



## Business Plan for Innovaid South Africa

## Legal Page

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Date

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## Executive Summary

InnoVAID South Africa is a project of innovators for innovators. The fundement was established in 2008 by three executive MBA students: Nete Ramlau-Hansen, Christian Kolthoff, and Erik Jul Nielsen, who studied together at Aarhus School of Business (ASB). During a summer school arrangement at University of Stellenbosch Graduate School of Business (USB), they visited the township of Khayelitsha outside Cape Town and found great business potentials through flourishing entrepreneurial, creative, and innovative ideas. However, the ideas needed financial and educational support to move from thought over realization and action to finished businesses. Thus, in cooperation with various South African partners, including the Bottom Of the Pyramid project coordinated by a small team of USB senior academics with Professor Extraordinaire Wolfgang Thomas functioning as the Chief Operating Officer, sustainable solutions and plans has been developed.

The purpose of InnoVAID South Africa is thus to support creative, innovative ideas and entrepreneurship in the township of Khayelitsha, through sponsorships provided by CSR-oriented business partners. Sustainable solutions and growth must be initiated by strong, independent, local activities supported by cooperation, active participation, and education from the various partners. It is of uttermost importance to maximize governance in order to secure a trustworthy and legal system of direct money flow from sponsor to entrepreneur. As a result, InnoVAID will in close cooperation between its Danish and South African partners ensure a transparent and open transferring process that can be followed by all partners involved.

The InnoVAID South Africa brand in itself represents sustainability, entrepreneurship, innovation, and corporate social responsibility. Through trust and equity building, sponsorship partners will benefit from the power of the good-will branding flowing from the InnoVAID brand and values into their own organisations.

The strategic processes of selecting partners, starting them off, providing training, and monitoring their business results, will take place within a prescriptive frame of emergent flexibility. Two pilot projects will act as predeterminers in January 2009, with the purpose of developing processes, business plans and strategies accordingly before starting up 7-10 business on a yearly basis.

## 1. Introduction

The e\*MBA Team of 2006 from Aarhus School of Business (ASB) participated in a summer school program at University of Stellenbosch Graduate School of Business (USB) in South Africa in 2007. During their stay they visited the township of **Khayelitsha**, and were met by a sight of poverty, low standard living conditions, and a very limited business life. However, the potential of the inhabitants' creative and innovative minds paired with their willingness and eagerness to become entrepreneurs was most certainly present. Although, the people of Khayelitsha are living under modest circumstances in humble surroundings, the state of affairs and proactive actions of entrepreneurship need not to be.

Purchasing power among the inhabitants seems rather strong, although present circumstances do not allow for much business and trade to take place locally. Thus, are the poor conditions of Khayelitsha being kept at a negative status quo, as people are taking their businesses and thus money elsewhere - outside the township. As a result, the vicious cycle is hard to break and although short term solutions of providing necessities such as food and medicine for the town are necessary, Khayelitsha needs sustainable resolutions on which a new solid fundament can be built.

Hence, creating this fundament became the mission of the e\*MBA Team of 2006, and during the final semester at ASB, the team decided to launch the project **Innovaid South Africa – Innovators for Innovators** led by: Christian Kolthoff, Erik Jul Nielsen, and Nete Ramlau-Hansen. The group has been working hard on the business plan and the organizational strategy since March 2008 and in October Christian Kolthoff visited South Africa in order to investigate the possible setup in relations to Khayelitsha. The result had a positive outcome and the next steps are now to be taken. In November Jesper Kanstrup was appointed project manager of the project in order to support the work group and implement the strategy.

### 1.1. Facts about Khayelitsha

- Khayelitsha is Xhosa and means "Our New Home".
- It has its geographical location at the outskirts of Cape Town, and is reputed to be the third largest township in South Africa after Soweto and Mdantsane.
- The township of Khayelitsha was established in 1985 as a result of the Apartheid regime's legislation policy from the 1950s including: The Group Areas act, which prohibited Black Africans from living in the cities.
- Apartheid is over but its legacy is not. The population consists of approximately 90% Black Africans and 10% Coloured.
- The dominant language is Xhosa and is spoken by a large part of the estimated 500,000 – 1,000,000 inhabitants. Please note that the average level of English is rather high too.
- The currency is Rand: 100 Rand is approximately 60 DKK.
- Since the African National Congress (ANC) came to power in 1994, the ruling parties have claimed that business-, housing- and educational developments have increased considerably, and thus heightened the living standards accordingly. The people of Khayelitsha strongly dispute this claim and state that crime rates remain high, that infrastructure is still poor, and that improvements are very limited.

## 1.2. Facts about the People behind the Project (Christian)

### Christian Kolthoff

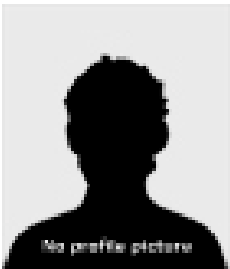


**Founder of Innovaid South Africa**

**Current Job position:** Founder of and CEO for praQtice

**Educations:** Cand.med.vet. and Executive MBA

### Erik Jul Nielsen

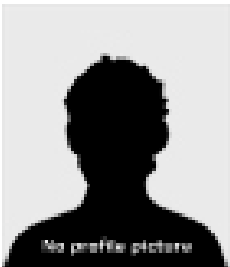


**Founder of Innovaid South Africa**

**Current Job position:** CEO for Egernsund Tegl

**Educations:** Executive MBA

### Nete Ramlau-Hansen

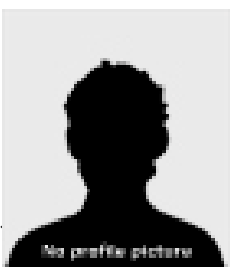


**Founder of Innovaid South Africa**

**Current Job position:** Board of Directors at Arctic Venture and Head of quality and development at Aarhus University Hospital

**Educations:** Cand.merc. and Executive MBA

### Mario Præstholt Riewertz



**Website, Graphic Design and Marketing Responsible**

**Current Job position:** Strategic consultant/country manager

**Educations:** AP in multimedia design & communication

Johan Burger

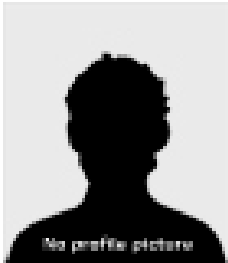


**Main gate and key person to South Africa, Khayelitsha**

**Current Job position:** Owner of his own company in South Africa

**Educations:**

Wolfgang Thomas

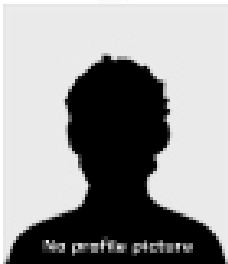


**In Charge of the Bottom Of Pyramid (BOP) Project**

**Current Job position:** Professor Extraordinaire at USB

**Educations:**

Nomsa Nkata

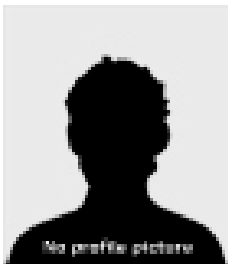


**Board member of Innovaid South Africa**

**Current Job position:** Entrepreneur and owner of SAMS

**Educations:**

Calvin Johannes



**Board Member of Innovaid South Africa**

**Current Job position:** Owner of "African End Tours and Safaris"

**Educations:**

## 2. Vision and Mission Statements

### 2.1. Vision Statement

The vision of Innovaid South Africa is to support creative innovative ideas and entrepreneurship in the township of Khayelitsha, through sponsorships provided by CSR-oriented business partners. Thus, higher and more equal living standards as well as opportunities for the entire township are striven for.

Sustainable solutions and growth must be initiated by strong, independent, local activities supported by cooperation, active participation, and education from the various partners. We believe that supporting the "good idea", no matter who you are, will create equality for opportunity and pave the fundament for a brighter future of Khayelitsha.

### 2.2. Mission Statements

The vision will be carried out under the following principles:

- Support innovation and entrepreneurship in Khayelitsha
- Awake latent business potential to make business life flourish
- Provide economical funding, practical knowledge, and education to the entrepreneurs of the township
- Maximization of governance to secure money flow, processes, business development etc. supported by trust and security of the BOP project
- Provide a CSR project that can be used for marketing purposes for sponsoring companies, while managing reputation risks for the partners involved
- Open up new business opportunities for sponsoring companies in the future
- Act as a meeting point for the e\*MBA team 2006 and potentially also the alumni association in order to gain an even stronger fundament of knowledge and funding

### 2.3. Goals and Objectives

- *2.3.1. On the South African side*
  - Keep control with the money flow to make sure that the money ends up in the right hands – all the way from the sponsors to the entrepreneurs in Khayelitsha
  - Secure that administrative costs are kept at a minimum
  - Secure, legally, that no taxes are paid or at least kept at a minimum
  - Mentor and educate the entrepreneurs continuously, so the money is well spent and invested in the most efficient and effective means to reach the end – an independent, autonomous and self-sufficient business.
  - Start up of micro-businesses with financial support (15 - 25.000 rand pr. project) plus mentoring:
    - 2 start-ups in January 2009
    - 7-10 start-ups during 2009
    - 7-10 start-ups during 2010
  - Monitor and track performances to get a clear cut view on the success rate of the project



- o Suggest corrections if necessary, but do not take control
  - o Learn from the experiences: seek opportunities and eliminate or minimise threats
- *2.3.2. On the Danish side*
    - o Create a brand equity based on social responsibility and quality of life
    - o Build a “communications package” including a website, marketing material, case stories and co-branding efforts from which the sponsors will benefit and obtain a large amount of “CSR-goodwill”
    - o Find and collect enough funding for carrying out the projects every year through old and new partners
    - o Secure that administrative costs are kept at a minimum
    - o Secure, legally, that no taxes are paid or kept at a minimum
    - o Make sure to inform sponsors on the project’s well being and success rate
    - o Be in constant contact with the partners in South Africa to keep updated and maintain a strong and close cooperation
    - o Use the project for a gathering of the e\*MBA alumni of 2006

### 3. Strategy in short

The strategic process will be emergent to a large degree. We will develop the core idea and extend it from there.

In the start up phase we will work on two crucial issues:

1. Setting up the initial business structure and plan in cooperation with our partners
2. Running a pilot project with two micro businesses (initiated in January 2009)

In March/April we will evaluate the pilot projects, revise the structure, and start working on a larger scale.

Sponsors will be asked to support a total of 100.000 DKK during 2008. Once we have evaluated the pilot projects and structure, we will prepare marketing material and apply for further financial support.

Further suggestion is to utilize the expertise to be created by Poul Rind Christensen to mentor and grow facilitators to act as local mentors. Professor Christensen and his IMEET students will be asked to set up the mentoring scheme during their stay in Cape Town in April.

It is an opportunity for new MBA groups to visit and follow up/advice already existing entrepreneurial projects. Support for this must be created in Denmark and linked with the formal alumni body of ASB.

In order to secure that the majority of the donations goes to the end user, we base the project on tapping into existing structures (organizationally and financially) and by primarily using voluntary workers

## 4. Product

The "product" of Innovaid South Africa is thus *the entrepreneurial projects/businesses* created through sponsorships from the partner organisations.

As this is not a typical "product", guidelines for identifying ideas with potential success must be clarified, in order to spread the financial seeds in the right places.

The number of projects will depend on funds made available and the number of projects that Innovaid can administer.

### 4.1. Criteria for Selection of Candidates – the project must:

1. Have business potential and viable chances of success
  2. be sustainable and have long term objectives
  3. be able to show results within the first year after receiving funding and mentoring
  4. be able to survive on its own
5. The idea *should* be able to provide a product or service from which everyone in the nearby society may benefit

### 4.2. Application Process

1. The two pilot projects and the first ones to follow, will be assessed and evaluated on the basis of personal dialogue and correspondences between the partners of South African and Danish committee. No doubt should remain about the fact that the businesses with the highest potentials are striven for, and therefore the choices of selecting the right businesses require special attention, cooperation, and investigation.
2. These cooperative efforts and communicative patterns will continue, but will be further structured and formalized explicitly as experience and expertise, within the areas of application and selection processes, will surface.

### 4.3. Decision Body for which Project to choose

1. A selection committee of Danish and South African partners will be formed in order to choose the right businesses while manifesting a continuous dialog and cooperative relationship.
2. After the South African part have received the applications from the entrepreneurs of Khayelitsha and evaluated the ideas, the recommendations and choices will be sent to the Danish part of the committee.
3. In Denmark a new round of evaluation will take place in order to secure agreement and coherent commitment. Should the two interconnected bodies be of the same mind, the choice has been made and the business idea chosen.
4. If any comments or disagreements will be present, the Danish and South African partners will enter into a common dialogue and come to a final solution fast on which ones to choose. Should this process be prolonged due to long term debates, the democratic voice of voting will have the final say.
5. The entire process will be supported by online-, written- and telecommunication

### 4.4. Process of Funding

1. The Communications Package must be developed and completed
2. Search for potential partner companies
  - A. Personal network

- B. Partners via second-hand contacts
- C. External organisations that fit the purpose
- 3. Contact the selected partners:
  - A. Market and sell Innovaid South Africa via the telephone to secure funds
  - B. Send an e-mail to inform and collect funding
  - C. send them further material and inform about the homepage → follow-up contact is needed
- 4. Make sure to get a written acceptance
- 5. Collect the funds via a common bank account number for Innovaid

#### 4.5. Process for Mentoring, Educating and Support

1. Find local mentors or educators
  - A. Inform them on the project and what Innovaid expects
  - B. Revise the material or their ideas on how to teach (will give a great insight and keep Innovaid in the process)
  - C. Conduct evaluations on their work the first couple of times
  - D. Improve their skills based on the evaluations
2. Teach the entrepreneurs about basic governmental rules and regulations, math, perhaps reading and spelling, how to secure a healthy business etc.

#### 4.6. Process for disengagement

1. Inform the entrepreneurs that they carry the main responsibility for *their* businesses
2. Make sure that the people are well educated and mentored when leaving them on their own
3. Ensure that the businesses are sticking to the idea and concept (although in an emergent way)
3. Motivate them to work hard and continue developing their businesses
4. Check up on them to secure that things are going in the right direction
  - Check ups will be less and fewer advices will be given
  - Advice them, but let them make their own decisions
5. Provide them with contact information in case of a crisis

## 5. Finance

e\*MBA Team 06 has given an indication of an initial support of approximately 200,000 – 300,000 Rand within 2008-9, approximately 120,000 – 180,000 DKK.

It is the intention that Team 06 will give further support each year. The first two pilot projects are the basis of which we will start to look for further financial support from other e\*MBA teams as well as external sponsors.

Following thoughts has been taken into consideration when looking at the financial setup:

- Administrative costs to be kept at a minimum
- No taxes should be paid
- We should not enter into competition with the South African banks - therefore, micro loans are not an option.

- The financial structure shall be highly transparent and with a high degree of control and governance

### 5.1. Bottom of the Pyramid (BOP)

Funds will be paid to the end-users (the entrepreneurs) and their mentors through a USB project called Bottom Of Pyramid or Base Of Pyramid. BOP refers to the largest but poorest socio-economic group in the world, typically living in developing countries. It is estimated that close to 4 billion people worldwide belong to this group. Although, being at the bottom in terms of income, there is no doubt that they are certainly not, when discussing innovative ideas, creativity and willingness to fulfil their dreams. BOP and Innovaid thus set out to support these people in order to secure that the settings and possibilities for taking it a step further from idea to action is present.

Businesses start to see great potentials in this huge segment as well as many recognized and respected theorists, who support the idea through extensive research and empirical findings. Several books and journal articles have been written on the potential market by members of business schools offering consultancy on the burgeoning market. This include "*The Fortune at the Bottom of the Pyramid*" by C.K. Prahalad; "*Capitalism at the Crossroads*" by Stuart L. Hart; "*Reinventing strategies for emerging markets: Beyond the transnational model*" by Ted London and Hart etc. Also the United Nations (UN) Development Program is taking part in contributing to the growing focus and opportunities on BOP.

In South Africa, the BOP project has been launched by USB through their Centre for Sustainable Enterprise in Africa, with 1 million Rand in seed capital from the Kellogg Foundation. The work is coordinated by a small team of USB senior academics with Professor Extraordinaire Wolfgang Thomas functioning as the Chief Operating Officer of the new centre. It enables multinational corporations to generate new opportunities at the base of the pyramid, the BOP protocol states. One of the centre's first objectives will be to identify suitable projects to support. It will work in partnership with communities to develop business models based on their needs, and be supported by Innovaid South Africa through our partnership.

## 6. Stakeholders

### 6.1. Denmark

- The Danish work group consists of three former e\*MBA students of team 2006. Christian Kolthoff (MD of praQtice International), Nete Ramlau-Hansen, and Erik Jul Nielsen (Vision hunter of Brighthead). All three members are doing this voluntarily in their spare time, in which time is a scarce resource. FJERN TITLER
- ASB is very interested in the project and have supported Innovaid South Africa by hiring a project manager, Jesper Kanstrup, to be in charge of the project. Also IMEET and professor Poul Rind Christensen at ASB is interested in playing an active role in the project.
- Following companies and private persons has indicated their interest in sponsoring the project: Egernsund Tegl, praQtice International, DONG, Bravida, Sandholm, Center for Virksomhedsudvikling, IDEA and Eva Glæsner (private sponsor).
- DynamicWeb has sponsored a CMS system for the website for free

- Anne Lücke Klindt from Aarhus Kommune (municipality authority) works with story development/articles free of charge.
- Mario Præstholt Riewertz from praQtice is doing website, graphic design and marketing for free.

## 6.2. South Africa

- Almost since the start up, the group has been in close contact with Johan Burger who acts as the organizer in South Africa. Through his contacts and network, he has been the main gate to the country. In the future, Innovaid will seek to establish its own network of contacts but still stay in touch with Johan Burger. This is due to the fact that he has his own business to run, which makes it hard to keep asking for his high commitment.
- Eon Smit, director of USB, Marietjie Wepener, director of marketing and communication, and Hennie Oliver, head of MBA study, have committed USB to the process. We can use their brand and ask for support from them and their staff.
- Professor Extraordinaire Wolfgang Thomas is heading the project Bottom Of Pyramid (BOP) based on a large grant from the Kellogg Foundation. He is a very busy man, but is willing to support the Innovaid project as much as possible. Wolfgang Thomas has got a PhD student that can invest some hours in the project as well.
- Nomsa Nkata is a female entrepreneur and owns her own small business called SAMS. She is highly involved in South African Women Entrepreneurs Network (SAWEN) as well as Business Women Association (BWA). She is willing to serve in the board together with Calvin Johannes.
- Calvin Johannes is owner of African End Tours and Safari's and has a huge network, including a lot of contacts in Khayelitsha through different sets of connections.
- Journalist Jesper Strudsholm lives in Cape Town and has provided us with a huge amount of information about South Africa and the people living there.
- For legal reasons partners of Danish expats are not allowed to work in South Africa. We have not investigated this further, but they may be a possible source of "administrative hands" for free.

## 7. Control and coordination in South Africa

- The project will be run through an existing programme called Bottom Of the Pyramid project, that is run by USB/UCT and managed by professor Wolfgang Thomas
- Khayelitsha business forum via the BOP
- If created, the Academy of Entrepreneurship can sustain mentoring and support (IMEED can provide support)