these ISOs face include infrastructural constraints and lack of technical expertise. Albeit only about 10% of the surveyed ISOs indicate technical expertise as a challenge, it requires attention as these organisations are tasked with providing support to MSMEs which include technical and technological support where necessary. Especially within the sectors they focus on.

The activeness and capacity for support of the hubs are equally important. 67% of ISOs surveyed provide support to 100 MSMEs or less each year while only 31% of them provide support to more than 100 MSMEs. These figures tie to the need for increased funds, technical expertise and better/more infrastructure as indicated by the surveyed ISOs. Furthermore, the low reach of these ISO could also be a result of the lack of the specific services requested by Non-tech MSMEs.

More than 50% of the requested service is access to funding & financial support. Seeing as a limited budget is a major issue for the ISOs surveyed, it's no wonder that they are unable to support non-tech MSMEs in this way. Other considerable requests by Non-tech MSMEs are business plan development and training as well as Business accounting and taxation.

Challenges ISOs Face in Supporting Non-Tech MSMEs

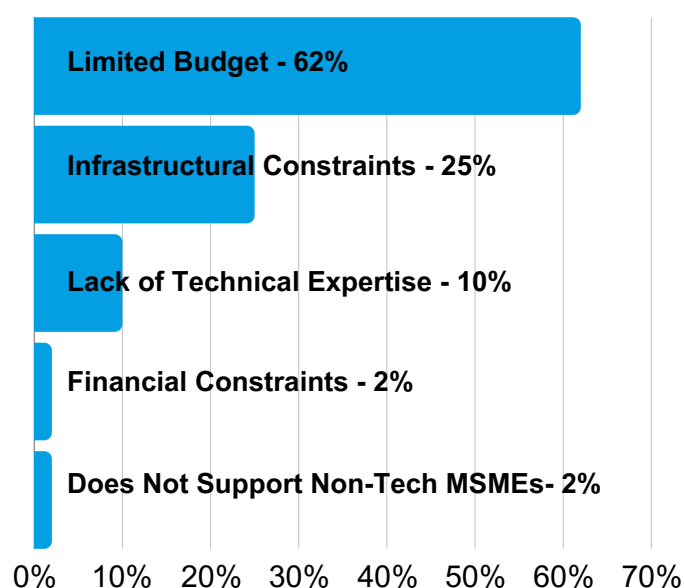


Figure 17. Charts showing the challenges faced in supporting non-tech MSMEs by ISOs surveyed

Non-Tech MSMEs Supported Annually by ISOs Surveyed

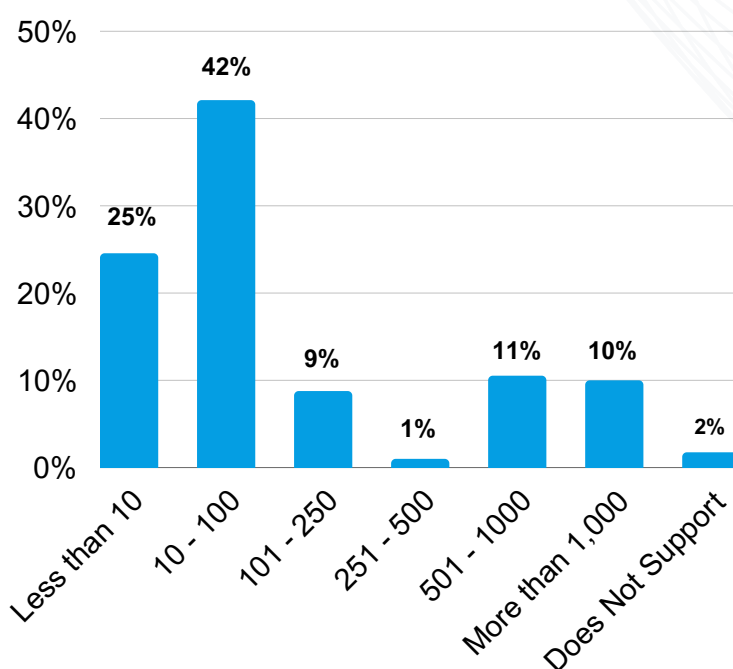


Figure 18. Charts showing the number of non-tech MSMEs supported by ISOs surveyed annually

ISO Support for Non-Tech MSMEs

Services Requested by Non-tech MSMEs that are not Provided by ISOs Surveyed



Figure 19. Pie chart showing the services requested by non-tech MSMEs but are not provided by the ISOs surveyed

This shows that provided with the necessary resources they need, the ISOs are ready and eager to provide a robust suite of support to Non-tech MSMEs. However, it still begs the question, If these ISOs are equipped and willing to provide these services, why do most of them reach less than 100 Non-tech MSMEs each year? A question of this sort was directed at the surveyed ISOs and 51% of them stated that they perceive that Non-tech MSMEs are not aware of their existence or the support that they provide.

ISOs are still relatively new in the ecosystem and just as indicated by the survey, very few of them have been in operation for up to 10 years or more. Hence, it's still an unpopular concept, especially among MSMEs who have owners who are not adept with technology and the media. So, where there are ISOs to provide these services, there are very few Non-tech MSMEs aware of them. Even when Non-tech MSMEs are aware of the support available to them, a lot of them are resistant to change for fear of negative outcomes like loss of income.

A good number of ISOs also perceived that Non-tech MSMEs find it difficult to navigate the process/procedures required to access support from ISOs. This might refer to resources that need to be accessed virtually or the training process is too rigorous to follow through. Some other ISOs, about 34% perceive that Non-tech MSMEs are unable to access innovation support as a result of limited access to funding.

Main Challenges of Non-Tech MSMEs in Accessing Innovation Support as Identified by ISOs

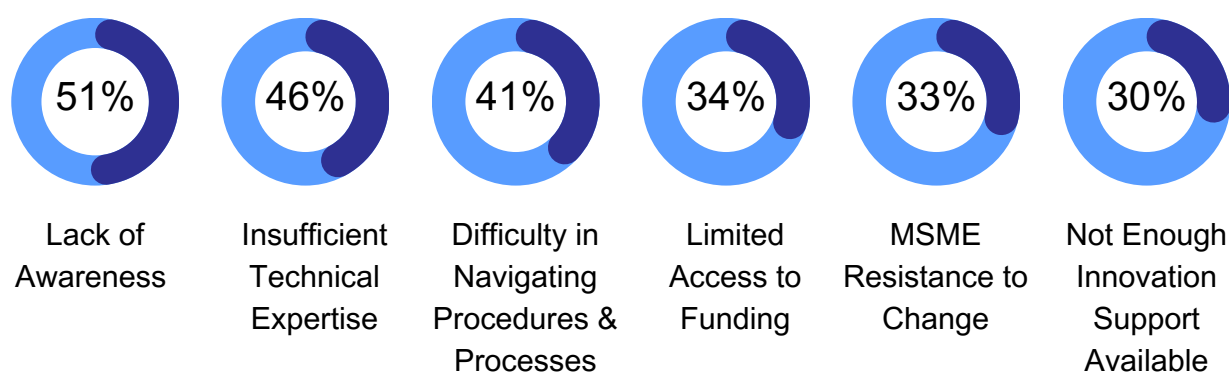


Figure 20. Ring charts showing the main challenges non-tech MSMEs face in accessing innovation support

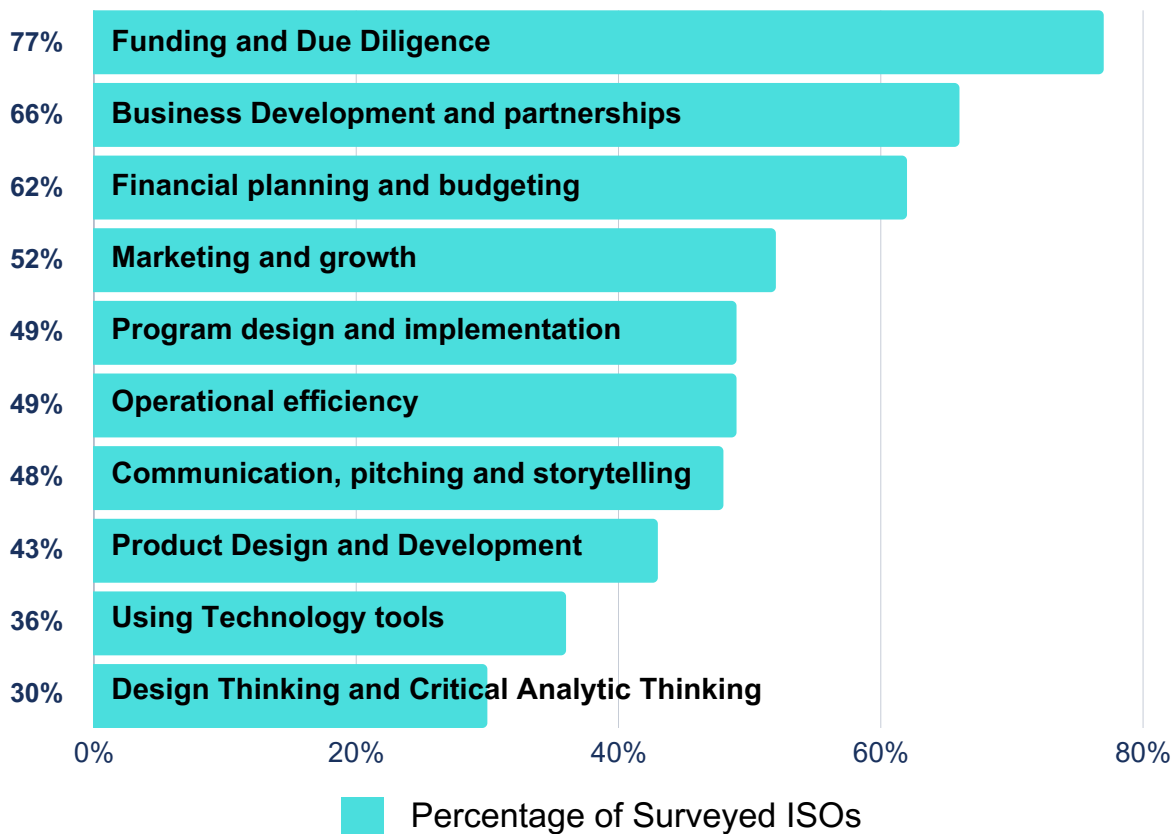
3

WHAT SUPPORT DO ISOS REQUIRE?

Survey Breakdown



Capacity Building Areas Required by ISOs Surveyed



Areas Identified by ISOs for Improved Non-Tech MSMEs Support

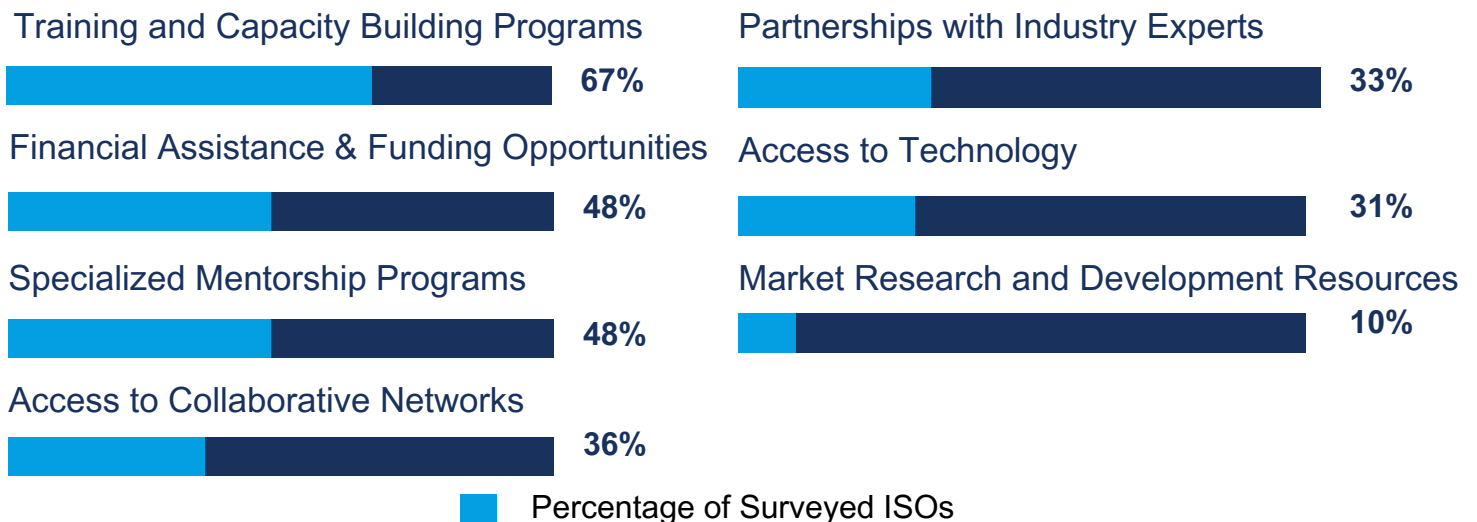


Figure 21. Charts and figures depicting survey breakdown, required capacity building areas and non-tech MSMEs support areas for improvement identified by ISOs surveyed

WHAT SUPPORT DO ISOS REQUIRE?

Major Challenge: Securing Funding

To optimize how Innovation Support Organizations (ISOs) aid MSMEs, addressing gaps in service provision for non-tech sectors is key. A primary challenge identified is insufficient operational funds, impacting service quality. Many MSMEs need financial services from ISOs, but 66% of ISOs lack awareness of funding opportunities, and 62% see a shortage of sector-specific funds. Additionally, 48% face high rejection rates in funding applications, and 23% are hampered by a lack of qualified team members, affecting funding acquisition and deployment.

Other issues include inadequate funding for local communities, low investment in emerging regions, and poor legal protections. This funding deficit restricts the support ISOs can offer, particularly in areas requiring significant investments like technology and specialized training.

Challenges Faced in Securing Funding

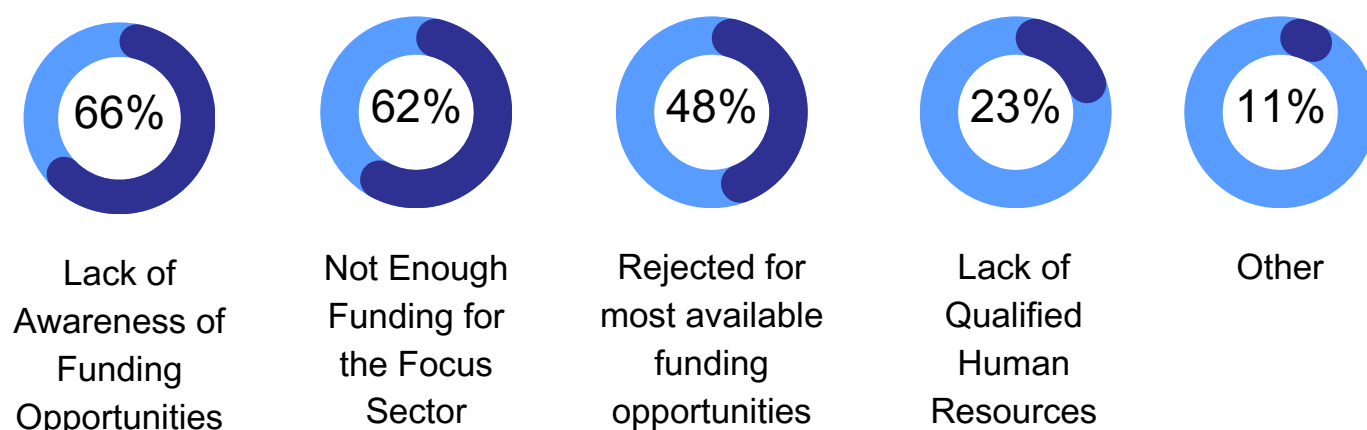


Figure 22. Ring charts showing identified challenges faces in securing funding by ISOs surveyed

Capacity Building Needs of ISOs

Funding is crucial for the operation and service quality of Innovation Support Organizations (ISOs), highlighted again as over 70% of ISOs surveyed need capacity building in funding and due diligence. A lack of qualified resources complicates securing funding, with ISOs emphasizing the need for adequate qualifications and due diligence to access and serve non-tech MSMEs effectively. They also expressed a lack of awareness about funding opportunities, showing interest in workshops to better identify and leverage such opportunities.

66% of ISOs see a critical need for capacity building in business development and partnerships to effectively reach and serve non-tech MSMEs. Additionally, financial planning and budgeting are vital, with many ISOs needing to improve their financial management practices. Other areas needing capacity building include marketing, program design, operational efficiency, communication skills, product development, technology use, and critical thinking.

These findings point to the need for a comprehensive "train-the-trainer" program to meet the core training and support needs of Non-Tech MSMEs, ensuring ISOs continue to refine their services and maintain credibility while fostering ongoing learning and strategic planning.

WHAT SUPPORT DO ISOS REQUIRE?

Capacity Building Areas Required by ISOs Surveyed



Figure 23. Bar chart showing the areas of capacity building required by ISOs surveyed

Opportunities to Better Support Non-Tech MSMEs

Innovation Support Organizations (ISOs) are vital for helping MSMEs navigate their business environments, particularly in supporting non-tech MSMEs. Improving these areas will ensure that ISOs effectively support the growth and sustainability of non-tech MSMEs. Key areas needing enhanced support include:

- **Training and Capacity Building Programs (67%):** While over 90% of ISOs offer training, there's a need for improved accessibility and effectiveness, with a focus on funding access, digital skills, business planning, accounting, and legal knowledge.
- **Financial Assistance & Funding Opportunities (48%):** Access to capital is crucial, and ISOs play a key role in linking non-tech MSMEs to grants, loans, and investment opportunities, aiding in financial planning and resilience.
- **Specialized Mentorship Programs (48%):** Personalized mentorship can offer critical guidance and industry insights, helping MSMEs navigate specific challenges.

WHAT SUPPORT DO ISOS REQUIRE?

- **Partnerships with Industry Experts (33%):** Collaborations can provide specialized knowledge, networks, and resources, enhancing mentorship, market access, and technology adoption.
- **Access to Technology (31%):** ISOs can boost productivity and competitiveness for non-tech MSMEs through technology tools and digital skills training.
- **Market Research and Development Resources (10%):** Providing insights into market trends and consumer behaviour can help MSMEs develop competitive products and stay market-relevant.
- **Access to Collaborative Networks (36%):** Facilitating networking events and business associations allows non-tech MSMEs to collaborate, access new markets, and share knowledge.

Areas Identified by ISOs for Improved Non-Tech MSME Support

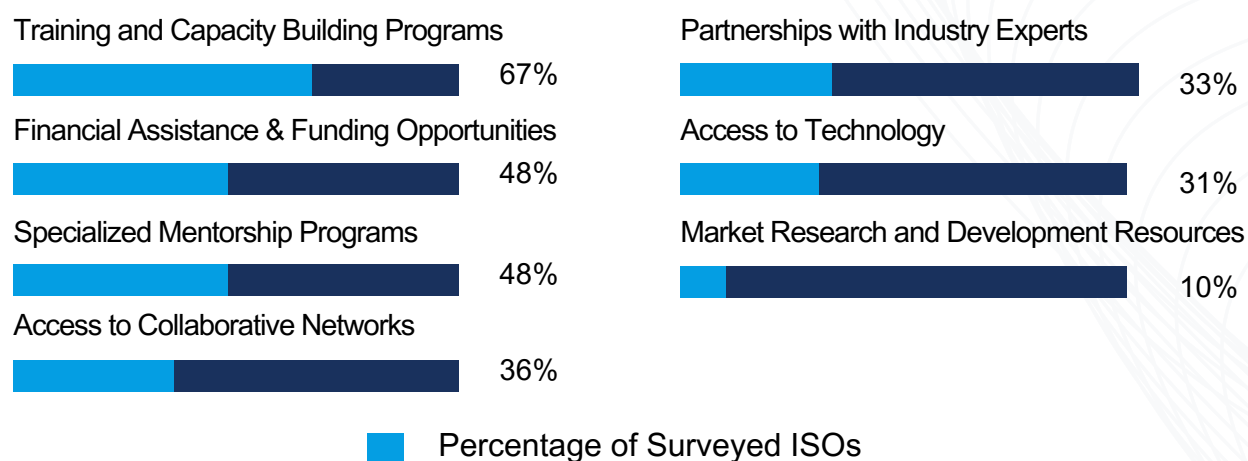


Figure 24. Bar chart showing areas identified by ISOs for improved non-tech MSME support

ISOs Indicators of MSME Support Success

Success metrics are essential for gauging the effectiveness of Innovation Support Programs for non-tech MSMEs, based on feedback from surveyed Innovation Support Organizations (ISOs). These metrics collectively help ISOs evaluate and enhance the support provided to non-tech MSMEs, ensuring meaningful and sustainable impacts. Key metrics include:

- **MSME Revenue Growth:** 66% of ISOs view revenue growth as a crucial success indicator, reflecting the financial performance of MSMEs post-program.
- **Jobs Created:** 56% of ISOs focus on job creation within non-tech MSMEs, highlighting its importance for economic impact and social development.

WHAT SUPPORT DO ISOS REQUIRE?

- **Post-Program Sustainability:** Ensuring the long-term viability of MSMEs post-support is considered vital by 51% of ISOs.
- **Technology or Practice Adoption:** 44% of ISOs measure success by the adoption of new technologies or best practices by MSMEs.
- **MSMEs Served or Impacted:** This metric, fundamental for assessing the reach and coverage of ISP interventions, quantifies the number of MSMEs benefited.
- **Market Share Growth:** 34% of ISOs use market share increases as a key performance indicator, noting it requires long-term engagement with MSMEs.
- **Follow-Up Participation:** 13% of ISOs consider engagement in post-program activities like mentorship or further training as an indicator of program success.

Success Metrics of Innovation Support Programs for Non-Tech MSMEs Measured by ISOs

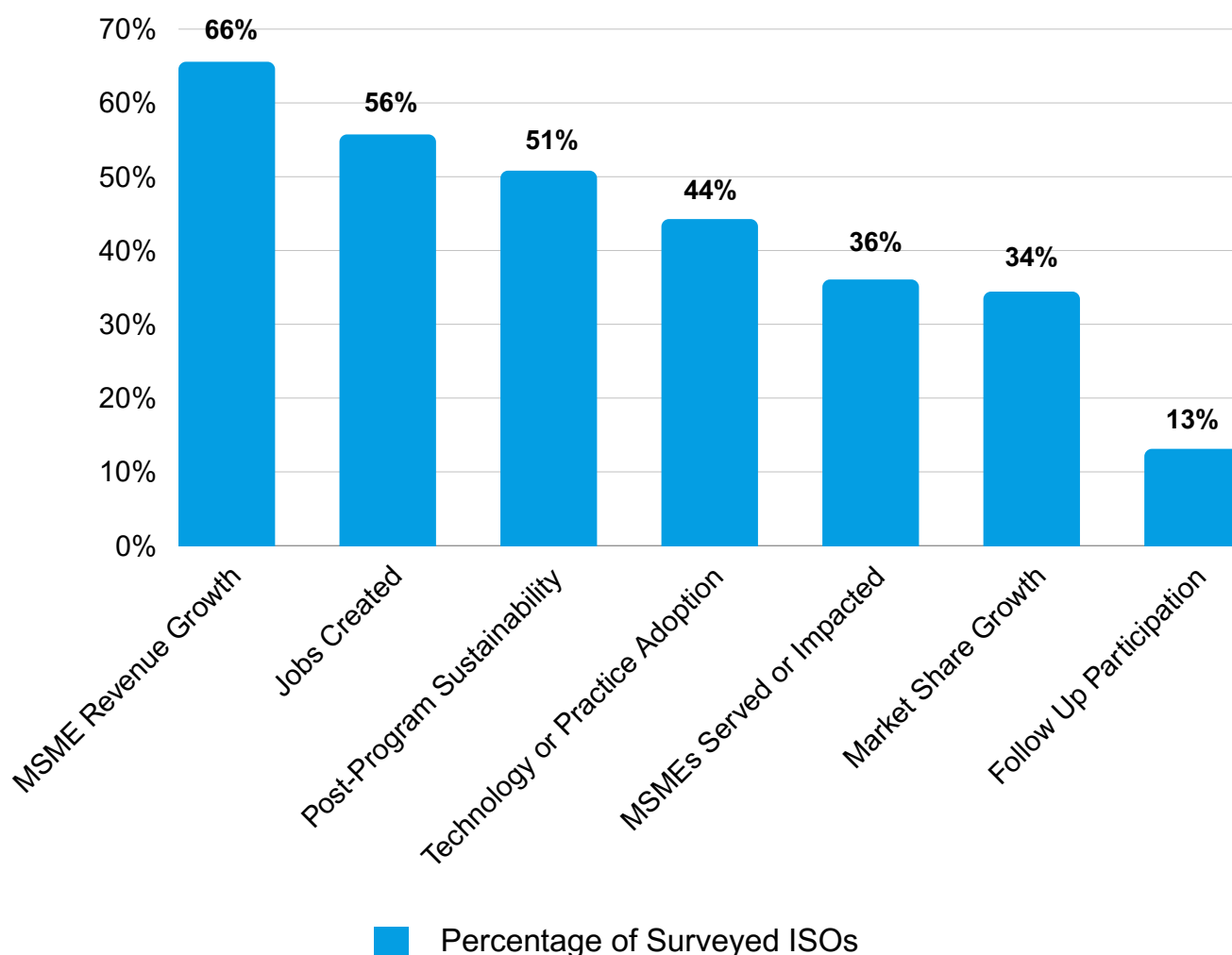


Figure 25. Histogram showing success metrics of innovation support programs measured by ISOs

WHAT SUPPORT DO ISOS REQUIRE?

How Non-Tech MSMEs Locate ISOs Surveyed

Web Searches

The most popular way for non-tech MSMEs to reach the ISOs surveyed was through web searches (31%). This showed that most of the non-tech MSMEs that were supported by the ISOs were Non-tech MSMEs that were aware of the ISOs and the support that they provided. This highlights the importance of having a strong online presence and search engine optimization strategies for ISOs to be easily discoverable by potential beneficiaries of innovation support programs.

Referrals

Recommendations and referrals play a substantial role in connecting Non-Tech MSMEs with ISOs. 27% of Surveyed ISOs indicate that this was how they connected with the beneficiaries of their programs.

Platforms & Networks

Leveraging platforms and networks such as business forums, industry associations, and community groups is another effective way for ISOs to reach and engage with Non-Tech MSMEs. 23% of the surveyed ISOs indicated that this was how they connected with Non-Tech MSMEs.

Advertising & Outreach

Proactive advertising and outreach efforts contribute to raising awareness and visibility for ISOs among Non-Tech MSMEs. This includes targeted marketing campaigns, social media promotions, and participation in industry events.

Other

Only 2% of ISOs indicated other ways in which Non-Tech MSMEs found them. This category may include less common or specific channels through which Non-Tech MSMEs discover ISOs, such as direct mailings, partnerships with other organizations, or local community events.

How ISOs Surveyed are Found by Non-Tech MSMEs

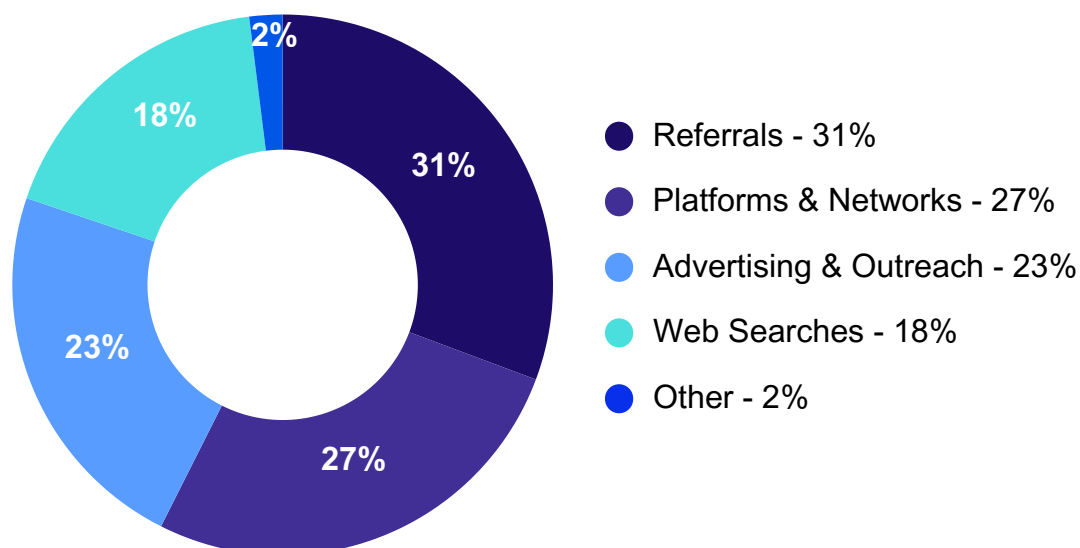


Figure 27. Donut chart showing how ISOs surveyed are found by non-tech MSMEs

CONCLUSION & RECOMMENDATIONS

Conclusion

The assessment of Innovation Support Organisations (ISOs) in Nigeria reveals a landscape where ISOs are indeed providing critical support to Non-Tech MSMEs. However, their potential is hindered by challenges such as limited budgets, infrastructural constraints, and a lack of technical expertise. Despite these challenges, ISOs have displayed a robust commitment to capacity building and innovation support across diverse sectors.

Recommendations

- **Increase Awareness and Accessibility:** Enhance ISOs visibility through digital marketing, community engagements, and partnerships with local media to ensure Non-Tech MSMEs are aware of the support available to them.
- **Funding Support for ISOs:** Establish funding pools or grants specifically for ISOs, enabling them to scale and improve their offerings to Non-Tech MSMEs. Efforts should be made to simplify the application process for these funds.
- **Develop Tailored Programs:** ISOs should focus on creating sector-specific support programs, addressing unique challenges in areas such as agriculture, manufacturing, and the creative industries.
- **Strengthen ISOs Capabilities:** Implement “train-the-trainer” programs to enhance ISOs staff skills in areas of business development, financial planning, and technological integration.
- **Facilitate Technology Adoption:** Encourage ISOs to provide hands-on digital literacy and technology integration programs for non-Tech MSMEs to foster digital transformation.
- **Create Collaborative Networks:** Foster partnerships between ISOs, financial institutions, and industry experts to provide a comprehensive ecosystem of support for Non-Tech MSMEs.
- **Monitor and Evaluate:** ISOs should regularly assess the impact of their support programs on MSME performance metrics such as revenue growth, job creation, and market share expansion.

Focus Areas for Training Programs for ISOs

From assessing the areas that ISOs identify as their weak points, training and development programs can be designed around these specific areas. These programs should aim not only to bolster the capacity of ISOs in supporting non-tech MSMEs through digital transformation but also to ensure that these organizations can sustainably operate and expand their impact.

- **Digital Transformation Essentials:**

- Overview of digital transformation and its importance for MSMEs.
- Case studies from successful digital transformation initiatives in similar economies.
- Tools and strategies for implementing digital solutions in non-tech businesses. For example, the [TechMyBiz Nigeria Initiative](#) by DTC Nigeria.

- **Innovation Financing:**

- Understanding different financing models (venture capital, angel investment, grants, and crowdfunding).
- Strategies for ISOs and MSMEs to attract and manage funding.
- Financial planning and management for sustainable growth.

- **Entrepreneurship and Business Model Innovation:**

- Design thinking and business model canvas workshops.
- Lean startup methodologies tailored for the Nigerian market.
- Scaling strategies for growth and expansion.

- **Technology Adoption and Integration:**

- Leveraging emerging technologies (AI, IoT, Blockchain) for non-tech sectors.
- Best practices for selecting and implementing technology solutions.
- Case studies on technology-driven growth in MSMEs.

- **Regulatory Compliance and Intellectual Property Rights:**

- Navigating legal landscapes for startups and MSMEs.
- Protecting innovations and understanding IP rights.
- Compliance with local and international standards.

- **Market Access and Expansion:**

- Strategies for market research, segmentation, and targeting.
- Digital marketing and online presence optimization.
- Export readiness and accessing international markets.

CONCLUSION & RECOMMENDATIONS

• **Impact Measurement and Reporting:**

- Tools and metrics for measuring the impact of digital transformation.
- Reporting frameworks for stakeholders, including funders and government agencies.
- Social impact assessment for projects and innovations.

• **Leadership and Organizational Development:**

- Building effective teams and fostering inclusive work environments.
- Leadership in innovation settings.
- Organizational resilience and adaptability.

The impact of digital transformation programs in developing countries can be reliant on tailored training programs in facilitating technology adoption among MSMEs, suggesting a positive correlation between such interventions and business growth (Adeoti & Oyelaran-Oyeyinka, 2019).

Collaborations and Partnerships for Extended Impact

Partnerships with Financial Institutions:

Forge partnerships with banks and microfinance institutions to design financial products tailored to the needs of non-tech MSMEs undergoing digital transformation. Such products could include micro-loans for digital equipment or software subscriptions, with favourable terms that reflect the unique challenges these businesses face. The partnership between Kiva and PayPal provides a model, offering micro-loans to entrepreneurs in underserved communities, highlighting how technology can bridge financial gaps.

Collaborations with Tech Companies:

Encourage collaborations between ISOs and tech companies to provide non-tech MSMEs with access to digital tools, platforms, and expertise. These collaborations can take various forms, from tech companies offering discounted services to MSMEs referred by ISOs to joint development of training programs in digital literacy and e-commerce. Google's collaboration with small businesses through its Grow with Google program illustrates how tech giants can support MSMEs in enhancing their digital skills and online presence.

Government Partnerships for Policy Advocacy:

ISOs should collaborate with government agencies to advocate for policies that support the digital transformation of non-tech MSMEs. This could involve recommendations for simplified tax regimes for digital services, subsidies for digital infrastructure, or grants for businesses investing in digital transformation. The partnership between the Small Business Administration (SBA) in the United States and various private sector partners provides a blueprint, showing how the government and the private sector can work together to support small businesses.

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