Iraqi Entrepreneurs' Journey V.2
New Trends and Insights

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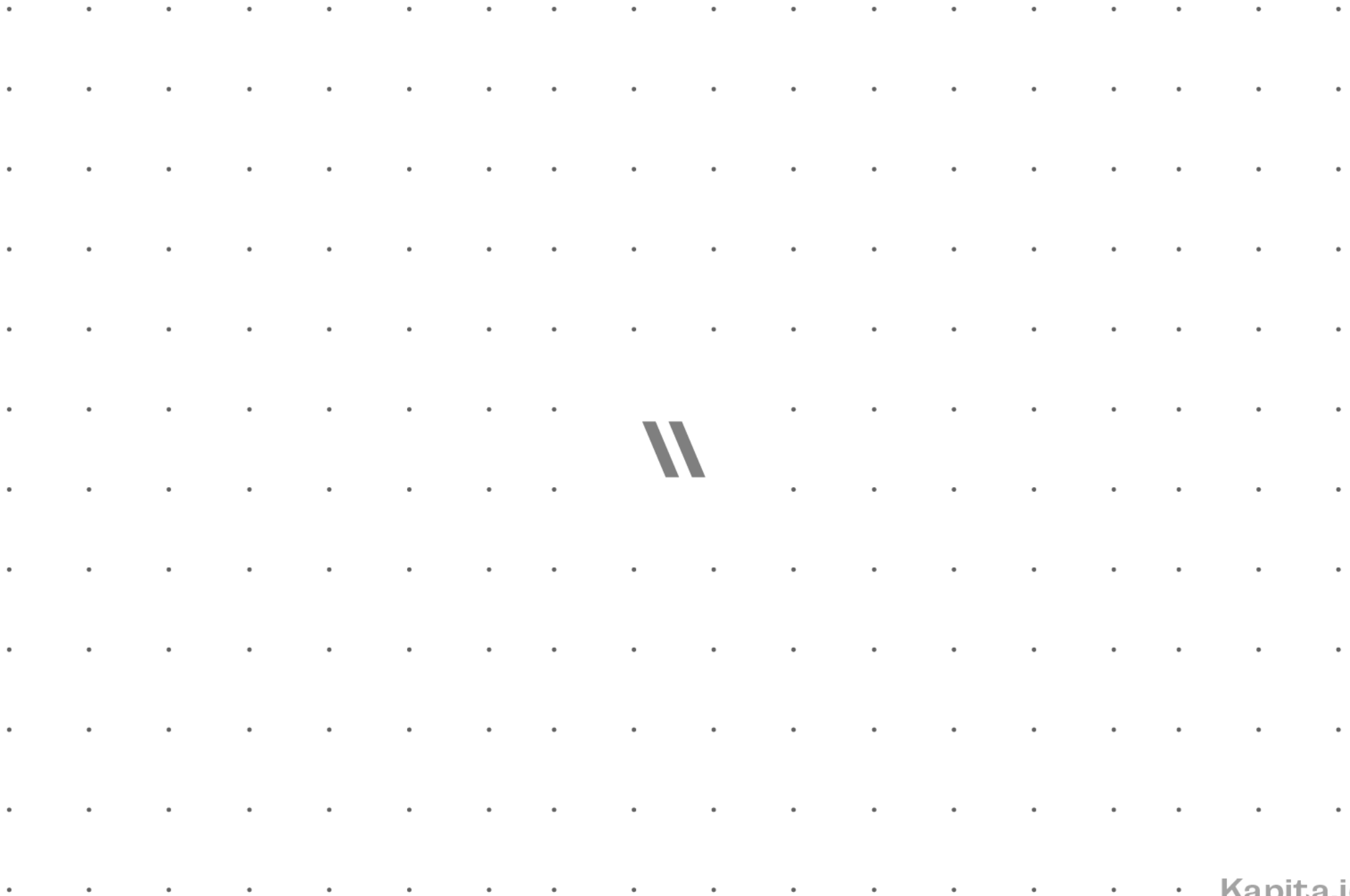Research Analyst, KAPITA

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KAPITA's Research team deeply thanks and appreciates GIZ for being an outstanding enabler for us.

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Executive Summary

This research is an updated, quantitative assessment of the **Iraqi Entrepreneurs Journey: An In-Depth Analysis** that was published by KAPITA in 2020. The findings indicate that the landscape is still dominated by sole, male founders. And similar to the previous findings, their startups are operating in a different field than their educational background.
Additionally, despite having a startup, the majority of entrepreneurs still worked in another job to support their business or to get more experience.

In either case, campaigns, policies and programs need to be developed to include more females, provide relevant academic training, and support the startups financially.
Business plans and having a testing phase seem like the norm for most of startups, indicating a high level of awareness about the importance of these elements. However, the effectiveness and implementation are still to be investigated. Another important aspect is developing the team.
Most of the entrepreneurs worked in teams to develop ideas and team members were mostly selected based on having different sets of skills than the founders. This will give the startup resilience and innovative advantages compared to businesses managed by single individuals or members with similar skills.

It is important to note that hiring was mostly done through references and recommendations (networking) followed by social media.
Registering the startup comes with its own challenges. Most of the entrepreneurs expressed their desire to register their startup but were hesitant due to the long, tedious registration process. Self-funding remained the major source for most startups and financial needs remained the major challenge to scaling. In a highly competitive market, funding seems to be the factor that will determine the success of these startups.

Introduction

The Iraqi entrepreneurial landscape has been evolving over the last two years, withstanding, and sometimes overcoming, national and international challenges. The COVID-19 pandemic has affected global economies at large, including Iraq.
While the increase of the exchange rate of the United States Dollar (USD) to Iraqi Dinar (IQD) has affected the national economy.

These incidents casted a shadow over the entrepreneurial journey in Iraq, yet, there are always opportunities that could be captured amidst the uncertainty.

In July, 2020, KAPITA published the Iraqi Entrepreneurs' Journey: an in-depth analysis. It was the backbone to understand the problems, solutions, opportunities, and challenges that entrepreneurs face in the Iraqi business ecosystem.

Two years later, we are providing an updated, yet in itself a new, version to complement the previous findings with current insights.

To understand the characteristics of the Iraqi entrepreneurial world, and provide the stakeholders, investors, researchers, and casual onlookers a detailed and straightforward picture of the advances within that world.

This research is a part of a series that KAPITA has undertaken to dive into the entrepreneurial scene. Which includes: "Iraq Entrepreneurs Journey: An In-depth Analysis", and, "Iraqi Startups Ecosystem Monitor" V1.0 & V2.0. Together with this research, we are trying to provide our readers a full picture of the Iraqi entrepreneurial ecosystem.

Twenty Five

Methodology

The approach to the previous version was to adopt a qualitative methodology. The previously used moderator guide to the interviews was designed after reviewing published papers on similar topics and after taking experts' opinions. This guide laid the foundation for the currently used quantitative, structured questionnaire. Experts, provided with previous research findings, reviewed the guide and made suggestions to transform it into a structured questionnaire. Afterward, the questionnaire was distributed electronically to entrepreneurs.

The entrepreneurs were recruited from startups working in the Iraqi ecosystem and participated in different training programs (e.g. KAPITA's Orange Corner program, Scale Up Academy, Takween..etc.). An email was sent containing an invitation and the link to the questionnaire. Data was collected, cleaned, and plotted.

Section I
Characteristics of Entrepreneurs

Age, Gender, and Number of Founders

The first image that comes to mind when thinking of an entrepreneur is of a young person, 20's to 30's of age, with high educational background. This image is partly true as most companies are established by individuals aged 30-45 years (Azoulay et al., 2018). However, there is no consensus on "the perfect" age to launch a company, but the evidence suggests that mid-30's to early-40's is the time when most companies are established (Tamaseb, 2021).

These findings show partial overlap with age groups of Iraqi entrepreneurs as the majority are in their 20's (47.17%) or 30's (50.94%). Contrast this with the previous survey as entrepreneurs in their 20's constituted only 31% of the sample (KAPITA, 2020c).
On the other hand, gender did not show a significant difference from the previous survey findings. In general, Women are underrepresented in entrepreneurship due to several reasons including social constraints, lack of technical and financial resources, lack of available online data that could be vital to their understanding of the market, amongst other issues (KAPITA, 2021d).

This issue is not limited to Iraq, as a 2019 report published by Arabnet, in partnership with The Mohammed Bin Rashid Establishment for SME Development (Dubai SME), reported that as of 2018, only 18% of startups founders were female. The same report goes into the specific countries analyzing the period between 2013-2018 in terms of the percentages of female founders. The highest number of female founders in countries neighboring Iraq, were reported to be in Jordan, with 20% of founders are female (ArabNet, 2019). Further indicating that this issue is not exclusive to Iraq.
The majority of founders were individual founders, the rest were

between 2-3 founders and a minority of 3-5 founders. Single founder startup has its setbacks.

Experts claim that the startup should have at least 2 co-founders as "… venture capitalists will seldom fund single-founder business ventures." and "…having multiple co-founders adds credibility to your business." (Structure Law Group, 2019).

It seems that the landscape is still young for Iraqi entrepreneurs and different backgrounds would have different challenges and advantages.

Gender of Founders

Female 24.53% (13) Male 71.70% (38) Mixed 3.77% (2)

Age Groups

40's 1.89% (1)
20's 47.17% (25)
30's 50.94% (27)

Number of Founders

Only One — 60.38% (32)
2-3 — 35.85% (19)
4-5 — 3.77% (2)
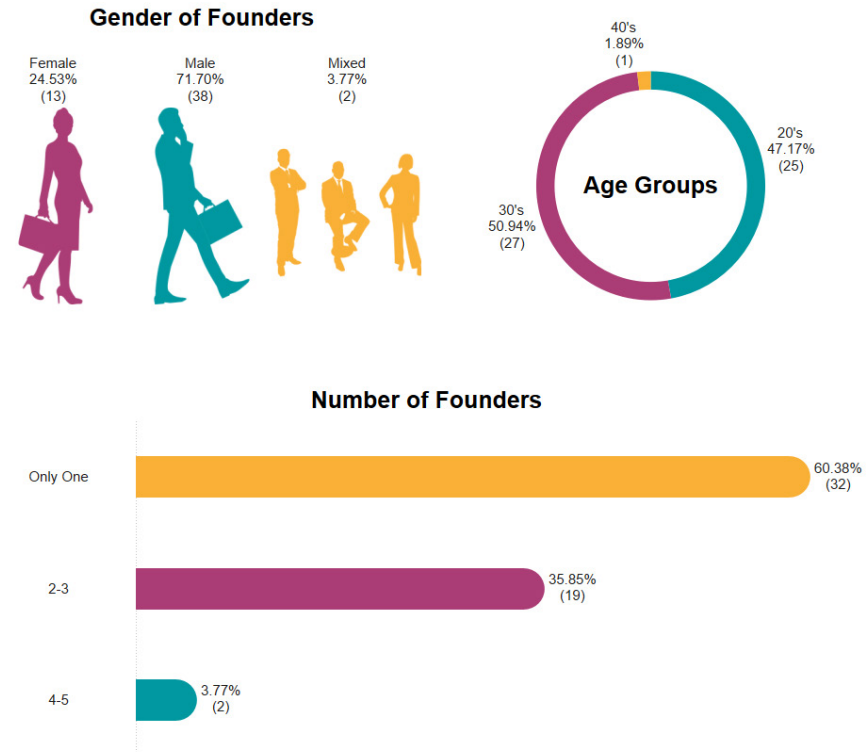
Academic Background

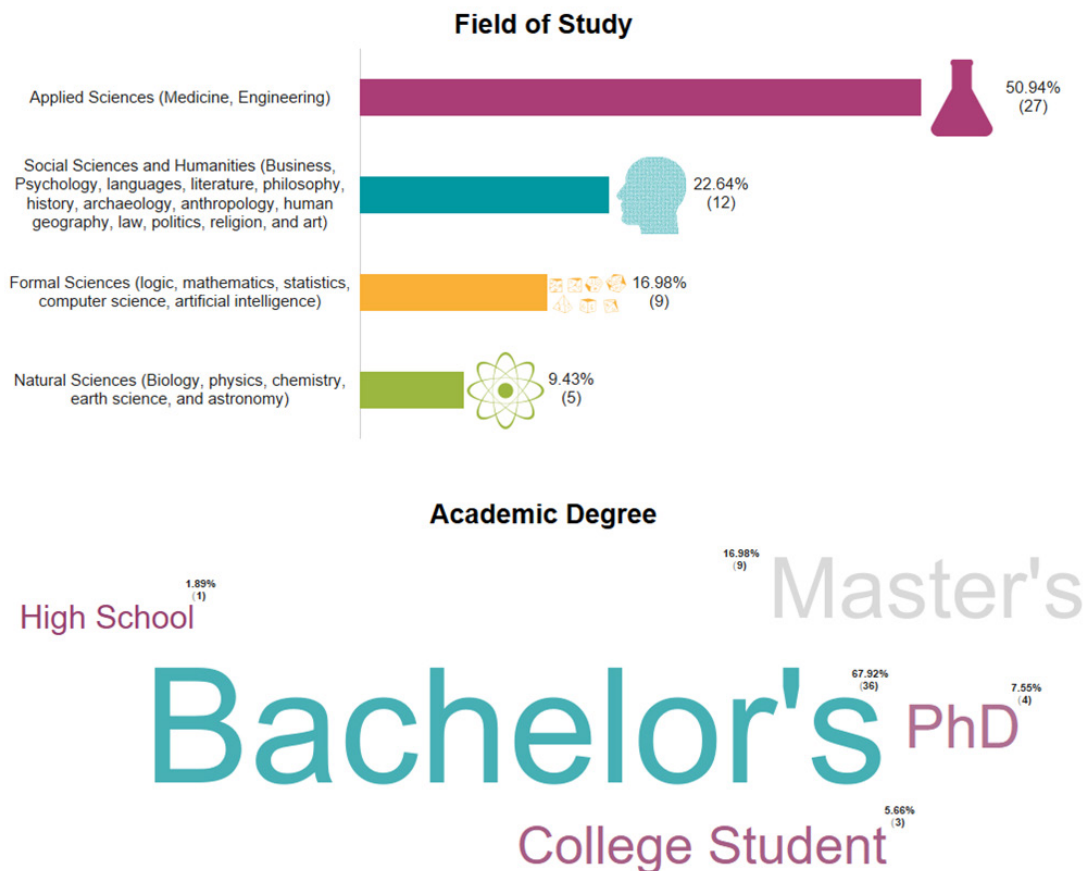The impact of the educational background of an entrepreneur on the success of the startup may be shadowed by the success stories of unicorn startups' CEOs. Data of 574 founders showed that about 88% of them had an undergraduate degree and in that group, computer science was the most common field of study followed by business (McLaughlin, 2019) Additionally, a mounting evidence suggests that higher education increases the chances of startups success.

That said, respondents to the KAPITA survey reported applied sciences (medicine, engineering) as the most studied field, this might be due to the fact that the highest scoring secondary schools graduates are accepted into those fields, and they are socially more preferable. Entrepreneurs with bachelor's degree constituted the majority followed by master's graduates.

Field of Study

Applied Sciences (Medicine, Engineering)	50.94% (27)
Social Sciences and Humanities (Business, Psychology, languages, literature, philosophy, history, archaeology, anthropology, human geography, law, politics, religion, and art)	22.64% (12)
Formal Sciences (logic, mathematics, statistics, computer science, artificial intelligence)	16.98% (9)
Natural Sciences (Biology, physics, chemistry, earth science, and astronomy)	9.43% (5)

Academic Degree

High School 1.89% (1)
Master's 16.98% (9)
Bachelor's 67.92% (36)
PhD 7.55% (4)
College Student 5.66% (3)

These findings are encouraging as startups will have higher chances to succeed.

Through KAPITA's Iraqi Startups' Ecosystem Monitor research, a scoring system of 1 to 5 was used to examine the level of entrepreneurship education and training that public and private learning institutes provide in the nation. The results for 'teaching in primary and secondary education provides adequate attention to entrepreneurship' was below the 1.37 average.

The results for 'teaching in primary and secondary education provides adequate instruction in market economic principles' was also below average. In addition, the results for 'teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative' were below average (KAPITA, 2021a).

These results provide a clear indicator for the inadequacy of the early educational system to prepare students to have entrepreneurial knowledge and aspirations.

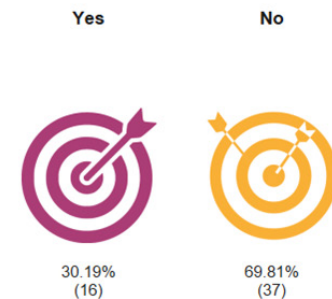# Academic Background and Its Impact on the Startup

The inadequacy of the educational system provides a parallel to the findings of this study. In KAPITA's Iraqi Education Sector Overview, the findings pointed out the problem of the Iraqi education curricula which "does not provide students with relevant skills and knowledge for our modern-day and is mostly based on memorization ability which deters the creativity of the students and their analytical skills" (KAPITA, 2021b).

These findings go in alignment with the findings of this research where the vast majority of founders were working in a field unrelated to their studying field. The majority of respondents who answered that their field of study was not the same field that they found their startup in, claimed that "[they] wanted to apply [their] innovative ideas (which are in a different field than [their] study)" as the reason for them to start their business in a different field.
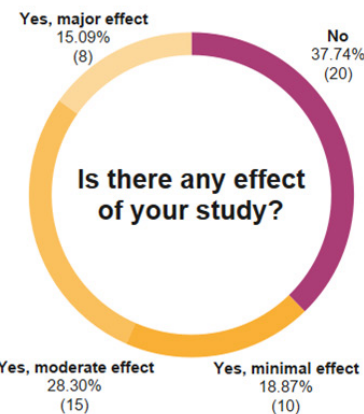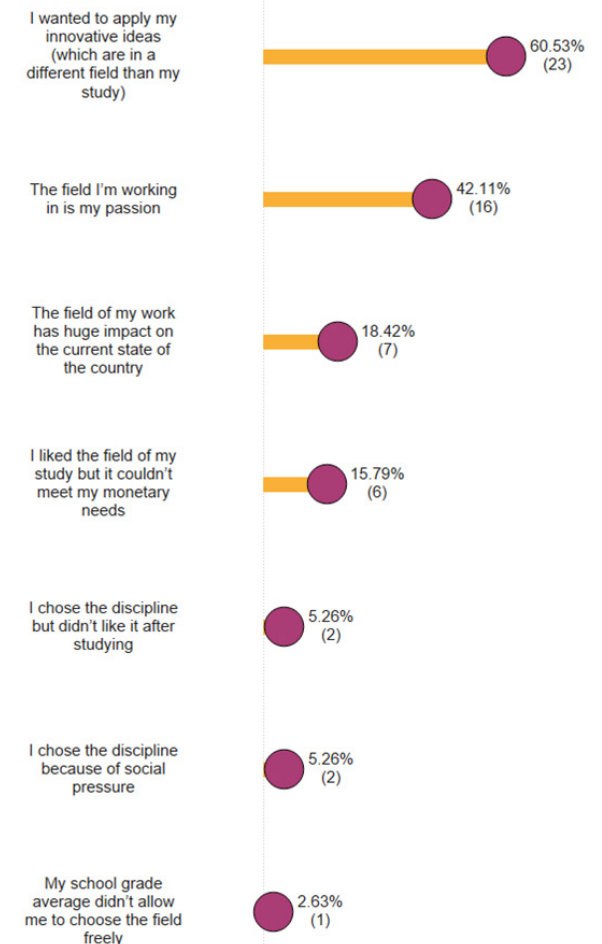
These results echoed our previous findings from the Iraqi Entrepreneurs' Journey V.1 which stated that "two-thirds [of the founders] indicated that their startups were not in the same field of [their] study" (KAPITA, 2020c).

Most of respondents said that their academic study did not affect their startup (37.74%) while the rest answered that it had a moderate (28.3%), minimal (18.87%), and major effect (15.09%) on their startups, respectively. This can also denote an issue in regards to entrepreneurial education within the educational system.

Is the startup in the same field of study?

Yes — 30.19% (16)
No — 69.81% (37)

Is there any effect of your study?

Yes, major effect — 15.09% (8)
No — 37.74% (20)
Yes, moderate effect — 28.30% (15)
Yes, minimal effect — 18.87% (10)

Reasons for Choosing Fields Other than Studied Field

I wanted to apply my innovative ideas (which are in a different field than my study) — 60.53% (23)

The field I'm working in is my passion — 42.11% (16)

The field of my work has huge impact on the current state of the country — 18.42% (7)

I liked the field of my study but it couldn't meet my monetary needs — 15.79% (6)

I chose the discipline but didn't like it after studying — 5.26% (2)

I chose the discipline because of social pressure — 5.26% (2)

My school grade average didn't allow me to choose the field freely — 2.63% (1)
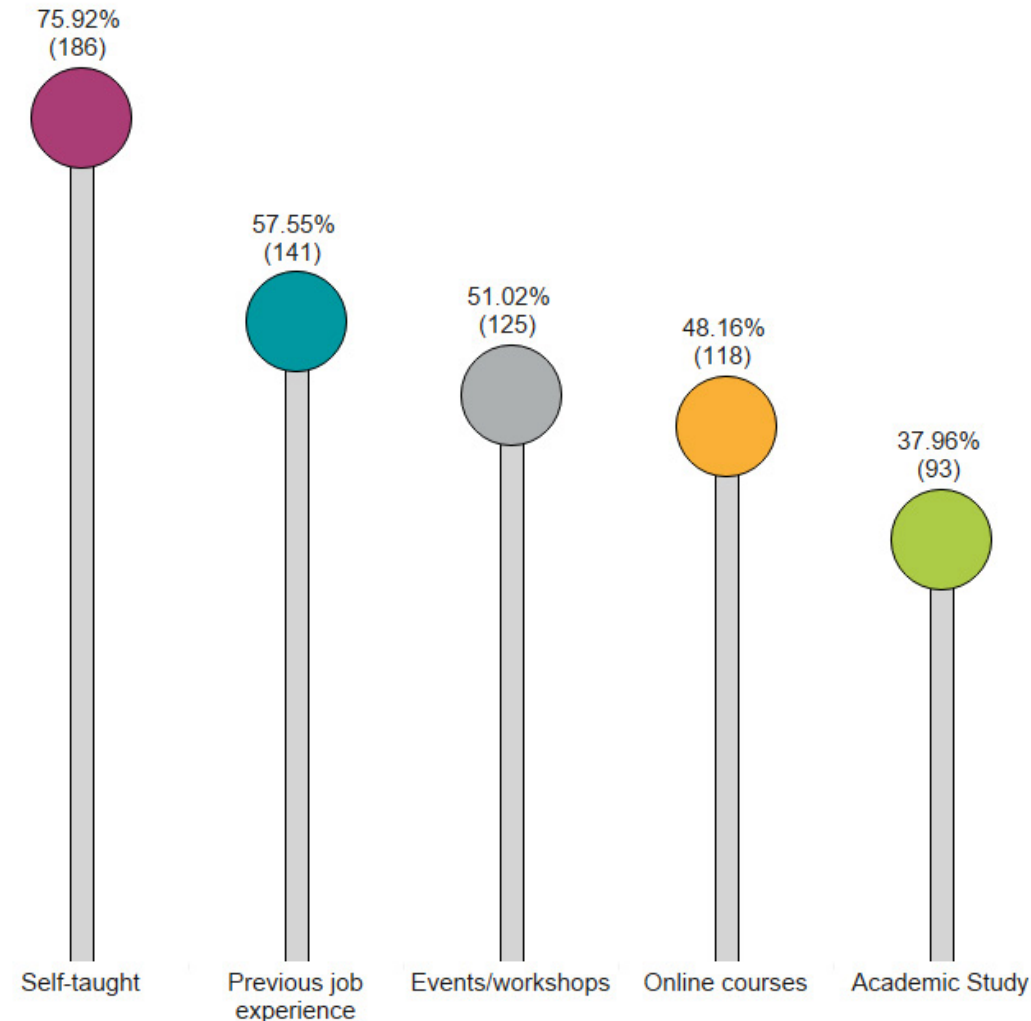
Sources of Knowledge

The versatility of sources of knowledge leads to the development of skills and mindset that help in understanding the market, the customer, and the product much better than being limited to a single source. Entrepreneurs were asked to rank the 5 sources of knowledge in descending order of importance.

The most important source was given a score of 5 points, the 2nd most important source was given a score of 4 and so on for other ranks. The total score for each source was calculated (the highest score is 245) to identify its importance for the total sample of entrepreneurs.

Academic education is expected to be a pillar in developing the skills to launch a startup. However, the current findings indicated that academic study was ranked fifth as a source of knowledge.

While self-teaching was ranked first and previous job experience as second in level of importance to respondents, followed by events/ workshops in third and online courses fourth.

Ranked Sources of Knowledge to Launch a Startup

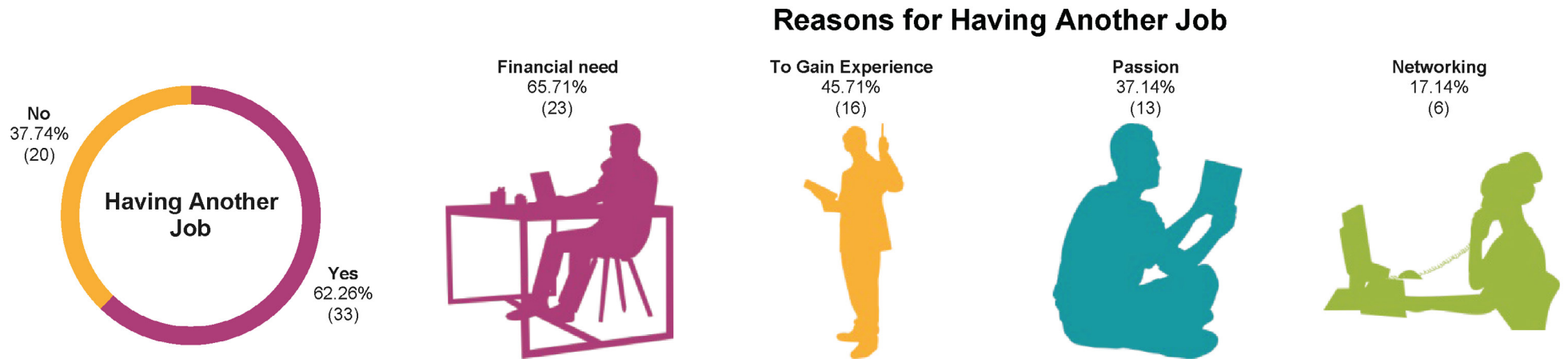|	Self-taught	Previous job experience	Events/workshops	Online courses	Academic Study
Percentage	75.92% (186)	57.55% (141)	51.02% (125)	48.16% (118)	37.96% (93)

Dedication to Startup

The majority of respondents stated that they have another job other than their startups. This is an international phenomenon within the context of entrepreneurship known as hybrid entrepreneurship.
This term could be defined as "the process of initiating a business while simultaneously remaining employed for wages" (Raffiee & Feng, 2014). Hybrid entrepreneurship allows individuals to start a business on a smaller scale which enables individuals to learn more about their venture and reduce risk.

This learning process would benefit hybrid entrepreneurs to decide to "enter full-time self-employment" and give them the insight to believe that "their business is sustainable and holds promise" (Raffiee & Feng, 2014). Empirical evidence suggests that even in the case of a hazardous exists (i.e. to close or sell-out with a loss), hybrid entrepreneurs have a 33.3% lower chance of doing so (Raffiee & Feng, 2014). This is an indication that the majority of our surveyed entrepreneurs are choosing a less risky path that is compatible with the challenging Iraqi entrepreneurial ecosystem. However, on the negative side of hybrid entrepreneurship, it undermines the scalability and growth of the business and also the pace of which the business is expanding.
It may seem hybrid entrepreneurs are considering their startups as a side project and not to have much skin in the game as there is always another job sustaining them. Moreover, the findings indicate that financial need is prevalent with the surveyed hybrid entrepreneurs.

Reasons for Having Another Job

No 37.74% (20)

Having Another Job

Yes 62.26% (33)

Financial need 65.71% (23)

To Gain Experience 45.71% (16)

Passion 37.14% (13)

Networking 17.14% (6)

*Note: Multiple selections are allowed

Section II
Entrepreneurship

Motives to Launch Startups

Startups are launched for various reasons. It could be to improve the financial income or to make a change on a national level, or possibly to provide a better service.

There's a common theme regarding the subject of motives that entrepreneurs adopt as their reason to launch a startup. It is noticeable that motives will differ depending on what country or city the startup is in. It also depends on various factors related to the full economic context of the country/city where the startup is launched.
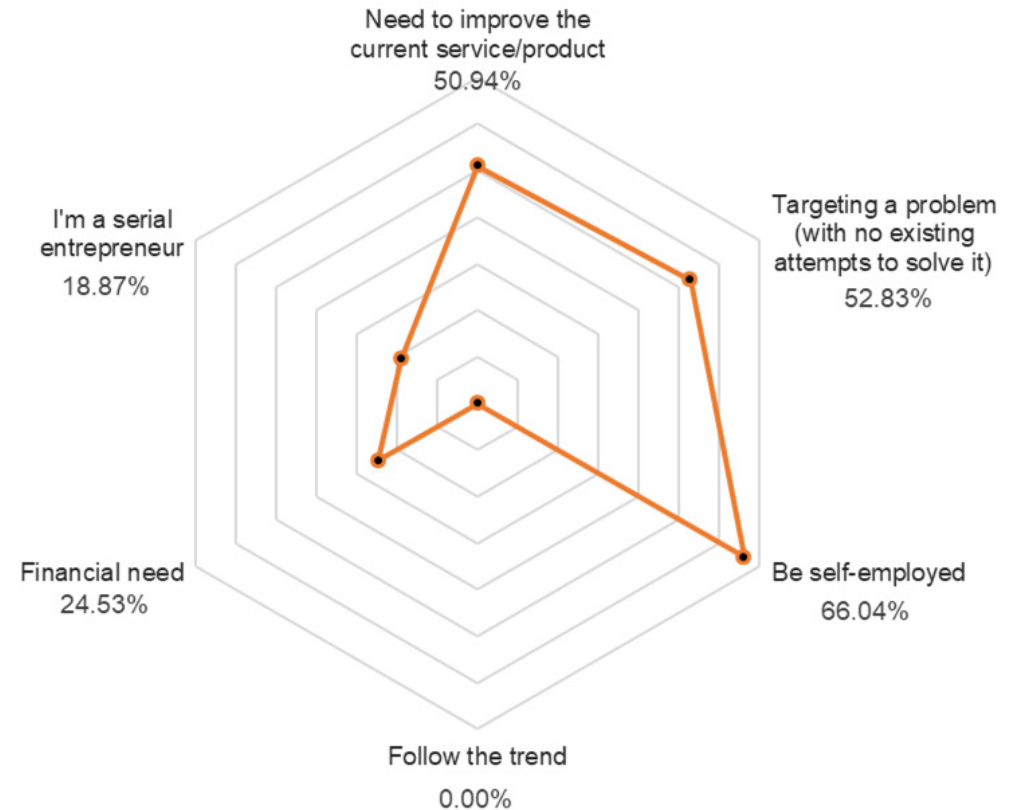
In Iran, 33.9% of entrepreneurial motivation is necessity-driven. This might be due to the fact that Iran has a factor-driven economy; an economy that tends to have lower GDP per capita, indicating that a large portion of the population is either unemployed or underemployed. While a country like the UAE, which has an innovation-driven economy, has 29.2% necessity-driven motives for entrepreneurial activities.

Qatar and Saudi Arabia are similar examples to the UAE with their necessity-driven motivations scoring very low with 10.5% and 7.5%, respectively (Ismail et al., 2017).
Regarding Iraq, KAPITA's survey found that the majority of founders chose to be self-employed as their main motive to launch their startup. According to an article by the BBC "Being your own boss enables an entrepreneur to control the business and make decisions about how it is run" (The motives of Entrepreneurs - Business Enterprise).

This relays more freedom to the entrepreneurs in making tough decisions and accepting their consequences. Targeting a problem (with no existing attempts to solve it) was the second most chosen motive, and the need to improve the current service/product was the third most chosen motive.

Motives to Launch a Startup

- Need to improve the current service/product 50.94%
- Targeting a problem (with no existing attempts to solve it) 52.83%
- Be self-employed 66.04%
- Follow the trend 0.00%
- Financial need 24.53%
- I'm a serial entrepreneur 18.87%

Types of Startups

In comparison to the first version of this research, we could notice some clear differences between the two versions. In the previous research, retail startups formed the majority followed by e-commerce and management software startups.

The scene has since changed, in the current research e-commerce startups took the lead while management software startups took the 4th place and retail startups took the 7th place. These differences can be attributed to several factors including: increased interest in e-commerce in Iraq, retail startups are more established now, and sampling differences between the previous and current research, as the current research is more inclusive than the previous one.

On the same token, agriculture-related startups are on the rise which indicate an increasing interest in a very important sector in Iraq.

E-commerce 11	Agriculture and production 7	Handmade products 4	Management software 4	Information services 3	Marketing 3
Retail 3	Tourism 3	Consultation 2	Specialty grocery 2	Delivery services 1	Energy and renewable energy 1
Entertainment 1	Event management 1	Software development and design 1	Other 6		

Channels

Having both online and offline channels still dominated the scene of startups, with 49.06% having both. But the gap with online-only startups has been reduced as more startups (than the previous research) reported an online-only channel, with 47.17% of the respondents reported having online-only presence. This could be attributed to the young nature of the current startups and could be a potential response to the COVID-19 pandemic.

Ownership

The type of ownership of a startup comes with its own advantages and disadvantages. Sole owners control all the income and profits coming from the startup while they bear the burden of taking decisions and the consequences of these decisions. Partnerships, on the other hand, allow the enrichment of the startup with innovative ideas and talents in addition to easier financing of the startup. This comes with the disadvantage of having to resolve any conflicts that may arise from taking decisions and the potential to hinder the growth of the startup.
Current findings indicate a rise in single-owned startups in comparison to previous research.

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Startups Channels

Online-only (social media, websites....etc)
47.17%
(25)

Offline-only (store, booth...etc)
3.77%
(2)

Both
49.06%
(26)

Number of Owners

Single Owner
43.40%
(23)

Two-to-Five Owners
52.83%
(28)

Six or More Owners
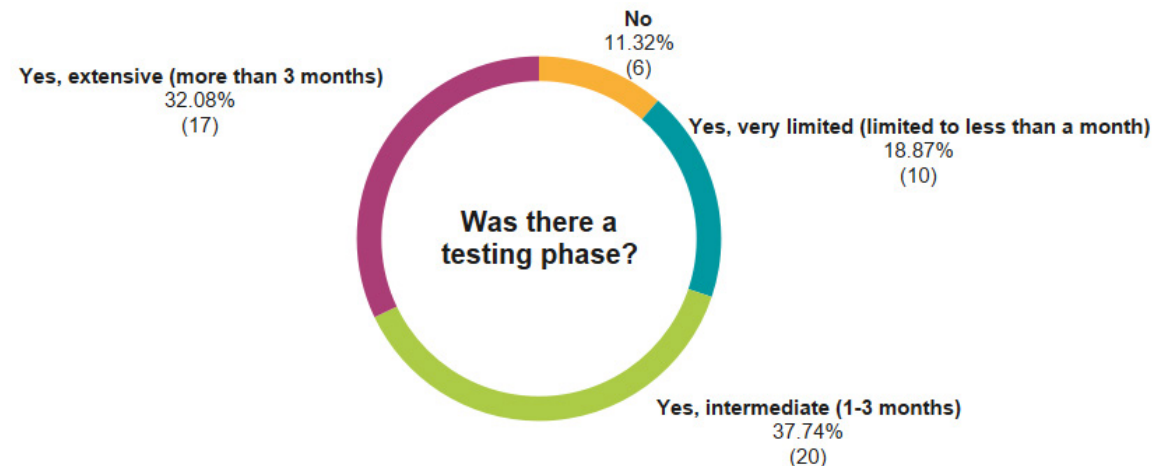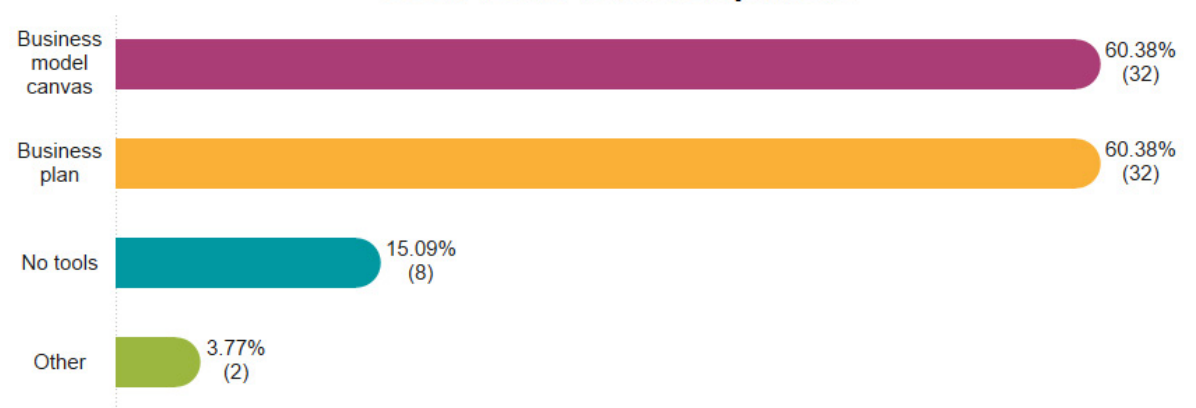3.77%
(2)

Developing Ideas and Testing the Model

There are many tools that could be used to develop ideas and testing them. It is more advisable for founders to have development tools that could enable them to make profits, identify the products and services to introduce to the targeted market, and anticipate expenses (Kopp, 2020). Once the tools are set in place, there should be a testing phase to see if the proposed plan is effective in reality or it must be amended to fit the market better.

In a survey done by Business Plan Pro and validated by the University of Oregon Department of Economics on 3000 people concluded that "those who finished their business plans were about twice as likely to successfully grow their business, get investment, or land a loan than those who didn't" (Berry, 2014).

The current findings are hopeful as the majority of entrepreneurs used one tool or another to develop their ideas, and almost 90% of them run a testing phase to a variable extent. While in the previous research around 39.02% didn't use any tools, 29.27% used Business model canvas, 26.83% used a business plan, and 4.88% used other. Thus, respondents of this report have used more tools than the previous one.

This might be due to the increasing number of support organizations since 2020, which helped business to follow a more comprehensive planning phase. There has been an introduction of 3 pre-incubation programs, 10 incubators, 5 accelerators, and 2 competitions. In addition to that, investments became more accessible and normalized with 6 companies/organizations being part of the ecosystem, pre and after 2020. (KAPITA, unpublished).

Used Tools to Develop Ideas

Tool	Percentage
Business model canvas	60.38% (32)
Business plan	60.38% (32)
No tools	15.09% (8)
Other	3.77% (2)

Was there a testing phase?

| Category	Percentage
No	11.32% (6)
Yes, very limited (limited to less than a month)	18.87% (10)
Yes, intermediate (1-3 months)	37.74% (20)
Yes, extensive (more than 3 months)	32.08% (17)

Section III
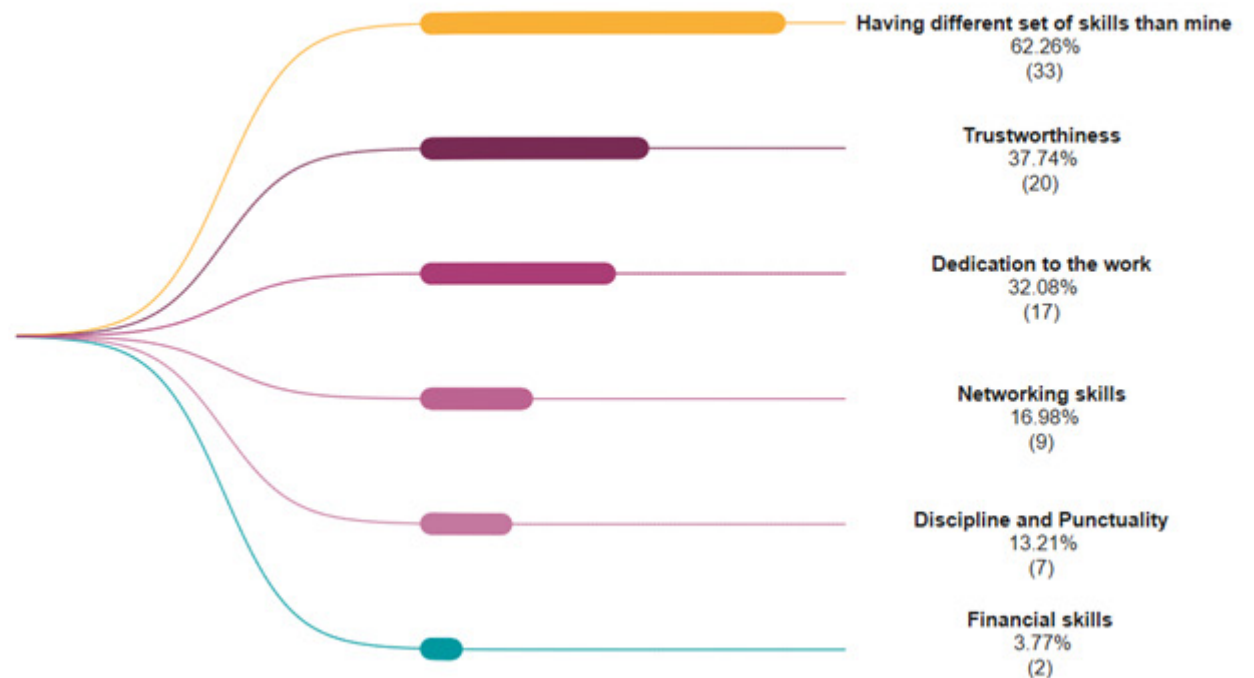# Teamwork

Working with Teams and Basis of Selection

Building a team is one of the most important aspects of building a successful business that is able to thrive and be sustainable. A team will be the one responsible for most of the day to day operations of the startup. There are many aspects to selecting the team, most of the international trends tend to view having trustworthy team members as a major aspect for hiring.

According to Thalia Rodriguez, Principal Consultant & Chief People Officer for Providence Anesthesiology Associates, "Trust is a necessary quality that provides a level of reassurance to individuals working on a team. It is important that people feel emotionally safe to be vulnerable, take risks and share ideas. Trust forges strong, cohesive teams where each member is able to align for a common purpose" (Expert Panel, 2021). Our surveyed founders have chosen trustworthiness as their second most important basis of selecting team members, only proceeded by having different skills than the founders, while dedication to the work ranked third, followed by networking skills, discipline and punctuality, and financial skills, respectively.

Do you work with a team to develop the ideas?

- 20.75% (11)
- 7.55% (4)
- 11.32% (6)
- 60.38% (32)
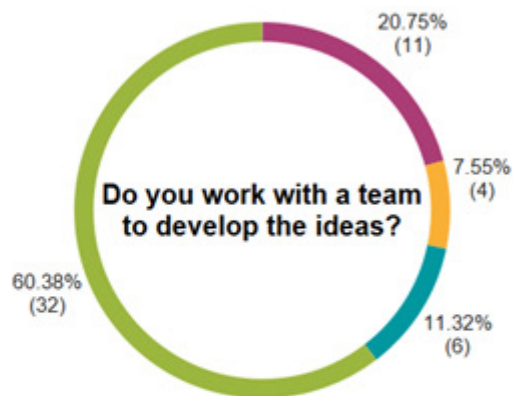
No, I have no partners
Yes, I work in a team but I solely develop the ideas
Yes, I work in a team but most of them are not engaged in developing ideas
Yes, I work with most of the team to develop ideas

Basis of Selecting Team Members

Having different set of skills than mine
62.26% (33)

Trustworthiness
37.74% (20)

Dedication to the work
32.08% (17)

Networking skills
16.98% (9)

Discipline and Punctuality
13.21% (7)

Financial skills
3.77% (2)

Building Teams

The hiring process is a subject that many experts touch on, "when it comes to hiring in a startup" experts claim that "quality outweighs quantity.
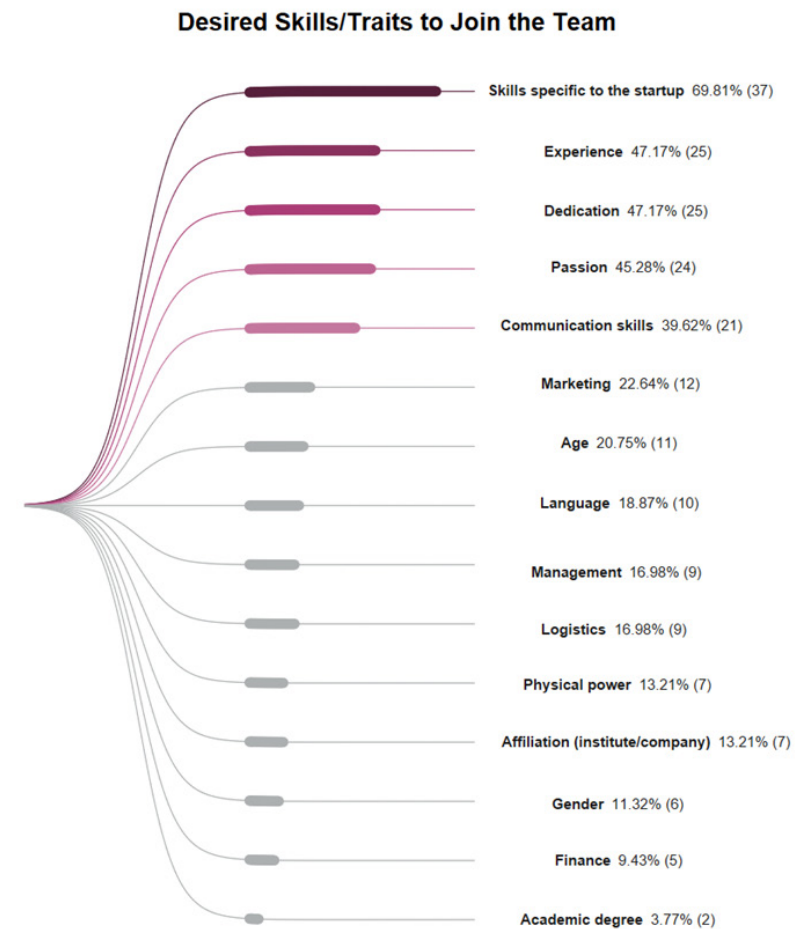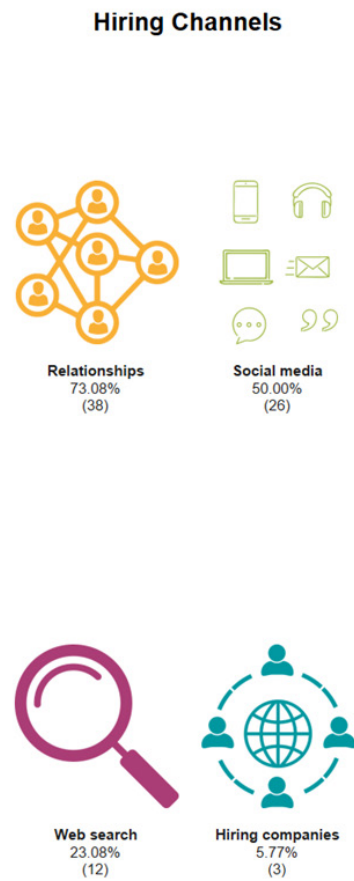
You do not want to attract just anyone and spend countless amount of your time going through many applications" (Ian, 2021).
According to KAPITA's The Reality of Information and Communication Technology In Iraq: Ecosystem Reflection, Challenges, and Opportunities; experts from Iraqi corporations were interviewed and they stated that when hiring they follow the international trend of referrals. "All the experts stated that the hiring processes, especially those that are successful, occur through referrals." The main reason as to why this practice is prevalent in Iraq is the fact that through job referrals, recruiters can get access to potential employees who has the skills matching what is needed and not having to go through a rigorous process of filtering applicants (KAPITA, 2021c).

There is a parallel to our findings which shows that 73.08% of the surveyed founders choose relationships as their main hiring channel.

This is an indication that the Iraqi market is mainly based on networks.
It emphasizes their importance and also denotes the cultural aspects that come into play when building a team. As mentioned previously, the importance of trustworthiness ties neatly with professional networking.

Hiring Channels

Relationships 73.08% (38)

Social media 50.00% (26)

Web search 23.08% (12)

Hiring companies 5.77% (3)

Desired Skills/Traits to Join the Team

Skills specific to the startup 69.81% (37)

Experience 47.17% (25)

Dedication 47.17% (25)

Passion 45.28% (24)

Communication skills 39.62% (21)

Marketing 22.64% (12)

Age 20.75% (11)

Language 18.87% (10)

Management 16.98% (9)

Logistics 16.98% (9)

Physical power 13.21% (7)

Affiliation (institute/company) 13.21% (7)

Gender 11.32% (6)

Finance 9.43% (5)

Academic degree 3.77% (2)
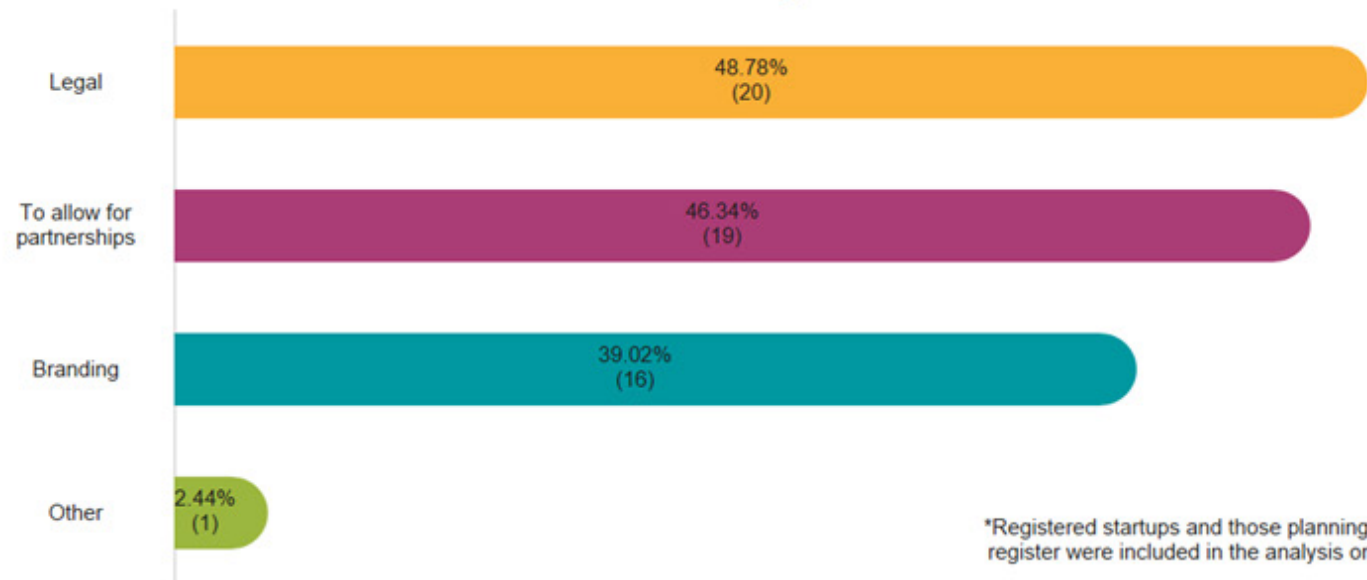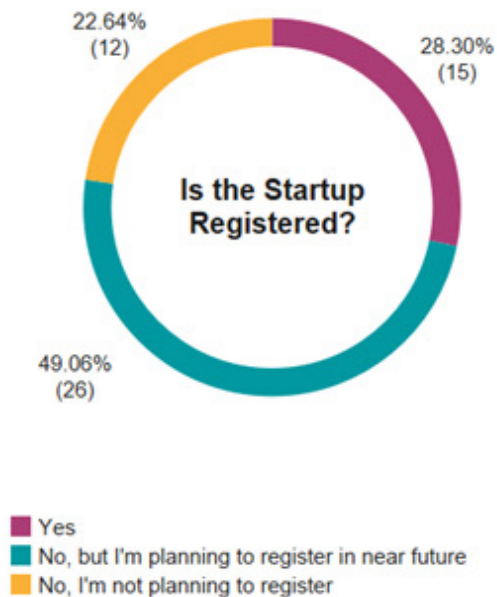
Section IV
Registration

Current State and Reasons to Register

Registration is a procedure that any company has to go through in order to operate legally within Iraq. It is legally defined as "the process by which a company gets listed in the Registrar of Companies - Chamber of Commerce in order to finalize the establishment process, which grants it a separate legal entity.

This enables companies to freely practice all economic activities as well as subjecting it to all the country's laws in force" (KAPITA, 2020a). There are many benefits to registering a company, including, but not limited to, preventing intellectual theft of the brand name, partnerships with companies and banks, obtaining a license to establish a company's headquarters, and having more credibility to acquire customers.

The issues of not registering are various, including, but not limited to, legal prosecution, infeasible partnerships, likelihood of intellectual theft, and less credibility perceived by customers (KAPITA, 2020a). Entrepreneurs planning to register constituted the majority (49.06%) which indicates an increased awareness about the importance of registration mainly for legal reasons or to partner with other businesses.

Is the Startup Registered?

- 22.64% (12)
- 28.30% (15)
- 49.06% (26)

Legend:
- ■ Yes
- ■ No, but I'm planning to register in near future
- ■ No, I'm not planning to register

Reasons to Register

- Legal — 48.78% (20)
- To allow for partnerships — 46.34% (19)
- Branding — 39.02% (16)
- Other — 2.44% (1)

*Registered startups and those planning to register were included in the analysis only

Registration Challenges

There are six steps to register a company in Iraq:

Step 1: Reserve the trade name.
Step 2: Obtain the trade name letter.
Step 3: Obtain the company's capital letter.
Step 4: Submitting an online application.
Step 5: Registering the company.
Step 6: Capital deposit withdrawal.
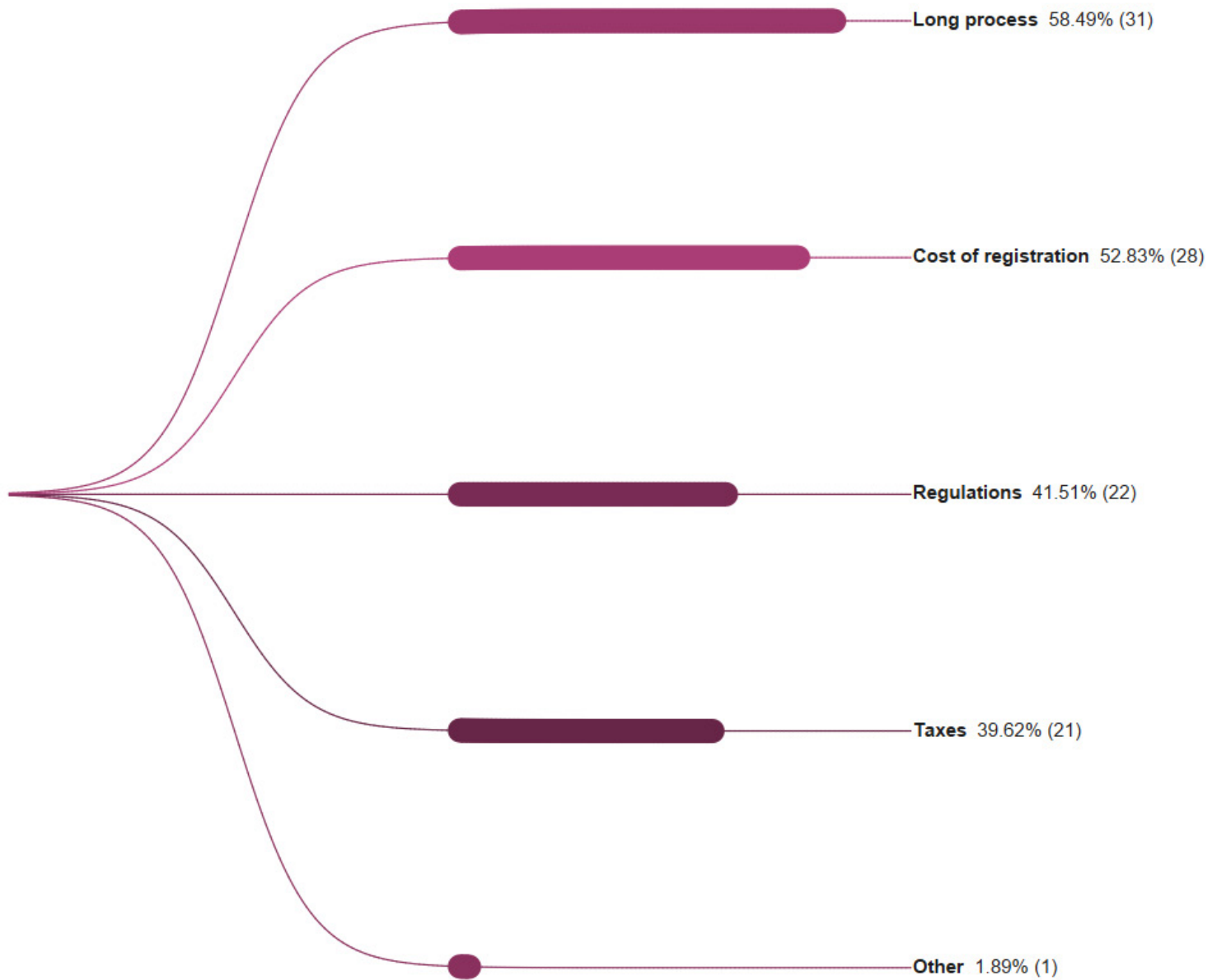Step 7: Post-registration procedures.

When these steps are taken it will offer the company validation for their documents and contracts (KAPITA, 2020a).
Recently, the Iraqi government, with the aid of several international stakeholders, have introduced a website, eRegulations Baghdad, which is responsible for providing online instructions for the procedures of registering a business, obtaining personal documents, investor services, and tax related procedures.

Our findings indicate the biggest hurdle to registering a startup in Iraq is the long process. In comparison to other countries in the MENA region, taking the United Arab Emirates (UAE) as an example, the process was limited to 15 minutes.

The UAE introduced an eService platform to register your company called Basher. Which is "an integrated eService, which enables investors to establish their businesses in the UAE within 15 minutes through a unified online platform. This platform is connected with federal and local government entities which provide commercial licence services" (Basher (doing business in 15 minutes), 2021).

Challenges to Registration

Long process 58.49% (31)

Cost of registration 52.83% (28)

Regulations 41.51% (22)

Taxes 39.62% (21)

Other 1.89% (1)

Section V
Customers and Market

Business Models

There are various ways to create a business model that a company can adapt. A business model highlights the importance of knowing the value chain the business is targeting. Whether the business is targeted to customers, to provide them with products or services, or other business or government. Many businesses can have businesses, government, or regular customers within their value chains, either independently or together.

In Iraq, survey findings indicate that the focus of business is mostly on customers (75.47%) followed by other businesses (67.92%), then the government (16.98%). These findings are similar to findings from the last research.

Business Models

Business-to-customer (B2C)
75.47%
(40)

Business-to-business (B2B)
67.92%
(36)

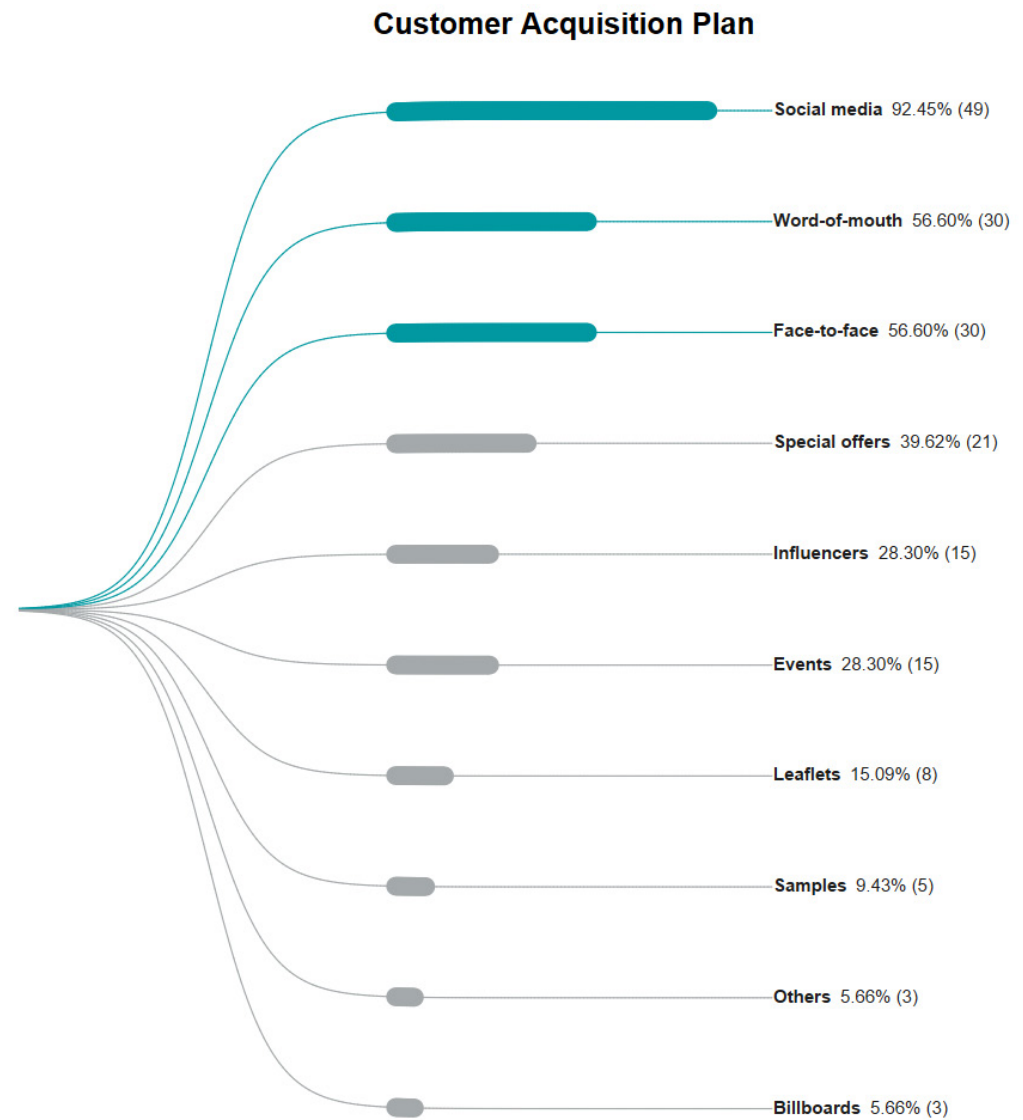Business-to-government (B2G)
16.98%
(9)

Customer Acquisition Plan

"Customer acquisition is the process of bringing new customers or clients to your business.

The goal of this process is to create a systematic, sustainable acquisition strategy that can evolve with new trends and changes" (Hadaway, 2021). There are various ways to acquire new customers that could be adapted. One of the most recent models is through social media, as it is proving to be one of the easiest and most effective ways to reach a large clients base.

In the first edition of this research; Iraqi Entrepreneurs Journey: An In-Depth Analysis V 1.0, we had similar findings for the top three results. Social media ranked first followed by word-of-mouth then equal for the third place were direct connection (face-to-face) and influencers (KAPITA, 2020b).

Interestingly, influencers dropped to fifth in the current findings. While the other three remained exactly in the same position as the best methods of customer acquisition. Worth noting that word-of-mouth and face-to-face were ranked equally by respondents.

When it comes to social media, it is designed to enable businesses to reach out to more people more effectively than any other method. Given the fact that "as of January 2021, 75% of the Iraqi population have access to the internet, 61.4% of them are active social media users, and 98.4% have access to mobile connections" (KAPITA, 2021c). This is an unavoidable section of the market that is easily covered by reaching out through social media.

Customer Acquisition Plan

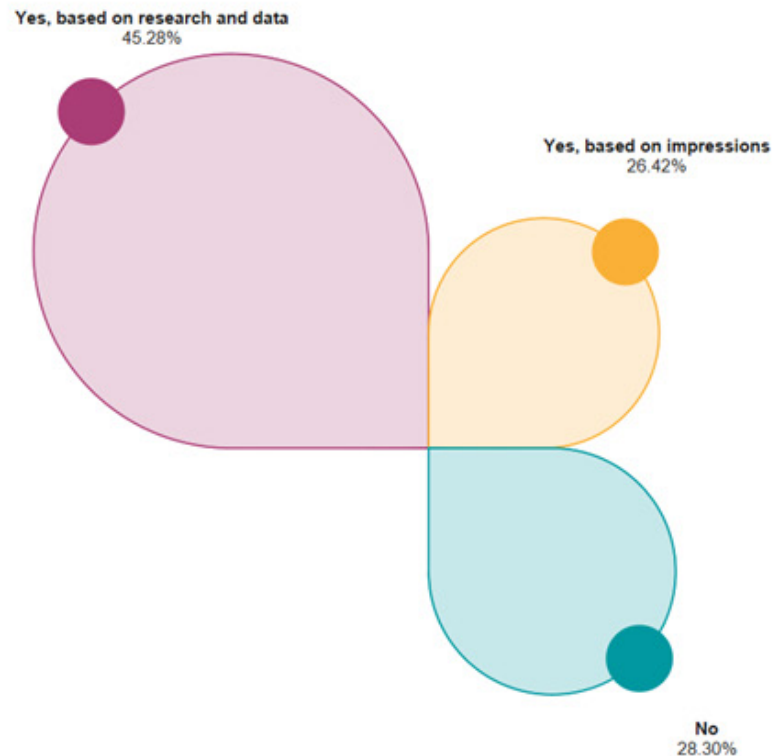| Method	Percentage
Social media	92.45% (49)
Word-of-mouth	56.60% (30)
Face-to-face	56.60% (30)
Special offers	39.62% (21)
Influencers	28.30% (15)
Events	28.30% (15)
Leaflets	15.09% (8)
Samples	9.43% (5)
Others	5.66% (3)
Billboards	5.66% (3)

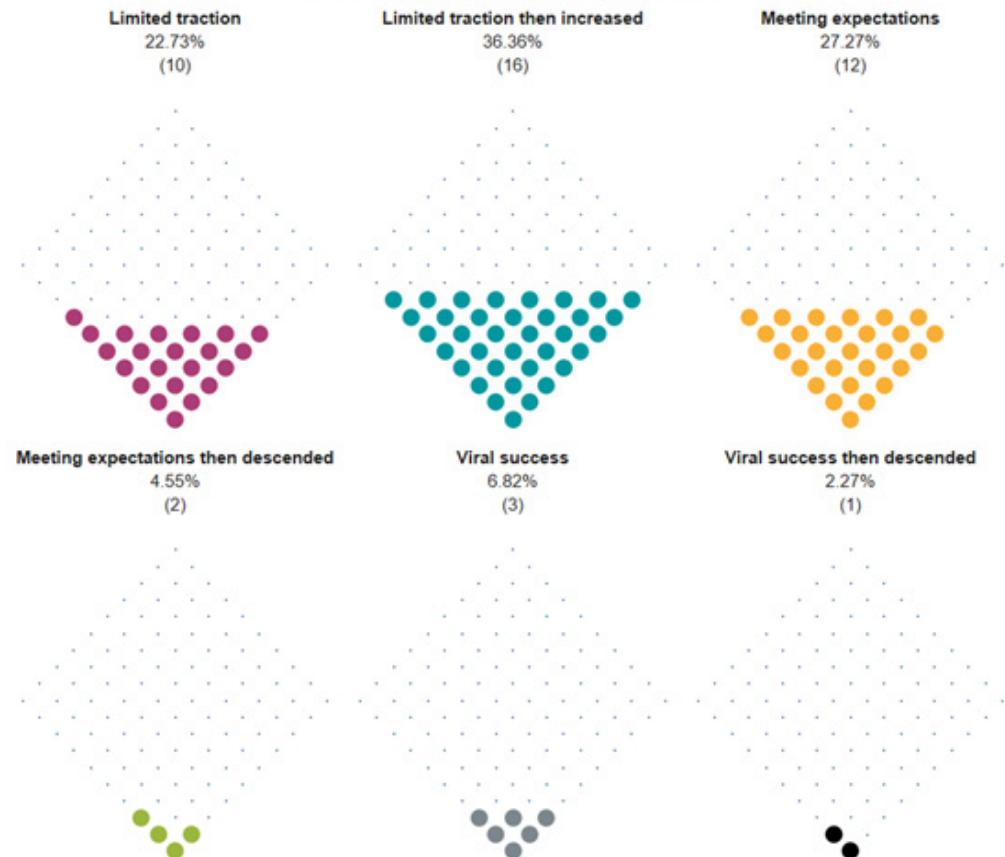# Goals and Customer Traction

Gaining traction is difficult as most successful companies struggle during their early days. "Some of the top brands in business today had to work hard at one point to gain traction" (Rampton, 2015). This issue is one that is difficult to overcome.

Our findings indicate that the majority of the surveyed startups get limited traction that increases over time; the majority of surveyed respondents also claimed that they had set traction goals based on research and data. Combining goals based on research and data and having the patience to wait for traction to increase appears to be the most successful way to gain traction.

Did you set goals on number of customers you'll reach in a specific period of time?

Yes, based on research and data
45.28%

Yes, based on impressions
26.42%

No
28.30%

Traction the Startup is Making

Limited traction
22.73%
(10)

Limited traction then increased
36.36%
(16)

Meeting expectations
27.27%
(12)

Meeting expectations then descended
4.55%
(2)

Viral success
6.82%
(3)

Viral success then descended
2.27%
(1)

Challenges to Scaling

"Scaling refers to the process of increasing revenues at a more rapid rate than costs.

[It] allows a company to grow larger at a rapid rate because a relatively small investment is able to yield outsized returns, which can be reinvested to scale the business even further" (Landry, 2019).

Scaling would allow the team a solution to successfully handle a larger client base without a significant increase of the re-sources needed to do so (Landry, 2019).
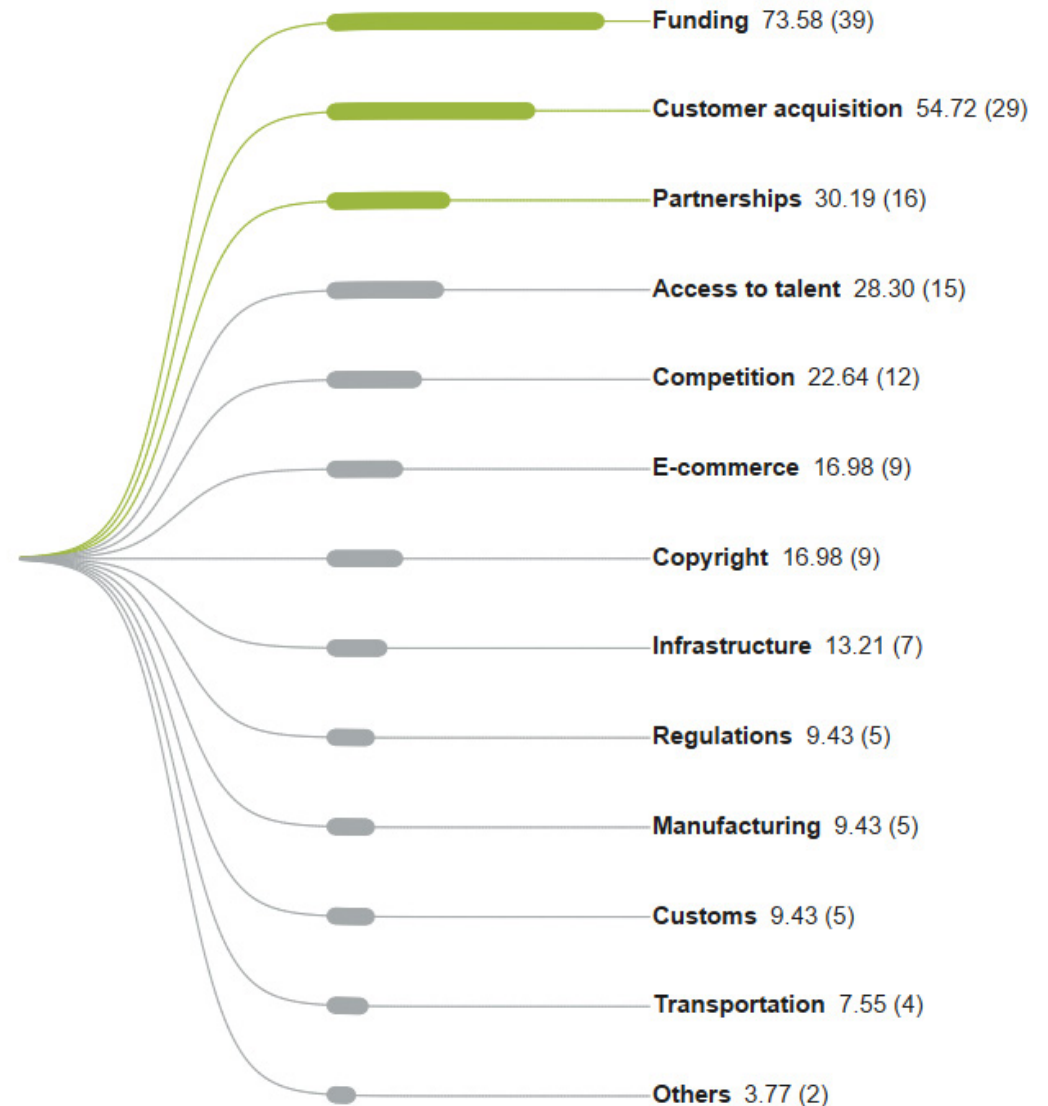
The weak financial infrastructure in Iraq has pushed funding to be the major issue to scaling.

The findings indicate that funding was the most prevalent challenge to scaling, followed by customer acquisition, and partnerships.
In our previous findings, competition was the most prevalent issue to scaling, while funding ranked lowly.

This could be attributed to differences in types of startups or their young nature.

Challenges to Scaling

- Funding 73.58 (39)
- Customer acquisition 54.72 (29)
- Partnerships 30.19 (16)
- Access to talent 28.30 (15)
- Competition 22.64 (12)
- E-commerce 16.98 (9)
- Copyright 16.98 (9)
- Infrastructure 13.21 (7)
- Regulations 9.43 (5)
- Manufacturing 9.43 (5)
- Customs 9.43 (5)
- Transportation 7.55 (4)
- Others 3.77 (2)
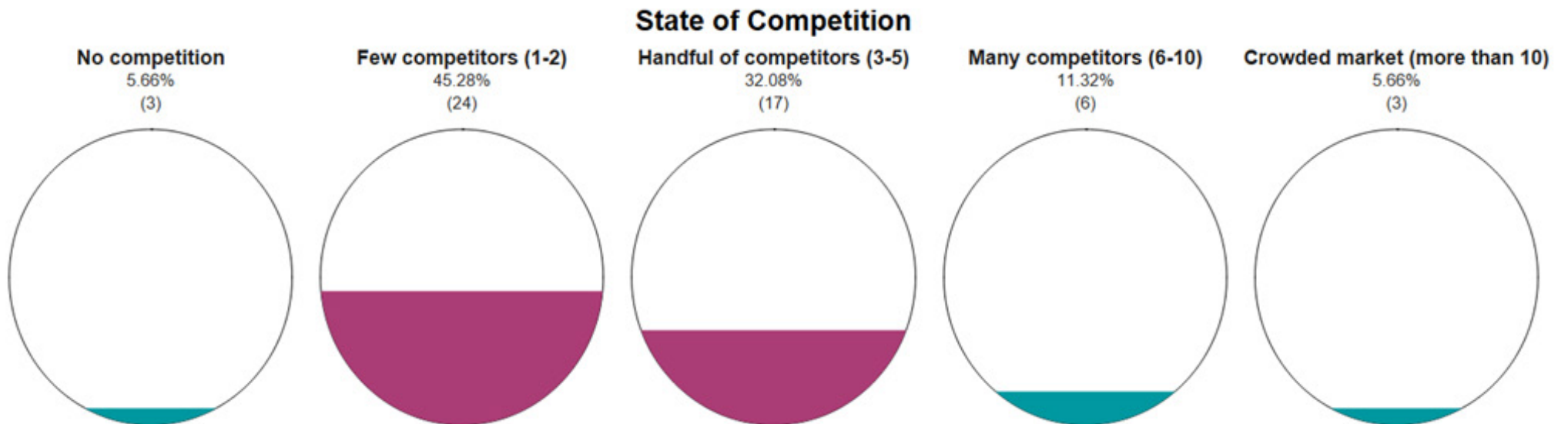
Section VI
Competition

State of Competition

Competition is a healthy way to improve startups. The more the competition is, the better the services and products are. In the previous research, the findings indicated that crowded market and a handful of competitors were equally reported as the main state of competition.

While the current findings indicate few competitors and a handful of competitors are the most to be reported.

Competition drives innovation, but too much competition may lead to a larger number of startups exiting the market early. The current findings indicate that the current level of competition in Iraq is suitable to create variability but not too high to drive startups out of business.

State of Competition

No competition	Few competitors (1-2)	Handful of competitors (3-5)	Many competitors (6-10)	Crowded market (more than 10)
5.66%	45.28%	32.08%	11.32%	5.66%
(3)	(24)	(17)	(6)	(3)

Position in Competition

It is important for founders to know their competitors. To understand what they are offering that is different from competitors or what are the gaps that they have not covered which may allow them to exploit.

There are many ways to distinguish a startup from the competitors, "you need to respond and make some changes. It could be anything from improving customer service, assessing your prices and updating your products, to changing the way you market yourself, redesigning your literature and website and changing your supplier" (Info entrepreneurs, 2009).
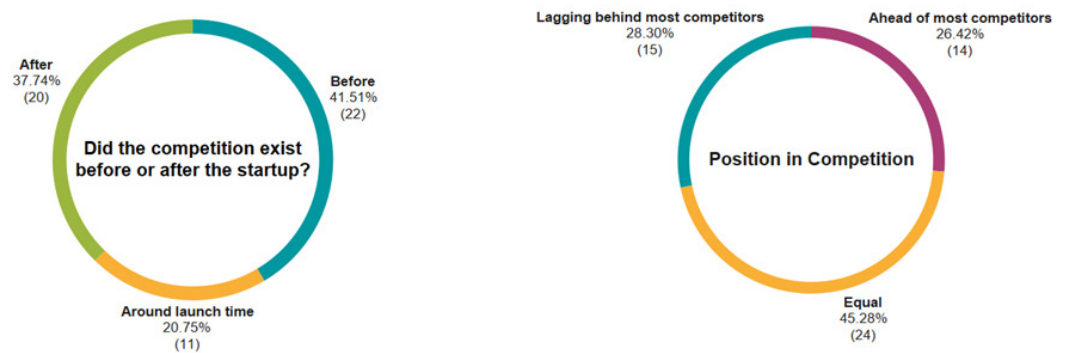
There are several ways to get clues that might help to identify the competitors in the market. The simplest way to do so is by searching for similar products and services on the internet within the market area.
Other ways that could be adapted, including, checking the local Chamber of Commerce, questionnaires, exhibitions and trade fairs, advertisements, press reports, and information provided by customers, amongst other things (Info entrepreneurs, 2009).

When our respondents were asked if there was competition before or after they started their startups, 41.51% answered that their was before, while 37.74% answered after and 20.75% answered that competition came along around their launch time.

About 45% of the same founders claimed that their position in competition was equal to their competitors, 28.30% claimed that they lagged behind competition, and 26.42% claimed to be ahead of most competition.
It is worth noting that our findings indicate that third of the respondents were using impressions to determine their position in the market. While market research and data were equally chosen.
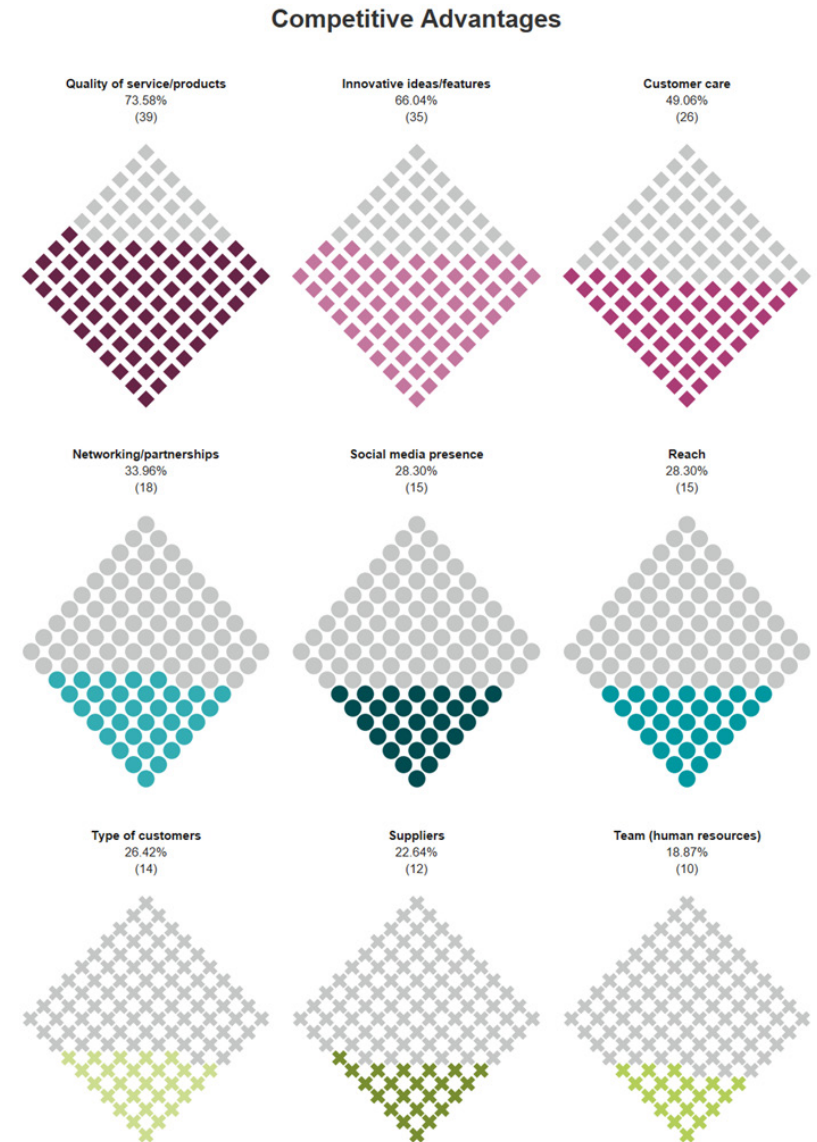
Competitive Advantages

"Competitive advantage is what sets your business apart from your competition. It highlights the benefits a customer receives when they do business with you.

It could be your products, services, reputation, or even location" (Queensland Government, 2021).
This concept is also connected to another concept which is competitive positioning. Experts define this concept as "a marketing strategy that refers to how a marketing team can differentiate a company from its competitors" (Indeed Editorial Team, 2021).

Quality of service/products (73.58%), innovative ideas/features (66.04%), and customer care (49.06%) were the competitive advantages most commonly reported by entrepreneurs.

These advantages show customer-centric approach taken by entrepreneurs to differentiate their startups from competitors.

Competitive Advantages

Quality of service/products 73.58% (39); Innovative ideas/features 66.04% (35); Customer care 49.06% (26); Networking/partnerships 33.96% (18); Social media presence 28.30% (15); Reach 28.30% (15); Type of customers 26.42% (14); Suppliers 22.64% (12); Team (human resources) 18.87% (10)

Section VII
Funding

Sources of Funding

There are many ways to fund a startup, it all depends on the stage where the business is at, amongst other factors.
To push the business forward, there is a need for financing. Knowing how much money is needed and when is the right time to get it is essential to know which is the best source of financing to pursue (Hofstrad, 2013).

It is almost a universally accepted fact that self-funding is the first step of most startups, aligning with our findings.

This indicates that the entrepreneurial ecosystem is still young in Iraq.
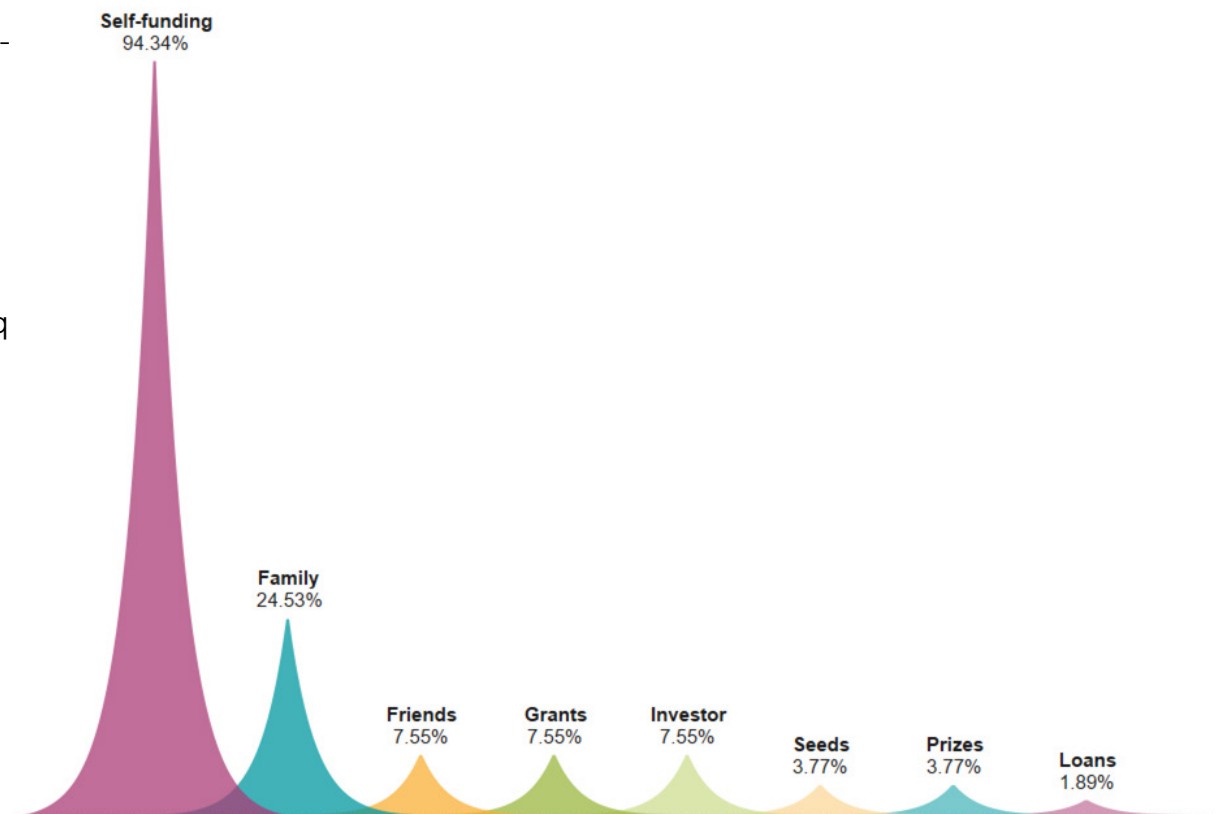Worth noting, that there is an actual lack of investment opportunities in Iraq.

There are 7 investment entities operating in Iraq, which are; FasterCapital's Raise Capital, IOM's Enterprise Development Fund, Iraq Tech Ventures, USAID's Middle East Investment Initiative (MENA II) - Iraq, KAPITA's Iraqi Angel Investors Network, and GroFin's North Iraq Investment and Nomou Iraq Fund (KAPITA, unpublished).

There is a lack of seed capital funding, which is the money raised to begin developing an idea for a business. This seed capital is usually provided by angel investors.

In 2020, KAPITA introduced the Iraqi Angels Investors Network (IAIN), which is the first angel group in the country that comprises a group of distinguished Iraqi businessmen and entrepreneurs.

IAIN's mission is to provide support for the entrepreneurship ecosystem in Iraq and revitalize the country's private sector.

Sources of Funding

- Self-funding 94.34%
- Family 24.53%
- Friends 7.55%
- Grants 7.55%
- Investor 7.55%
- Seeds 3.77%
- Prizes 3.77%
- Loans 1.89%

Seeking Funding

There is a lack of investment opportunities and the weak financial infrastructure are the most dominant when it comes to funding.
As Iraq is ranked lowly in the World Bank's Ease of Doing Business, ranking at 172 out of 190 countries. There are currently some governmental and non-governmental opportunities that have recently been activated. On the governmental side, the Central Bank of Iraq has introduced the 'One Trillion Iraqi Dinar' initiative.

Which helped SMEs by postponing interests on loans, and principal payments. As well as offering 5 million Iraqi Dinars to support existing projects (KAPITA, 2021a).

On the non-governmental side, IOM has introduced the Enterprise Development Fund, which grants SMEs between $10,000 to $30,000, under specific terms and conditions (IOM).

As well as, KAPITA's inception of the first Iraqi Angel Investor Network (IAIN), which help founders to gain access to funding, information and connections. Thus, sustaining their business and enabling them to scale it up (KAPITA, 2021a).

The majority of respondents are not seeking funding but planning to seek in the future which reflect on the immaturity of the funding infrastructure of the country, and the need of more improvement so it would be more appealing to the founders. While those who are actively seeking funds ranked second.

Are You Seeking Funding?

11.32% (6)

45.28% (24)

11.32% (6)

32.08% (17)
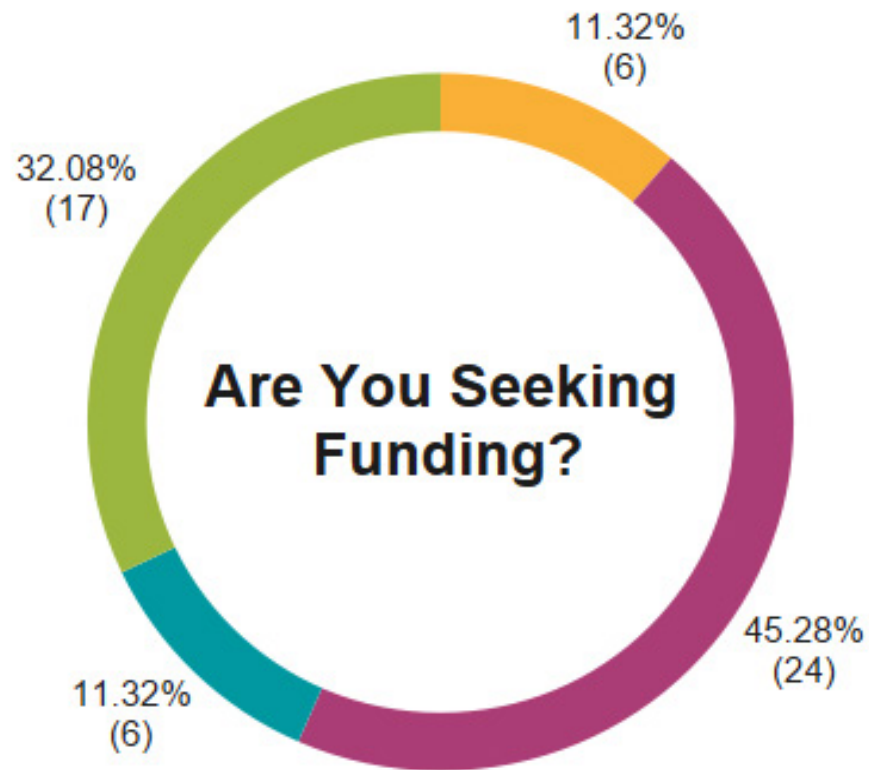
- No, not planning to seek funding
- No, but planning to seek funding in near future
- Yes, passively searching (e.g. word-of-mouth, social media ad..etc.)
- Yes, actively searching (e.g. searching online, asking experts, visiting banks..etc.)

Conclusion

- Male founders dominate the Iraqi business landscape, with a majority of individual founders.
- The majority of surveyed founders have an applied sciences educational background, followed by social sciences and humanities, formal sciences and natural sciences, respectively.
- The majority of surveyed founders stated that their business is in a different field than their educational background. With the majority stating that their educational background had affected their business, albeit in varying degrees, from minimal, moderate, to major effect.
- The majority of respondents stated that they have a different job aside from their business. The major reason is financial need, followed by gaining experience, passion, and networking, respectively.
- The majority of respondents were motivated to launch their startups by wanting to be self-employed.
- The majority of respondents have both offline (brick and mortar) and online stores, followed by online stores only, with a minority that had no online presence.
- Various business model plans were implemented by the respondents, while a minority of them had no business plans. Most of the respondents had a testing phase in various lengths, while a small minority did not have one.
- Most of the founders stated that they work with the full team to develop ideas. Also, when selecting team members, founders stated that they prefer to select new members based on having a different set of skills than that of the founders.
- The most preferred method of hiring that the respondents chose was through relationships, followed by social media, web search, and hiring companies. While the most desired skills for new hires are skills that are specific to the startup.
- Most of the surveyed founders did not register their businesses but are planning to. They stated that the biggest challenge they face when registering is the long registration process.
- Most of the surveyed businesses follow a business-to-customer model, followed by a business-to-business model, and a business-to-government model, respectively.
- The biggest challenge the respondents face when it comes to scaling is funding, which is an indicator of the weak financial infrastructure in Iraq.
- The respondents ranked the state of competition in the market, respectively, as having few competitors, to a handful of competitors, followed by many competitors, then equally no competition and crowded market.
- The highest bulk of respondents, by a huge margin, stated that their source of funding was self-funding. Almost half of them stated that they are planning to seek funding in the future

Recommendations

- Female founders must be encouraged to enter the Iraqi market and become major players in the scene.
- There must be a push towards business-oriented learning institutions. As most of the entrepreneurs are founding startups in fields other than their studies and are indicating little to no benefit from their studies. A structural change in the Iraq education system is needed for a long term solution and establishing business support programs or institute to bridge the gap most entrepreneurs now have in their skillset.
- Support programs for current employees in the private or public sector who want to pursue an entrepreneurial path is hugely needed as many of current entrepreneurs, for financial reasons, are also employed thus lack to focus on their startups.
- Hybrid entrepreneurship, having a business and a job, could be very helpful for founders in the early stages of their business.
- It is a better option to have an online stores as it is more attractive option for the ease of accessibility.
- Founders must focus on selecting their team correctly and develop ideas with them, so they could better adapt and shift the business into an aligned direction.
- Since the business-to-customer market seems to be the most crowded, business should focus business-to-business and business-to-government markets which appear to have more opportunities.
- There must be more incentifying initiatives that target SMEs and more regulations that are specific to them in regards to bank loans.
- More people should be encouraged to enter the market, claim more market share, and establish a much-needed balance that should benefit the consumer and better the quality of services and products.

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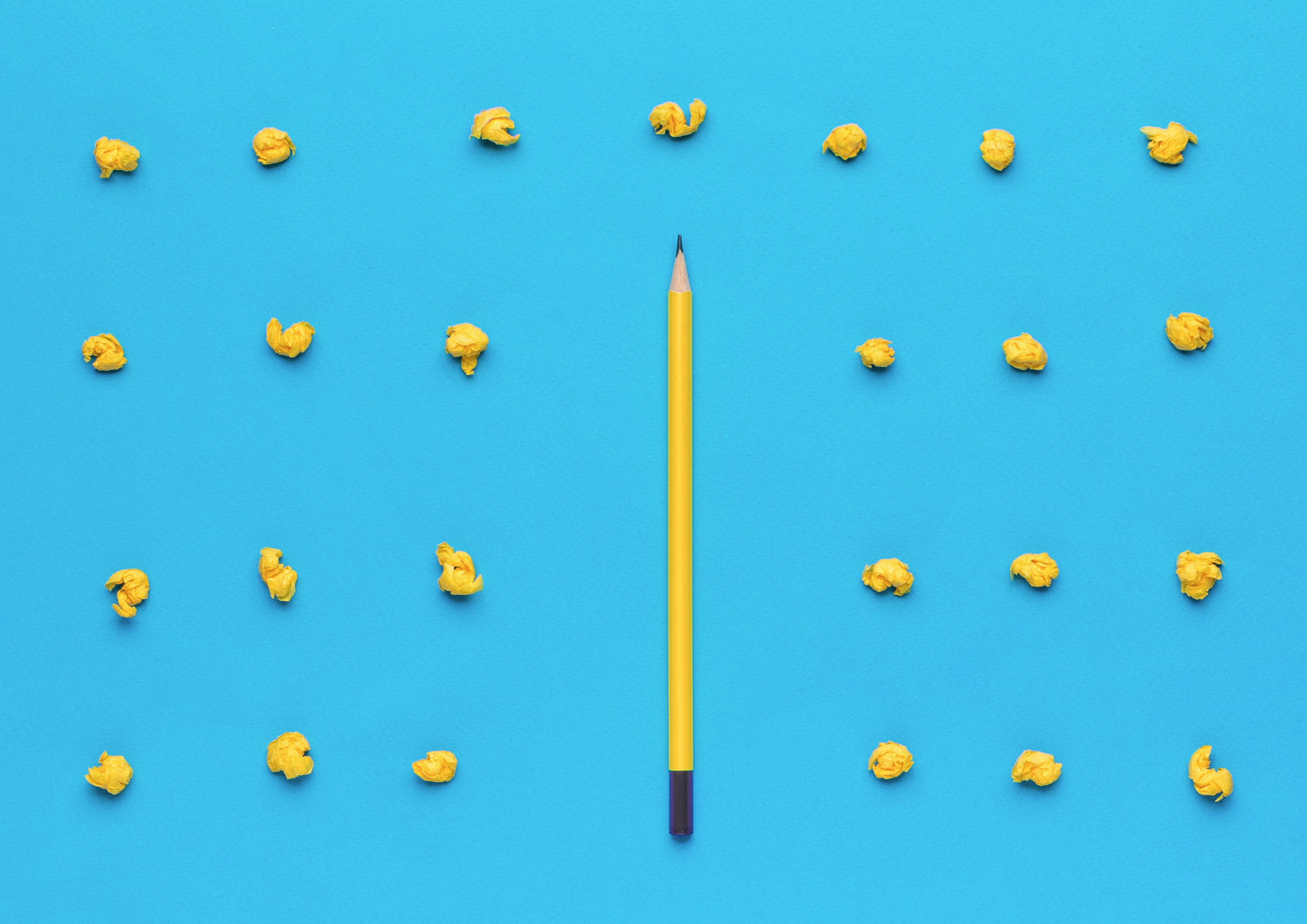
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