

# Why Ecosystem Embeddedness Determines Enterprise Survival.

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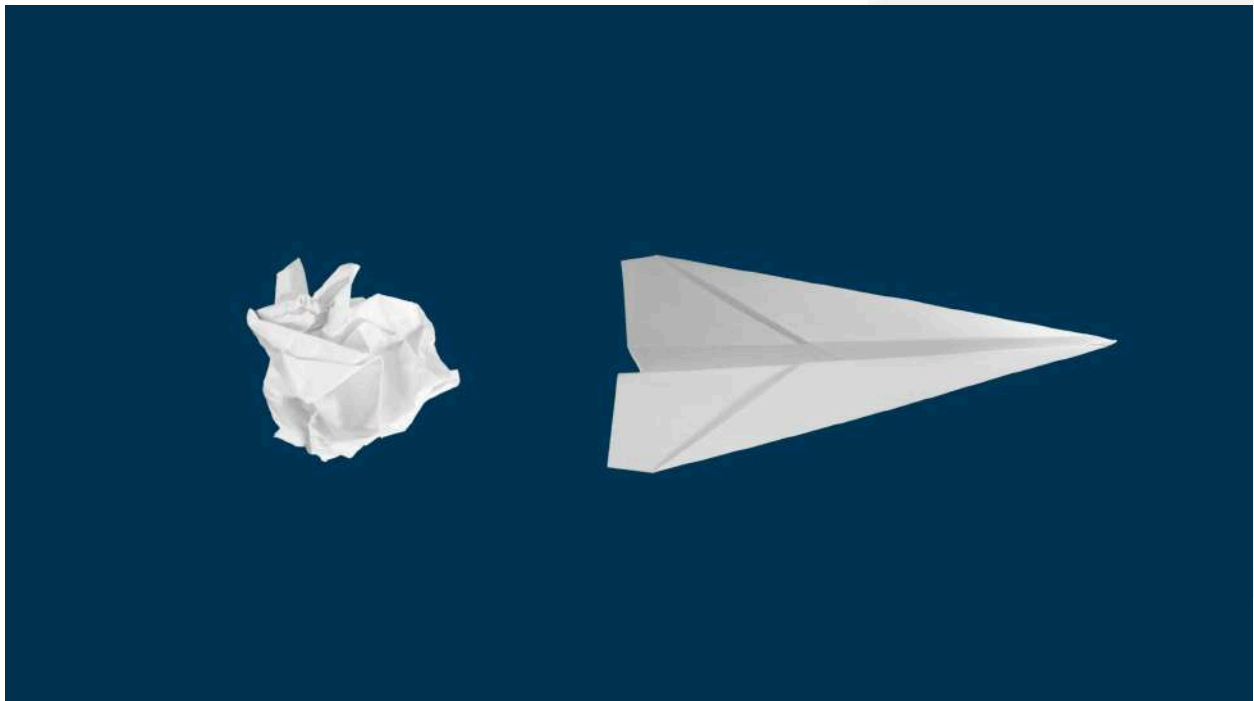


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## At A Glance

*Across East, West, and Southern Africa, the data tells a consistent story: enterprises connected to value chains, corporate supply relationships, or regional trade networks survive at significantly higher rates than those operating in isolation. The current continental support architecture builds enterprises that stand alone. The evidence says that is the wrong design.*

## What the Evidence Shows

What distinguishes short-lived ventures from sustainable ones is not primarily talent, capital, or sector selection. It is ecosystem embeddedness: whether an enterprise is integrated into the larger economic structures through which markets function.

East Africa provides a compelling data point. Between 2018 and 2023, Kenyan agricultural SMEs participating in

structured value chain programmes run by the Kenya Markets Trust showed a three-year survival rate of 71 percent, against a national average of 54 percent for SMEs in the same sector. The differentiating variable was access to aggregation networks, structured buyer relationships, and input financing through value chain partners rather than standalone loan instruments.

The ECOWAS region presents a contrasting picture. West Africa has among the continent's highest enterprise mortality rates. Regional integration for SMEs remains constrained by non-tariff barriers, divergent regulatory frameworks, and inconsistent border infrastructure. A 2023 ECOWAS Commission SME audit found that fewer than 8 percent of youth-led enterprises in member states had any active commercial relationship with a business in another ECOWAS country.

### **Southern Africa's Supply Chain Lesson**

Southern Africa offers a third model. South Africa's Enterprise and Supplier Development framework, mandated under Broad-Based Black Economic Empowerment legislation, channels approximately ZAR 20 billion annually into SME integration within corporate supply chains. Results are mixed, capture by established intermediaries has been documented, but the structural logic holds: enterprises embedded in procurement ecosystems survive longer than those operating outside them.

The pattern across all three regions is consistent. Integration into larger economic structures, whether value chains, corporate supply relationships, or regional trade networks, materially improves enterprise longevity. The current continental support architecture builds enterprises that stand alone. The evidence says that is the wrong design.

### **The Missing Structural Layer**

The gap in Africa's enterprise support ecosystem is not a shortage of programmes. Billions of dollars flow annually into youth entrepreneurship initiatives across the continent. The gap is architectural: almost none of these programmes are designed to position enterprises within the structures that determine whether they survive.

A bakery receives seed capital and pitch training. It does not receive structured introductions to institutional buyers, an analysis of its position in the regional food supply chain, or access to input financing tied to verified buyer relationships. It launches. It competes with the informal sector on price. Its margins compress. Within two years, in most cases, it closes.

The inverse is also demonstrable. When enterprises receive market linkage support, structured access to buyers, supplier relationships, or value chain entry, before or concurrent with capital, outcomes improve significantly. The capital does not change. The context in which it is deployed does.

### **What Integration Actually Requires**

Ecosystem integration is not a vague aspiration. It is a specific set of conditions that can be designed for and measured. An enterprise is meaningfully integrated when it has at least one confirmed, sustained commercial relationship with a buyer, supplier, or platform partner outside its immediate community; when it has forward visibility on demand, knowing what it will be asked to produce, at what quality, for which market, rather than selling speculatively; and when it is positioned within a value chain that connects to regional or national markets, rather than competing exclusively at the hyperlocal level.

Building these conditions requires a different kind of support than most programmes provide. It requires ecosystem mapping before capital deployment: understanding which

sectors have accessible entry points for youth enterprises, which anchor enterprises are willing to develop youth suppliers, and which regulatory and logistics barriers need to be resolved at the system level rather than the firm level.

### **Implications for Support Design**

The organisations currently providing enterprise support to young Africans are not failing for lack of effort. Many are delivering exactly what their programme designs ask of them, training, seed capital, mentorship from successful founders. The problem is that the programme designs are optimised for enterprise creation rather than enterprise survival.

Reorienting toward ecosystem embeddedness requires several shifts. Capital instruments need to be redesigned: blended finance that combines grant funding for ecosystem entry costs with revenue-based financing once market linkages are established is more appropriate than debt-first models that penalise enterprises before revenue stabilises. Mentorship must become sector-specific: the relevant mentor for a youth-led logistics company is a supply chain manager at a regional FMCG firm, not a fintech founder from a different ecosystem. And performance measurement must shift: enterprises launched and capital disbursed are not meaningful indicators of success. Three-year and five-year survival rates, measured against baseline, are.

The evidence base for this reorientation is now substantial. What it requires is the institutional will to act on it.

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